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NO. 74

DATE: 1 November 1949

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OFFICE OF REPORTS AND ESTIMATES, CIA
FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 74
26 OCTOBER to 1 NOVEMBER 1949

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Failing all other alternatives, Nationalist General PAI Chung-hsi may attempt to evacuate his forces into Indochina - an action which could have the most severe repercussions on the French position there (p. 2).

Communist guerrillas in the Republic of Korea have been active in recent weeks despite large-scale Army countermeasures. A recent successful rice raid may indicate guerrilla plans for a winter offensive (p. 3).

President Quirino is apparently assured of reelection next week, although his margin of victory will be slim. Violence can be expected both at the polls and in the three weeks required to count the vote (p. 4).

(NOTE: Section III contains a summary discussion of the formation and structure of the "Central People's Government of the People's Republic of China", in continuation of the study which discussed the PRC State Administration Council in last week's issue.)

The marginal notations used in succeeding sections of this Weekly ("A", "B", and "C") indicate the importance of the items in D/FE opinion with "A" representing the most important.

~~SECRET~~

-2-

SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

GENERAL

Chinese Nationalists may flee to Indochina--There have been recent indications that the last sizeable organized Nationalist force - some 90,000 troops under PAI Chung-hsi - may attempt a withdrawal into Indochina in order to avoid annihilation, should no adequate formula for surrender to the encircling Communist armies be found. Although PAI may capitulate or abandon his armies and seek refuge abroad rather than flee China with his troops, he must for the present keep his force intact, since it represents his only worthwhile bargaining point with the Communists.

"A"

Having suffered badly in the retreat from Hunan, PAI is being maneuvered into a withdrawal towards the Nanning area of southern Kwangsi, near the Indochinese border. Since he probably cannot hold a front in that region, he is faced with the alternatives of retreat further west to Yunnan, an amphibious withdrawal to Hainan Island or the crossing of the Indochinese frontier. PAI is unlikely to be welcomed in Yunnan and the impending loss of the coastal ports necessary to a Hainan withdrawal leaves him - should he chose to remain with his troops - with a choice of surrender or retreat to Indochina. PAI's associates have been reported to be actively exploring this latter alternative.

Should PAI enter Indochina, it is unlikely that he will find friends. The Vietnamese resistance leader, Ho Chi Minh, has strongly indicated that PAI's forces would not be welcome, despite the apparent advantages that would derive from the resultant trouble and confusion. The French, in turn, realize that PAI's presence - at their "invitation" or otherwise - would be extremely damaging to their cause. French approval of the move would allow the resistance to play upon traditional Vietnamese hostility towards the Chinese: French rejection would demand the use of force in the very area where the French military position is the most critical or, alternatively, a staggering loss of face, should PAI enter unopposed despite French protests.

Worst of all from the French viewpoint is the fact that PAI's entry would provide the pursuing Chinese Communist forces with a ready-made excuse for "punitive" entry into Indochina themselves. The pro-Communists among Ho Chi Minh's followers could be expected to "welcome" such "liberating" Chinese forces, come to drive out the "oppressing" PAI. Direct materiel support of the Vietnamese resistance by the Chinese Communists, furthermore, would almost certainly assure the expulsion of the French from North Vietnam, if not from all of Indochina.

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-3-

NEWS NOTE

Sterling slash makes Malayan ore Japan's best buy--Devaluation of the pound has dropped the price of Malayan iron ore to a level at which Philippine mines, chief suppliers to Japan, cannot compete at present. For the year 1950, Malaya apparently can supply some 800,000 tons of iron ore to Japan.

SCAP estimates that Japan will need to import 1,800,000 tons of iron ore during 1950. China had been contemplated as a source of a substantial part of the Japanese requirement. In view of the uncertainty that Chinese ore will be available, however, Japan probably will welcome an anticipated 800,000 tons of Philippine ore, regardless of price.

KOREA

Increased guerrilla activity--In the strongest raid of recent date, 300 Communist guerrillas armed with carbines and light machine guns attacked Chinju, near the southern coast of Korea - a city of approximately 90,000 and headquarters of the Korean Marine Corps - early in the morning of 27 October. Before being driven out of the city, the guerrillas destroyed a Marine barrack and buildings in the city and captured 6,000 sacks of rice, 388 pairs of combat boots, and a few weapons. "B"

Guerrilla units ranging in strength from 50 to 300 men have continued to operate against small towns, villages, and communication lines during September and October, despite the "fall offensive" of three Korean Army Task Force units. Apparently guerrilla losses are being balanced in part by forced recruiting in southern Korean villages and in part by a constant influx of guerrilla school graduates from the northern puppet republic.

The primary purpose of the raid on Chinju appears to have been the seizure of rice supplies for guerrillas operating from the nearby Chiri mountain area - an action which tends to substantiate recent reports that the guerrillas have received instructions from the north to mount a "winter offensive." Traditionally, the difficulty of obtaining food and living in the mountains during the winter has forced the guerrillas in Korea to stay under cover and refrain from major operations during winter months. It now appears possible, however, that northern Korean strategy dictates sustained guerrilla operations during the coming winter months so as to force a continued diversion

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-4-

of southern Korean Army troops to duty away from the Thirty-eighth Parallel. Any further large-scale guerrilla raids for rice stocks may be taken as indications affirming this conclusion.

CHINA

NEWS NOTES

US Consul General Ward in Mukden and four of his staff members, charged with assaulting a Chinese employee, may be brought before a Communist 'People's Court', found personally guilty of 'imperialist aggression', and expelled from China. The incident may be employed as justification for prohibiting US consular offices anywhere in Manchuria even if the US recognizes the PRC.

The North China People's Government, the first such regional regime established by the CCP, has been abolished. The five provinces and two municipalities which it formerly administered have been placed under the direct administrative control of the "Central People's Government" in Peiping.

British warships, operating in the Yangtze estuary, have released one British merchantman held by the Nationalists and escorted several others until they were within Chinese territorial waters. Meanwhile, another Isbrandtsen vessel - US registry - has succeeded in entering Shanghai after ignoring orders of a Nationalist gunboat.

PHILIPPINES

Election forecast--Liberal Party candidate Elpidio Quirino can be expected to win the 8 November presidential election by a slim plurality over his nearest rival, Jose Laurel of the Nacionalista Party. The third presidential candidate, Jose Avelino--leader of a faction which split from the Liberal Party last spring--has no chance of being elected, but the votes he wins will weaken Quirino. The simultaneous congressional elections will result in increased Nacionalista strength in both houses. Although control of the Senate is unpredictable, Quirino will retain a majority in the House of Representatives.

"A"

President Quirino has waged a defensive election campaign, based principally upon his administration's alleged competency, his Huk program (which claims exposure of the "revolutionary" character of the movement), his foreign policy (with emphasis on his Pacific union project), and his contention that he is preferred by the US over Laurel. Quirino's strength is derived from: (1) control of Government machinery

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-5-

(including broad appointive powers and possession of the "pork barrel"); (2) the support of the Philippines' largest and wealthiest political machine; and (3) the widespread belief that the US prefers him over his rival, Laurel. Quirino's weaknesses stem from a notoriously corrupt government and his failure to rid the country of lawlessness.

The Nacionalista standard-bearer, Jose Laurel, is one of the most astute politicians in the Philippines and an ardent nationalist who served as president of the puppet republic during the Japanese occupation. He has great popular appeal and his campaign has vigorously challenged every claim made by the Quirino administration. Laurel has promised to provide a strong, honest government capable of giving security at home and of inspiring respect abroad. President Truman's recently reported press statement that US friendship for the Philippines would continue regardless of the outcome of the election has probably not destroyed the general belief that the US prefers Quirino, but it will undoubtedly shift a large bloc of the floating vote to Laurel.

The campaign has already been accompanied by scattered incidents of violence, and additional bloodshed is anticipated during the election and for three weeks thereafter, while the vote is being tallied. Irregularities will be committed by all three parties and determination of the final results may be delayed indefinitely by electoral disputes.

S. E. A. NEWS NOTES

The India Bureau of TASS, official USSR news agency, is now being represented in Burma by a newly-organized "People's Literature Committee," of which the General Secretary of the Burma Socialist Party, U Ba Swe, is president. The new Committee is reported to be associated with the People's Literature House in Rangoon, which is known to have been established and largely financed by the Communist Party of India. This development serves to confirm B Swe's extreme leftist proclivities and raises questions as to the future orientation of the Socialist Party in its relations with the anti-Communist government it presently supports.

The Dutch and Indonesians have reached virtual agreement on all problems at The Hague within the last few weeks. A constitution for the federated "Republik Indonesia Serikat" has been accepted by the Dutch as well as by 15 of the 16 groups which will constitute the new sovereign government. The concluding plenary session of the Round Table Conference is scheduled to be held on 2 November, by which time all minor points of disagreement are expected to be resolved.

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-6-

SECTION III. "PEOPLE'S REPUBLIC OF CHINA"

On 1 October, the "Central People's Government of the People's Republic of China" (PRC) was formally proclaimed by MAO Tse-tung, Chairman of the Chinese Communist Party and newly-elected Chairman of the PRC. CHOU En-lai, popularly regarded as a comparatively "pro-western" Chinese Communist leader, was named Premier and took the post of Foreign Minister as well.

The new government was formed by the Communist-dominated Chinese People's Political Consultative Conference (CPPCC). During its plenary session (21 - 30 September), the CPPCC enacted the basic statutes of the government and elected the high officers and members of the supreme policy-making organ, the Central Government Council. The CPPCC, comprising 662 delegates from more than 40 political, social, regional, and occupational organizations, will represent "popular will" (exclusive of "reactionaries"), until an "All-China People's Congress" is elected by universal suffrage in the future. The CPPCC will then become a sort of extra-governmental political advisory body.

The Organic Statute. The two most important documents passed by the CPPCC are the Organic Statute of the Central People's Government and the Common Program of the CPPCC. The Organic Statute sets forth the organization of the Government (see chart), showing the heavy concentration of power in the Central Government Council and its primary executive arm, the State Administration Council. In both these bodies, Communist Party members constitute nearly half the membership, so situated as to assure total Communist control. From these two sources of authority, administrative control extends downward through numerous ministries and commissions. In the staffing of these ministries and commissions, the Communists hold 17 of 30 positions of ministerial rank and control by Communist Vice Ministers is evident in most of the other 13 cases.

The Common Program. The Common Program of the CPPCC is an unusual document, combining some of the features of a state constitution with those of a political party platform. The Common Program classifies the PRC as a "New Democratic State" - a "people's dictatorship led by the working class, based on an alliance of workers and peasants, and rallying all democratic classes and nationalities in China." The "General Principles" formally provide for a full complement of civil liberties for the people and equal rights for women and the various nationalities; the elimination of all power belonging to "reactionary elements" is stated as a continuing goal of the government. The remaining sections of the program deal with the general structure of the govern-

SECRET

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-7-

ment and with national policies in the fields of economics, education, national minorities, and foreign affairs. The policies outlined are essentially a restatement of the theory of MAO's "New Democracy", and they indicate a program of gradual advance toward the ultimate Stalinist objectives of the Chinese Communists. The grandiose economic plans, which completely ignore China's industrial poverty, envisage the growth of a strong mixed economy under state supervision. Culture and education are to be "national, scientific, and popular". The customs and languages of national minorities are to be "respected", and the political and economic progress of these minorities assisted by the government. In foreign policy, the PRC declares its support of lasting international peace and opposition to the "imperialist policy of aggression and war."

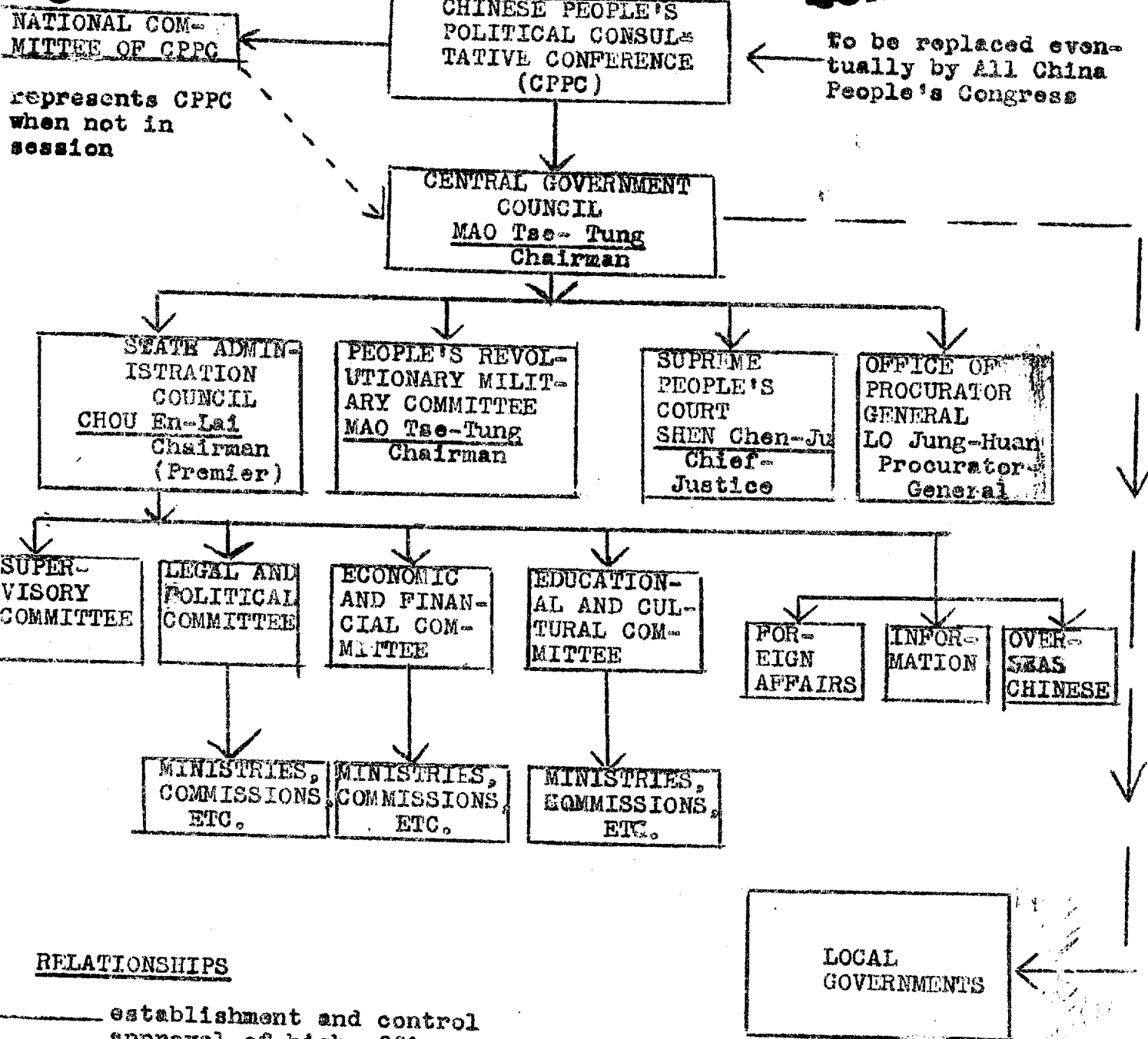
Formation of the PRC makes no substantial change in the basic internal political realities in China. The Central Committee of the Chinese Communist Party will continue to rule those areas of China which have fallen to the Communists through military conquest or political turnover. On the international scene, however, the government's "official" formation has had immediate and important repercussions which will increase, rather than diminish, in the immediate future. Already, the USSR and its satellites have broken with the Chinese Nationalists and recognized the PRC. Yugoslavia has also climbed the bandwagon, although the PRC has not acknowledged this "deviationist" recognition. In the non-Soviet world, internal and external pressures are operating to make the question of recognition of the new Chinese government a major political issue. The international status of the PRC will become an even more spectacular problem when the new regime demands admission to the UN and other bodies, as successor to the moribund Nationalist Government of China.

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Note: see Far East/Pacific Weekly Intelligence Highlights #73, 25 Oct., for detailed information on the State Administration Council.

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To be replaced eventually by All China People's Congress

represents CPPC when not in session

RELATIONSHIPS

- _____ establishment and control
- _____ approval of high officers
- _____ consultative

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