

July 2, 1959

**Report, State Committee on the USSR Council of
Ministers on International Economic Ties, 'On the
Present Economic Situation in the People's Republic
of China'**

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Summary:

Soviet report on the PRC's economic situation. Notes that the expectations for Chinese economic growth were set too high, and records Chinese food rations.

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Secret

State Committee on the USSR Council of Ministers on International Economic Ties [GKES], 2 July 1959

To the Central Committee

I am sending a report on the present economic situation in the People's Republic of China, as prepared by the Department of Economic Cooperation with Socialist Countries of GKES.

Attachment : As mentioned on 7 pages.

Chairman of the State Committee S. Skachkov

On the Present Economic Situation in the People's Republic of China

Starting from the economic results obtained in 1958, the Chinese friends originally planned to continue at a high rate of economic development. Compared to 1958, growth was foreseen at 41% for steel, at 62% for coal, at 26% for capital investment, etc.

However, as the Chinese friends admit, the economic plan for 1959 was set too high, since it was made without taking into account objective conditions and the real capacities of the country and without adequate analysis of the results of 1958. During the realization of the "great leap" already in 1958 serious difficulties and imbalances among various branches of the economy appeared. These include the backwardness of the electric, metallurgical and, especially, transport [sectors], a sharp decline in the quality of industrial production, a tense situation in food and product provisioning.

[The gradual discovery that the economy was not doing well is detailed in many sectors.]

The norms of provision of deficit goods, one must say, are very tough. In Beijing, for example, cooking oil is rationed at 330 grams per month. Cadres get 500 grams.

Meat rations are set this year at 500 grams per month. Sugar is provided at 500 grams per month for a three-person family. Soap is at one piece per month per family, and cotton cloth is at 8 meters per person per year.

In accordance with the decisions of directing organs, a lowering of existing norms of grain provision is planned. It will be carried out on a voluntary basis, with agitational work carried out by street committees ...

Department Head for Economic Cooperation with Socialist Countries G. Sheviakov