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PRESENT TRENDS IN COMMUNIST CHINA

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on 10 February 1959. Concurring were The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, The Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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PRESENT TRENDS IN COMMUNIST CHINA

THE PROBLEM

To assess the significance of the "great leap forward" and the commune programs, and their interrelation with the question of Mao Tse-tung's leadership, Sino-Soviet relations, and Chinese Communist foreign policy.¹

CONCLUSIONS

1. The Chinese Communist "great leap forward" program has been based largely upon a prodigious expenditure of man power. Although it is difficult to make precise assessments of Chinese Communist claims, it is our preliminary judgment that remarkable increases in production have actually occurred in 1958. In agriculture the increase was at least 10 and possibly as much as 20 percent. Industrial production in some sectors such as steel, coal, and machine tools may have been nearly double that of 1957, although the quality of some of the added output is probably poor and of limited usefulness. The present year will almost certainly see another substantial increase in total production. The rate of advance will probably not be sustained

after 1959, however, as some of the human and economic problems generated in this frenzied period begin to take effect.

2. Almost the entire countryside has been organized, in varying degrees, into communes. We believe that the recent party directive modifying the commune program, including the postponement of city communes, largely reflects the need for consolidation before pushing forward again. Although there has been considerable adverse popular reaction, there is little evidence of overt resistance. We believe that the regime's strong system of controls and demonstrated flexibility will enable Peiping to avoid either a repressive blood bath or a forced retreat from the communal experiment.

3. Mao Tse-tung's announced intention to resign his position as Chairman of the government has occasioned considerable speculation as to his position in the party. However, we believe his decision was not the result of any party disapproval of his

¹These questions will also be among those examined in more detail in NIE 13-59 (presently scheduled for June 1959), after more time, data, and analysis have been brought to bear than present circumstances permit. The judgments in the present NIE must of necessity be somewhat speculative and preliminary in nature.

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leadership but was motivated, as officially announced, by his desire to concentrate his efforts upon policy problems and Communist theory. As Chairman of the party he will still be number one man in the country.

4. Although the leap forward and commune programs have caused some new frictions in Sino-Soviet relations, these frictions are highly unlikely to threaten Sino-Soviet solidarity against the Western world.

5. There is no firm evidence as to the precise interrelation of Communist China's domestic and foreign adventurousness during 1958. Both appear to be facets of a drive to speed up revolutionary Communist processes. Although Peiping probably estimated that the activation of the crisis in the Taiwan Strait would be useful in rallying the people to the leap forward and commune programs, we do not believe that this was the primary motive in activating the crisis.

6. The US and GRC response and world reaction during the offshore islands crisis may have had some tempering effect on Peiping's general foreign policy thinking. Less stress is being given to the alleged weakness of the US and more emphasis

placed on the "peaceful" and "reasonable" nature of Chinese aims and policies in Asia. These considerations by no means preclude a forceful Chinese Communist move, especially one in response to some target of opportunity.

7. There has already been some adverse Asian reaction to the social costs of the leap forward and commune programs. If these programs fail dismally, communism will tend to be discredited in Asia, and Communist China's ability to influence other Asian governments will be reduced. However, anything short of a major failure in these programs will still leave the regime in the position to exert heavy pressure on its neighbors. If these programs succeed, fear of Communist China will grow in South and Southeast Asia, thus making it more difficult to prevent small neighboring states such as Cambodia and Thailand from accommodating to Chinese Communist demands. Success will significantly augment the confidence of Peiping's leaders in their ability to press rapidly toward their goals, both domestic and foreign, and will strengthen their belief that basic Communist principles provide the only guide to those goals.

DISCUSSION

I. INTRODUCTION

8. The dramatic events of the past year in Communist China may have greater long-term significance for China's domestic and foreign policies and for its role in the Bloc than any other domestic development since the Communist acquisition of power in 1949.

9. The already rapid pace of economic development was suddenly greatly accelerated in

a "great leap forward" program which sought a fuller mobilization of Communist China's vast, underdeveloped labor potential. This involved important modifications in its established economic pattern, which was originally based on the Soviet model. A far-reaching social revolution was undertaken which in scope and audacity dwarfed previous Communist efforts in China or elsewhere and sought to create the commune as the primary

unit of economic, political, and social organization of the state. These vast programs were accompanied by assertive ideological claims, greater manifestation of self-confidence, and a general truculence in foreign policy which included the initiation of the serious crisis in the Taiwan Strait. Later in the year it was announced that Mao Tse-tung, while remaining head of the party, intended to step down from his post as Chairman of the government.

10. The unrestrained and almost explosive manner in which the leap forward movement and especially the organization of the communes developed came as a surprise to the world. In the years preceding 1958 the regime had achieved considerable success with its various programs. Control over most of the country had been firmly established; the goals of the First Five-Year Plan (1953-1957) had generally been met or exceeded; GNP had been increased at an average rate of about 7 to 8 percent a year; organization into rural collectives and the socialization of industry and trade had been accomplished with speed and relative ease; Peiping's special status and important role in the Bloc had been recognized and China's position in Asia had been greatly strengthened. While some economic and political difficulties had emerged in 1956 and 1957, the potential for economic growth appeared favorable and there was no serious threat to the regime's stability. To men less ambitious than Peiping's rulers this general record of successful achievement might have dictated a continuation of established and proved policies.

11. Instead, the past year produced radical innovations. Though moderated somewhat at year's end, these innovations highlight Chinese Communist leadership's seriousness with respect to Communist doctrine, the compulsion to push forward in "uninterrupted revolution," and the establishment of a modern industrial economy. If the leap forward and commune innovations succeed over a period of time, they could transform China into a George Orwellian society and accelerate Communist China's progress toward becoming a major world power.

II. THE "GREAT LEAP FORWARD" AND THE COMMUNE² PROGRAMS

A. Motivations for These Programs

12. *The Leap Forward.* The principal source of this ambitious program was almost certainly a growing belief within the Chinese Communist leadership that the existing framework of economic planning was not achieving optimum results, despite rapid gains in some fields. This belief apparently developed during 1957 as the regime was coping with dislocations resulting from the unbalanced economic program in 1956. The party was also seeking a means of demonstrating that its slogan of "relying on the masses," strongly emphasized during the 1957 rectification campaign, could be translated into concrete results.

13. From the 1957 re-examination of the economic plans, the regime apparently concluded that the doctrinaire pattern of concentrating almost exclusively upon the development of large-scale heavy industry put excessive demands upon China's import capacity and technology and prevented the most productive use of China's resources. In the absence of substantial Soviet loans³ and with evident limitations on export production and markets, it was clear that the regime could greatly increase its domestic investment only through a program requiring a smaller proportion of imported resources.⁴ Though

²Also see Annex on communes.

³Past Soviet economic assistance was small in comparison to China's vast needs and consisted of repayable loans and guaranteed deliveries for large-scale projects rather than gifts. Since 1956 the Sino-Soviet trade balances have shown more goods going to the USSR than to China as the earlier Soviet loans were being paid back. This meant that the Chinese not only had to create their own capital for domestic economic expansion, but had to have salable surpluses for export in order to pay for purchases abroad and for debt servicing.

⁴A new Soviet economic agreement was signed on 7 February 1956, providing for the sale to China of technical services and equipment to the extent of 1.25 billion dollars for the period 1959-1967, to be paid for by Chinese exports. This suggests a continuation of the 1958 level (Footnote continued on page 4.)

the regime continued to foster the growth of heavy industry through giving priority for available imports and for the output of the domestic capital goods industry, it simultaneously poured great energy into a massive mobilization of rural labor for the expansion of agricultural production and the development of local industry.

14. The planners also recognized that agricultural production was the greatest weakness that had developed in the First Five-Year Plan. We estimate that it had increased about 13 percent, just about keeping pace with China's swelling population. The regime had found it difficult to expand its agricultural exports and to provide an ever growing supply of food and agricultural raw materials to the city. Moreover, in the face of population trends and limited farm resources, the ghost of Malthus had arisen to haunt the planners. At the same time they were becoming increasingly convinced that an intensified labor effort was the only way to increase agricultural production until they could afford to augment greatly the supply of chemical fertilizers and agricultural machinery.

15. Preliminary manifestations of the new mass-labor approach to these problems began to appear toward the end of 1957. In September the party stated that far greater increases in agricultural production could and must be made. Great labor corvees (reportedly totaling 100,000,000 people) were organized to spend their relatively idle winter days on vast rural programs, irrigation in particular. Columns of city workers, students, and other "volunteers" spent many hours a week in rural tasks, such as digging ditches and collecting organic fertilizer. There was increasing discussion of the possibility of expanding local industrial effort.

(Footnote continued from page 3.)

of Soviet deliveries of technical equipment and services, but, when compared with China's growing capital investment program, also suggests that China will be relatively less dependent on Soviet deliveries and technical advice than during the First Five-Year Plan period.

16. The 1958 economic plans announced in February were still surprisingly modest. However, as the results of the winter and spring drives became apparent, the regime showed mounting confidence and by the time of the party Congress in May the leadership officially launched the "great leap forward" calling for "greater, faster, better, and more economical" production efforts. A massive propaganda campaign was begun to kindle the enthusiasm of the party and people, complete with hyperoptimistic slogans such as "let one day equal 20 years." Leap forward production goals, sometimes raised to fantastic levels, began to appear in rapid succession.

17. *Communes*. To implement the new economic program, it was necessary to find a form of organization that would cut across the confining boundaries of the agricultural collectives and provide a unit strong enough to generate its own capital and utilize the available man power with maximum effectiveness. From 1956 onward there had been sporadic experiments in grouping cooperatives into larger units, and an accelerated trend toward such amalgamations occurred in a few provinces in the spring of 1958. One such unit in Honan, subsequently named the Sputnik commune, was cited as a model for the later commune drive. The characteristics of the new form of organization were: (a) all the Agricultural Producers' Co-operatives (APC's) of one *hsiang* (township) were combined; (b) the *hsiang* government was merged with the commune management and given control of virtually every activity, agricultural or otherwise, within its area; (c) the residue of private ownership was further reduced by expanding the scope of collectivization; (d) children were placed in public nurseries or schools and meals were eaten in mess halls, thus releasing the women from household duties to take part in the labor effort; (e) workers were organized along military lines and deployed to the fields or small industries.

18. The experiments apparently convinced the party leaders that they had at last found a means of organization which fully employed

China's labor supply—including even that of children and the aged—and which answered the economic needs generated by the leap forward undertakings. Accordingly, the intensive drive to organize the country into communes was suddenly launched in August 1958.

19. Ideological motivations almost certainly also played an important part in the undertaking of the communal experiment. The rectification campaign of 1957 had indicated that there was some feeling among Chinese Communist leaders that the revolution was losing momentum and that a significant new step toward communism was needed. The radical concept of the commune in one stroke hastened the achievement of socialism and even introduced some aspects of a pure Communist society. This may have satisfied a compulsive need for ideological advance by providing a new impetus to the social revolution.

20. Moreover, the centralization of all political, economic, and social authority in a single administrative unit and the militarized regimentation of all the members greatly ease the problem of continuous surveillance and physical control of every individual. The mass militia system within the communes abets these processes. The collective living aspects of the commune hasten the break-up of the family, the only remaining institution that can compete with the State and party for loyalty. Finally, the communal system of care and control of the citizen from infancy permits continuous indoctrination, and thus facilitates the regime's goals of raising a generation that is "red and expert" and of eventually molding the Chinese people in the image of "Communist man."

21. The strategic dispersal implications of the economic and political decentralization inherent in the commune system have also motivated Peiping. The Chinese Communist press has explicitly stated that the nation will be less vulnerable to disruption under the new organization should war come.

B. Developments to Date in the Leap Forward and Commune Programs

22. *The Leap Forward.* Although it is extremely difficult as yet to give precise assessments of Communist China's production claims,⁵ it is our preliminary judgment that remarkable increases in production have actually occurred in 1958. We believe that in agriculture the production increase over 1957, although far short of claims, is at least 10 percent and possibly as much as 20 percent. While aided by good weather, such an increase in a single year, considering the already intensive cultivation practiced in China, can also fairly be called a "break-through." In industrial output the physical volume may in most cases approach the published claims, but a considerable part of the increased production of such commodities as machine tools, steel, and coal is probably of poor quality and limited usefulness.

23. We believe that Communist China's statistics, particularly with respect to agriculture, have suddenly deteriorated during the past year. Foremost among the probable causes would seem to be the tremendous pressure upon all echelons to meet spiraling targets and the ardent desire of the leaders to prove to the world that communism in China is leaping. In addition, the tremendous statistical work involved in reporting the leap forward probably involved many new inexperienced personnel and new statistical practices, and the reporting from the thousands of primitive, local industries must have been highly irregular. These problems were further complicated by the sweeping administrative changes introduced by the commune

⁵ Some of these claims are as follows:

Commodity	Claimed 1958 Production *	Claimed Percent Increase over 1957
Steel	11	100
Coal	270	100
Machine Tools	90,000 units	220
Grain	375	100
Cotton	3.35	100
Petroleum	2.2	60
Electric Power	27.4 billion KWH	45

* In millions of metric tons except where specified.

program during the peak productive season. Lastly, we believe that party leaders feel that production figures must demonstrate that earlier and "gloomier". (If more realistic) targets have no place in Communist China's new and compulsive move forward.

24. *The Communes.* By early November Peiping claimed that 99 percent of the rural population had been organized into 26,500 communes, averaging about 4,750 households each. The available evidence indicates that the actual degree of communal organization achieved by that time ranged from little more than that of paper reorganization at one extreme, to a "Brave New World" sort of community at the other — with people living in barracks, the children reared by the community, and food, clothing, and most other necessities supplied by the state. As of January 1959, however, we believe that there is sufficient evidence to support the judgment that few of the communes are presently at either of these extremes. In any event the apparent speed of communalization is more credible when it is considered that a substantial part of the organizational base already existed. The *hsiang* unit into which the APC's were incorporated to form the commune was already in existence and various types of cooperation among the APC's and other economic organizations within a *hsiang* had already begun in late 1957.

25. The excessively radical features of some communes have been moderated by the Communist Party directive of 10 December 1958 calling upon the overeager organizers to take-it-easy with their "commandism." The directive and subsequent editorials have also warned the communes not to push too far in adopting the "free supply" method of remuneration and have ordered that there be some parental choice regarding the education of the children, a slower push towards barracks living, less overwork and more sleep, and a general correction of errors and abuses. This pattern of an extremist push, followed by a period of adjustment and consolidation is the usual one in Chinese Communist campaigns; it is probably misleading to read the adjustment phase as a sign of weakness or a change of heart by the regime.

26. The first, tentative efforts to establish communes in the cities ran into more serious problems. The sheer mechanics of organizing the complex, interdependent urban society into even partly self-sufficient units of manageable size proved overwhelming. In addition there was apparently strong resistance on the part of the city dwellers, which caused the Communist press to complain of "stubborn remnants of bourgeois thinking." As a result of these difficulties, Peiping has postponed the program for city communes.

27. The modifications decreed in December reflect, by the regime's admission, considerable popular dissatisfaction and passive resistance. To help cope with the problem of popular attitudes, the party has slowed down the implementation of some of the more radical social measures and has undertaken an intensive campaign of "socialist education" of the peasantry. These difficulties, however, do not appear to have been of sufficient magnitude to constitute any major hazard to the regime or its commune program.

C. Outlook for 1959

28. This year will probably see another increase in production only a little short of the achievements of 1958. The full mobilization of labor, effective over only a part of 1958, will continue throughout the year, and some of the less productive programs, including the marginal small industries, will be dropped. Agricultural output will fall far short of stated goals but still may increase significantly (assuming reasonably good weather). In industry many of the ambitious 1959 goals may actually be approached. Industrial output will be boosted as new plants continue to come into production, and light industry, in particular, will benefit from 1958's high level of industrial crops.

29. It is likely, however, that serious new problems will develop during the year. The chief ingredient in the remarkable upswing in production during 1958, the reserve of underemployed man power, has been about exhausted; there is presently no such remaining untapped reservoir of man power. Moreover, even the Chinese may not be able or willing

to continue the phrenetic pace of late 1958 indefinitely, a possibility perhaps already reflected in the December modifications of the communes and the expressed concern for such needs as eight hours sleep a day. The regime will face serious problems^a in allocating and distributing the rapidly increased output, and further strains will develop in the overloaded transportation system. Further difficulties will arise from qualitative defects in countryside production and shortage of administrative and technical skills. These may in part be compensated for by a continuance of the remarkable improvisation and local initiative that have been displayed in the past year, but the Chinese Communists probably will not be able to maintain the 1958-1959 rate of growth.

30. The inflated statistics of 1958 are probably going to cause trouble for the Chinese Communist leaders by the end of 1959. The problem will be particularly acute in agriculture, where the 1959 goal for basic food crops is almost half again as much as 1958's alleged achievement which in turn supposedly doubled 1957's production. The apparent absence of reliable statistics and the frequent changes in production goals raise serious questions as to Communist China's ability to make an economic plan which will not result in serious excesses in certain sectors and shortages in others. Furthermore, it will undoubtedly be difficult to maintain a program of limiting consumption in the face of the claimed large increases in food production.

31. Consolidation of the commune system will continue in 1959. Some of the extremes may be moderated, and some accommodations will probably be made to practicality and local conditions, but the regime will almost certainly attempt to continue to press this basic program without major change. Recognizing the magnitude of the program and the importance of this initial period, the party will undoubtedly devote much effort toward making the communes function as smoothly and efficiently as possible. While problems will

^aThese problems will be discussed in detail in NIE 13-59.

continue, we believe that the regime will generally be successful in maintaining its present course.

32. There will probably be sporadic active resistance, considerable passive resistance, and a variety of new political and sociological problems. The commune program had already produced a popular reaction that was partially responsible for the regime's slowing the pace before the end of the year, and the attack on the traditional family system may prove to be the most sensitive aspect of the communal revolution. However, this attack has been going on for almost a decade and past experience shows that Peiping has a good sense of what the traffic will bear and will probably continue to endeavor to adjust the pace so as to avoid serious disaffection. Given this flexibility and the regime's controls, we do not anticipate that there will be sufficient nationwide resistance to cause either a blood bath or a forced retreat from the communal experiment.

III. MAO TSE-TUNG'S POSITION

33. Mao's announced resignation from his post as Chairman of the government, to take effect this spring, has occasioned some speculation as to his position in the party, although he remains party chairman. It is conceivable that some of Mao's policies are under attack from within the party and a coalition of Mao's lieutenants may now be strong enough to challenge his leadership if they choose. There is evidence in the Communist press that there have been divergent opinions within the party during the past two or three years concerning the advisability of "Blooming and Contending," the degree of risk the regime should accept in pushing its foreign policy goals, and the optimum pace to be set for economic development. Moreover, the leadership is probably not unanimous on some questions of Sino-Soviet relationships, nor is it likely that there is complete agreement over ways to meet the current difficult problem incident to the leap forward and commune programs.

34. However, there is no evidence of a schism within the party, nor can we identify any group or clique which might be trying to oust

Mao from power. Instead, over the past year party statements have stressed Mao's important role in leading the party and in formulating major policies. The men in the best position to oppose him are the very ones who are most strongly associated with the currently dominant policies of the leap forward and the communes. Moreover, if a rising clique within the party had moved to supplant Mao in authority, their logical course would have been to remove Mao from his controlling post as party leader and retain the advantage of his popular prestige and symbolic value by keeping him in the post of Chairman of the government.

35. Therefore, we believe it more likely that Mao himself has taken the initiative in resigning his government post. He probably desires more time to consolidate his leading position as a Communist theoretician and to work on the manifold domestic and foreign problems facing the regime. Mao has apparently been on record for at least a year as planning to relinquish his chairmanship. The inherent powers of the government chairmanship are not great, and its importance is largely symbolic, so Mao is not sacrificing any significant power by relieving himself of the time-consuming ceremonial demands of the office.

36. Communist Chinese leadership would probably be little affected by Mao's resignation from the government chairmanship. He will almost certainly continue to be the boss of the party and of Communist China. There is no conclusive indication as to his successor as government Chairman, though it seems likely that this post will be filled by some respected but lesser figure in the hierarchy who is not a potential heir to Mao's party leadership.

IV. SINO-SOVIET RELATIONS

37. Even though the USSR has always accepted considerable ideological variations in Chinese Communist domestic practices, the very facts of Chinese departures from the established Soviet economic pattern and particularly of the communal organization of society constitute challenges to Soviet doctrinal

leadership. Moreover, the peremptory manner and the ideological assertiveness with which the Chinese launched their commune program almost certainly caused the Soviet leaders considerable annoyance. Moscow may be perturbed by the unsettling effect within the Bloc of the rapidity and sometimes unpredictability of Peiping's domestic moves in the last two years: the "contradictions" thesis, rectification, "100 flowers," the antirightist drives, the leap forward, and the communes.

38. On the doctrinal level, certain Chinese claims in August and September strongly suggested that Peiping thought that the CPR was progressing at a more rapid rate than the USSR toward pure communism and implied that Peiping had discovered the proper way of getting there. The somewhat improvised features of the new Chinese industrialization schemes almost certainly create problems for Sino-Soviet trade negotiations, Soviet allocation of deliveries to China, the Bloc economy as a whole, and the degree of economic leverage the USSR can exert on its ally. Also the rural emphasis of the Chinese programs may compete, in underdeveloped countries within and without the Bloc, with more orthodox Soviet schemes for the rapid industrialization of society.

39. The communes have received a very cool Soviet reception. Moscow's commentaries have given the impression of downgrading the significance of the undertaking. Khrushchev and Mikoyan have openly noted that the USSR's experiment with communes failed due to lack of economic incentives. The Soviets have re-emphasized their own rapid advance toward Communism and have pointedly stressed the importance of a high level of economic productivity as a requisite for this transition.

40. The dominant reaction to the communes in Eastern Europe has also been cool. There has been sentiment, especially among the Poles, to the effect that the commune program "proves" that the Chinese are "hard" Communists and are pushing Moscow and challenging it for ideological headship of the Bloc. Some Satellite Communist leaders are

reportedly aghast at the communal overturn of Chinese society. Only in Bulgaria has there been any apparent acceptance of the commune idea, and even in this case the Bulgarian response may be a reflection of maneuvers for power within the party leadership.

41. The Chinese Communists are probably miffed at the obviousness of Soviet displeasure. But in the interests of Sino-Soviet unity, as well as for domestic reasons, they have backed off from their initial ideological assertiveness of last fall which carried the clear implication that Peiping was overtaking Moscow in achieving communism. The Chinese Communists now stress that substantially more progress in production, requiring many years to accomplish, will be necessary before China achieves communism. As a further gesture to unity the Chinese Communists have recently given strong public support to the USSR's own claims that the Seven-Year Plan will accelerate progress toward communism within the USSR.

42. The leap forward and the commune programs could cause difficulties, some of a serious nature, for Moscow over the long term. If these programs fail, communism will to some degree be discredited in the underdeveloped world, and if they dismally fail, China's economic chaos may have a seriously disrupting effect on the Bloc economy and on Sino-Soviet relations. Conversely, if the programs succeed, they will contribute to a growth in Communist China's capability for independent action and a relative weakening of the Soviet position as the ideological leader of world communism.

43. However, we doubt that Sino-Soviet frictions arising out of China's undertaking the leap forward and the communes will loosen the cement of common world aims and common enemies. Khrushchev, while perhaps occasionally annoyed by Peiping's moves, is realistically tolerant of Peiping's freedom of action. We do not feel that Mao, for his part, will attempt to make his doctrines, or China, uppermost in the Bloc. At the XXI Soviet Party Congress, both Khrushchev and

Chou En-lai have stressed in unequivocal terms the "unbreakable solidarity" of the two countries, noting specifically that attempts to split this alliance will fail. And on 7 February, immediately after the close of the Congress, the USSR and Communist China announced their nine-year economic agreement.

V. FOREIGN POLICY

44. There is no firm evidence as to the precise interrelation between Communist China's domestic and foreign adventurousness in 1958. Both were facets of an apparent compulsion to speed up revolutionary Communist processes. Peiping probably estimated that the activation of the crisis in the Taiwan Strait would be useful in rallying the people to the leap forward and commune programs. However, we do not believe that domestic considerations were the primary motivation for China's foreign policy aggressiveness during the year.

45. The basic cause of Communist China's truculence in 1958 seemed to be a mixture of confidence and impatience: confidence in the Bloc's strength and what China's leaders felt was the West's disarray, and impatience to accelerate the process of a world revolution which had not as yet brought Communist China the tangible foreign policy rewards which these leaders apparently believed were due their country as a major power. The assertiveness which has marked Communist China's attitude from about the time of the 40th Anniversary proceedings in Moscow in late 1957 was apparently stimulated by rapture over recent Soviet advances in science and weapons technology, and by belief that Communist China faced the West in an area where the West is less powerful and less united and possibly less determined than it is elsewhere. Overt expression of impatience was directed to the Republic of China's continued control of Taiwan and the offshore islands, US influence in the Far East, the development of "two Chinas" sentiment in the world, and the representation of China in the UN by the Taipei Government. We

continue to believe⁷ that this mixture of confidence and impatience, together with a Chinese Communist belief that the time was ripe and that there was not much to lose by probing, was chiefly responsible for Peiping's initiation of the Taiwan Strait crisis.

46. The US and GRC response and world reaction during the offshore islands crisis may have had some tempering effect on Peiping's general foreign policy thinking. Less stress is being given to the alleged weakness of the US and more emphasis placed on the "peaceful" and "reasonable" nature of Chinese aims and policies in Asia. These considerations by no means preclude a forceful Chinese Communist move, especially one in response to some target of opportunity. Chinese Communist policy may continue to resemble something we might call "aggressive flexibility"; that is, the use of greatly varied tactics, soft or tough as the situation may indicate, but with a readiness to push to a considerable degree if necessary or opportune.

47. Specifically, it is possible that Peiping might again encourage and support more forceful action by local Communist groups in such areas as Laos, Vietnam, and Indonesia. In the event of Thai or Vietnamese hostilities with or attempted overthrow of Prince Sihanouk in Cambodia, Peiping might respond to an invitation to guarantee Cambodia or to send volunteers. China is probably prepared to continue firm economic pressures against Japan, Malaya, Hong Kong, and Macau to achieve political objectives. Communist China will probably also continue sporadic military pressures in the Taiwan Strait, such as shellings, occasional naval and air sorties,

⁷See SNIE 100-8-58, "Probable Developments in the Taiwan Strait Area," and SNIE 100-12-58, "Probable Developments in the Taiwan Strait Crisis."

and periodic reminders to Taipei of Chinese Communist military capabilities. Moreover, the possibility should not be overlooked that Communist China might undertake major military action in the Taiwan Strait area.⁸

48. In any event, the leap forward and commune programs will henceforth have considerable relevance for Communist China's foreign relations. There has already been some adverse Asian reaction to the social costs of the leap forward and communes. If these programs fail dismally, communism will tend to be discredited in Asia, and Communist China's ability to influence other Asian governments will be reduced. Taipei will be encouraged to think again of an early return to the mainland. However, anything short of a major failure in the leap forward and commune programs will still leave the regime in a position to exert heavy pressures on its neighbors. If the leap forward and commune programs succeed, fear of Communist China will grow in South and Southeast Asia; and at the same time there is likely to be increasing dissatisfaction within these nations with the relatively slow rate of economic progress made by their regimes. Communist China's growing strength would make it more difficult to prevent small neighboring states such as Cambodia and Thailand from accommodating to Chinese Communist demands. Success will significantly augment the confidence of Peiping's leaders in their ability to press rapidly toward their goals, both domestic and foreign, and will strengthen their belief that basic Communist principles provide the only guide to those goals.

⁸Analysis of probabilities in the Taiwan Strait area is being specifically covered in SNIE 100-4-59, "Chinese Communist Intentions and Probable Courses of Action in the Taiwan Strait Area."

ANNEX

THE CHINESE COMMUNIST COMMUNE

A1. The commune as it is developing in Communist China is a radical system of reorganizing society into giant, semiautarkic cells entailing the highest degree of regimentation of human life that has been seen in modern times. The communes have simplified and unified local administration and have proved to be an effective means of exploiting the labor potential of the countryside. As party Vice-Chairman Liu Shao-ch'i said, on 28 December 1958: "Everybody knows that the people's communes are no longer simply organizers of production among the people. They are organizers of the life of the people."

A2. *Background of Communalization.* The agricultural program of the Chinese Communists has undergone a series of drastic changes since the regime gained control of the country in 1949. The first stage was the violent campaign of land reform, which by 1952 had largely stripped the landlords and the more well-to-do peasants of their land and parcelled it out among the poor peasants. Mutual aid teams quickly followed, and the first tentative moves toward co-operativization were begun. At Mao Tse-tung's direction in the summer of 1955, the movement toward co-operatives and "higher co-operatives" (collective farms) began, and before the end of 1956 nearly all of the peasants in the country had been swept into APC's.

A3. The APC's were not popular with the peasants nor were they producing sufficiently to satisfy Peiping. In 1957 a number of APC's dissolved and many more showed signs of wanting to follow suit. The party tried numerous modifications to stabilize the program, including a directive in November 1957 to reduce the size of the APC's to an optimum figure of about 100 families. This, of course, was a move in exactly the opposite direction

from that which was to be followed in the commune program just nine months later.

A4. As a somewhat parallel development, there were also a few state farms in operation in which the land was owned by the state and the peasants had the status of wage-earning employees. As late as February 1958, Chinese Communist propaganda was still referring to the state farm as the highest form of agricultural organization. This situation also was reversed by the August 1958 announcement on communes, which proffered the commune as the ideal and ultimate form of organization.

A5. Thus the idea of the communes, which began to take shape in early 1958 and became the official and universal policy in August, constituted a decided change in the party line. It was also a drastic change for the millions of peasants who had seen their lifelong dreams of becoming landowners so briefly gratified only six or seven years before.

A6. *The Form and Functioning of the Commune.* Although 99 percent of the peasantry were reportedly herded into communes by November 1958, the movement is still in a state of flux, and it is difficult to generalize upon their characteristics. The discussion that follows attempts to emphasize those characteristics which appear to be most general and most typical.

A7. By the end of 1958 the commune usually coincided with the *hsiang* boundaries and incorporated all of the former APC's of the area. In the year or so preceding the communalization program, there were many mergers of *hsiang* and the number had been reduced from 117,000 to about 25,000. The *hsiang*-sized communes in October 1958 averaged 4,778 households each. The economic and administrative machinery of the APC's

was completely amalgamated with the political machinery of the *Hsiang* to form the administration of the commune. Thus, all political, social, and economic responsibility and control is lodged in the commune. This largely eliminates the tangle and overlap of responsibility and authority which formerly prevailed at the local level.

A8. Eventually, there may be a move toward the *Hsien* (county) as the proper size for the commune. There were about 2,000 *Hsien* in October, but there is some evidence that these will be merged so that eventually there will be about 1,000 *Hsien*-sized communes averaging over a half-million members each and largely self-sufficient except for some heavy industry and products that are restricted by geography.

A9. Within the commune, the labor force is organized along military lines into brigades, battalions, companies, and various subunits. Their organized man power is disposed of under the direction of the commune chairman and the various functional departments under which the commune is operated. Work teams of appropriate size are sent out to labor in the fields, or on industrial production, or in public works, as the occasion demands. The commune provides labor not only for its own projects but also for such national projects as come within their range. For example, apparently all of the grading and roadbed work for the new second track of the Tientsin-P'u-k'ou railroad is being done by the communes, each commune building the part that passes through its territory. Within a single commune the system of organization makes it possible to call labor teams off other jobs and quickly concentrate thousands of workers upon such a major project.

A10. Not only is the work hard, but the hours are long, days off are few, and everybody works. The social services of the commune are designed to increase the labor power of the unit. The creches and boarding schools for children, the drab communal messes, and the community housecleaning teams all serve to free the housewife for productive work in the fields, mines, and workshops. The "happy homes" into which the aged are segregated

make it possible for teams of old folks to put in productive days doing work within their physical capabilities. The school children spend a part of the day — or sometimes a full semester — at labor, and even the preschool tots contribute by spending an hour or more per day pulling weeds or swatting flies.

A11. Even this extensive and intensive utilization of the available labor potential has not been sufficient to perform the accumulation of tasks that has developed upon the communes. Although agricultural production is acknowledged by the party to be "the central task of the people's communes at the present time," the recent drive to fulfill steel production goals and public works projects appears to have usurped some of the peasant labor urgently needed in autumn harvesting and cultivation work. Some food crops have spoiled in the fields and some cotton was not picked on time, and there were other signs of labor shortage.

A12. One of the typical and most controversial characteristics of the commune is the system of payment to the members. One important change from the practice of the APC's is that wages for labor performed are paid directly to the individual instead of to the head of the family. This is one of the ways in which the family unit is being attacked. The focus of attention in the Chinese Communist press, however, is the practice of giving the commune member his share of the communal income partly through wages and partly through what is called "free supply." Wages are paid to the individual on the principle of "to each according to his work." The system of "free supply," representing the principle of "to each according to his need" consists, usually, of the public mess, some degree of public housing, clothing, and communally provided medical care, weddings, and funerals. The "free" aspects of these goods and services, which are much publicized, do not necessarily mean that wages are any greater than before. How to retain the economies and the ideological advances derived from the "free supply" system while keeping the wages important enough so that their fluctuations can be used as an effective work incentive is one of the problems worrying Peiping at present.

A13. For the commune as a whole the following priorities for the distribution of income have been established: a guaranteed share of net income for the state budget, a sizable common reserve fund for the commune, and the distribution of the remaining product to members of the commune. The combined revenue from agricultural, industrial, and commercial activities in the rural areas is now collected by the communes. After certain administrative and operating expenses formerly paid local government authorities are deducted, the quotas for payment of taxes and profits into the budget are met, and the remainder is placed in the commune reserve funds.

A14. Common funds will be established, as formerly in the APC's, to be used primarily for the expansion of production. The ability to accumulate large sums of capital for investment in agricultural, industrial, and construction activity is one of the main advantages claimed for communes. Public welfare funds are not to exceed five percent of total commune income.

A15. Education is a responsibility of the commune. In the larger communes this now extends beyond the secondary school level and this will presumably be the universal practice when the enlarged Hsien-sized communes are developed. Thus the commune will control

the education of its members from birth to burial. Uniformity of educational content among the communes and proper adherence to the Communist line will be assured by party control.

A16. An essential feature of the commune movement is the militia — "everyone a soldier." This was organized in a crash campaign that coincided with the Taiwan Strait crisis and was partly justified in propaganda by the warning that the country must be prepared to meet "US aggression." The main role of the militia program may, in fact, be nonmilitary, since it can substantially assist in the creation of a general atmosphere of militancy and discipline which the Chinese Communists desire. The militia may also be of real value in time, however, as a vast system of semitrained military reserves designed, as the 10 December party resolution stated, to "cooperate with the People's Liberation Army and at any time replenish it."

A17. All of the plans and operations of the communes are, inevitably, monitored and guided by the Communist Party. The party organization generally parallels the organization of the commune down to at least the level of the labor company. This tends to simplify party control and to streamline the lower-level organization of the party as it does that of the local government and economy.

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