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

INTELLIGENCE HIGHLIGHTS NO. 95
5 APRIL to 11 APRIL 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

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President Rhee has reversed his stand on the postponement of the Korean Republic's forthcoming general elections (p. 3). Meanwhile, it is estimated that the puppet northern Korean regime's air strength now includes some 36 modern USSR fighter aircraft (p. 3).

An analysis of the current situation in Communist China leads to the conclusion that a purge of "nationalist"-minded military leaders is unlikely for the present (p. 4). Meanwhile, the Communists' first major amphibious operation -- against the Chou Shan archipelago -- is expected to take place with the benefit of Soviet-aided air forces in the immediate future (p. 5). The anticipated Communist success will have a grave effect on the morale of the Nationalist remnant on Taiwan where, up to the present, the problem of currency inflation has been avoided successfully (p. 6).

The conceded failure of "Anti-bandit Month" in Malaya to achieve any substantial results highlights the deteriorating situation in that vital UK colony (p. 7).

Burmese "peace negotiations" with certain captured Karen insurgents are not expected to result in a complete collapse of Karen resistance (p. 7).

The recent coordinated outbreak of Huk violence in the Philippines presages intensified difficulty for the corrupt and inefficient Quirino regime in the future (p. 8).

(NOTE: Section III contains a summary of present Chinese Communist relations with the nations of Southeast Asia.)

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

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KOREA

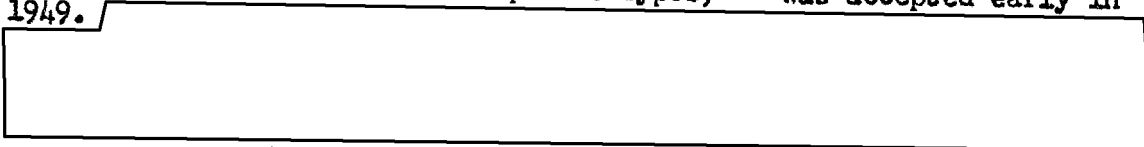
Rhee routed--On 7 April, President Rhee reversed his position on the postponement of Korea's general elections and informed the National Assembly that he would set the election date for the end of May. After distributing copies of the US aide memoire expressing concern both over Korea's serious inflation and over the election postponement, the President told the Assembly that failure to hold the elections in May and failure to pass the "balanced budget" would adversely affect the volume of US aid to Korea. Since the opposition Democratic-Nationalist Party (DNP) has already taken a strong position in favor of early passage of the budget and May election laws, passage of both measures should now follow at an early date.

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Rhee's vacillation on the election issue has left his Assembly following in the Great Korea Nationalist Party (GKNP) on an unpopular limb in support of election postponement and has probably diminished his prestige. DNP forces now stand a good chance of winning a large majority in the May election. With the GKNP not yet well organized and with his own popularity diminished, Rhee will probably react to the election threat by giving his trusted follower Paek Song Ok -- Minister of Home Affairs and supervisor of the Police -- responsibility for diminishing the campaign effectiveness of the DNP and insuring a favorable climate for pro-administration candidates.

North Korea air strength increase--The offensive capability of the northern Korean armed forces is being materially increased by the development of an air regiment. The existence of an air regiment in the People's Army -- believed to consist of about 800 men and 36 planes (including Soviet trainers and obsolete Japanese types) -- was accepted early in 1949.

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Indications now are that the air regiment has been expanded to 1500 men and that the original 36 aircraft have been added to or replaced by some 36 YAK 9s, obsolescent World War II fighters which compare favorably in performance with the USAF F-51.

The North Korean air force has become a potent psychological and military threat to the southern Republic of Korea. With its Soviet-trained personnel and Soviet-supplied aircraft, it possesses complete air superiority over the southern Korean token air force, which has no combat aircraft. Although small, the northern air regiment could materially assist northern ground forces in any attempted invasion of the south.

CHINA

Purge of Communist military leaders?-

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many observers have consistently distinguished between "nationalist" and "internationalist" leaders of the CCP. In recent months, a number of Chinese Communist military leaders have been reported as being antagonistic to the dominant Stalinist bloc of the Party, and as seeking Western support in order to survive or combat a Party purge which they anticipate this year.

It is not known whether any of the major field commanders are in fact preparing to revolt against, or are out of favor with, the CCP's Stalinist leadership. It does seem, however, that any significant challenge to the position of the Party's present leadership would necessarily depend upon the support of, if not be initiated by, the military. Moreover, apart from the truth or falsity of reports attributing anti-Stalinist views to Chinese Communist military leaders, the non-military leaders are presumably aware that, in the event of a break at this time between the Party and any major field commander, a large part of the commander's forces might accompany him and he might, in addition, obtain considerable popular support.

The non-military leaders of the CCP, who control the central government apparatus, have localized the power of the military and are gradually reducing military authority, but army leaders do not yet appear to have lost any great amount of strength. CHU Teh is still Commander-in-Chief and still eulogized as Chairman MAO Tse-tung's closest comrade. PENG Teh-huai, commander of the 1st Field Army, with a greatly increased command, is in a stronger position than ever as Chairman of the Northwest Military and Administrative Committee. LIU Po-cheng, commander of the 2nd FA, with most of his old

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forces, is Chairman of the Southwest MAC. CHEN Yi, commander of the 3rd FA, has perhaps lost some stature as a result of being replaced as Chairman of the East China MAC by his former political officer, JAO Shu-shih, but CHEN still has his own troops and has been entrusted with the operation against Taiwan, the Chinese Communists' most important remaining military task. LIN Piao, commander of the 4th FA, apparently was transferred from Manchuria for military rather than political reasons, and is Chairman of the important Central and South China MAC. The 5th FA no longer exists, but its ex-commander, NIEH Jung-chen, is Deputy Chief-of-Staff and commander of the special forces in the North China Military Area.

These military leaders still appear to be in a sufficiently strong position, in consequence of their various commands, to impel the Peiping regime to proceed cautiously in any effort to restrict and reduce their authority further. It is not believed that the non-military Party leaders are prepared, at this time, to attempt to purge any of these commanders. No one of them seems a likely purgee at least until the completion of present military operations against the Nationalists. Moreover, the non-military would probably be reluctant to take action against any one of the military leaders, unless assured of the fidelity or neutrality of all the other military leaders and unless convinced that political indoctrination has made the rank and file of the Communist armies loyal primarily to Peiping rather than to their old leaders. The Peiping regime is not likely to be in this happy position within the present year.

Coming invasion of the Chou Shans--The initial step in the Communist amphibious campaign against Nationalist offshore positions -- an attack on the Chou Shan archipelago -- is expected within the next two weeks. Air support by the newly-activated Communist air force is anticipated. CHEN Yi's 3rd Field Army, which totals some 355,000 men and is to provide the ground forces for the Chou Shan assault, already has some 140,000 in position opposite the Nationalist holdings. These forces have painstakingly assembled junks and other small craft for transport and the Nationalists now fear that the Communists are adequately equipped in this regard.

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The most important factor in the coming operation, however, is the anticipated air support from the Soviet-assisted Communist air force.

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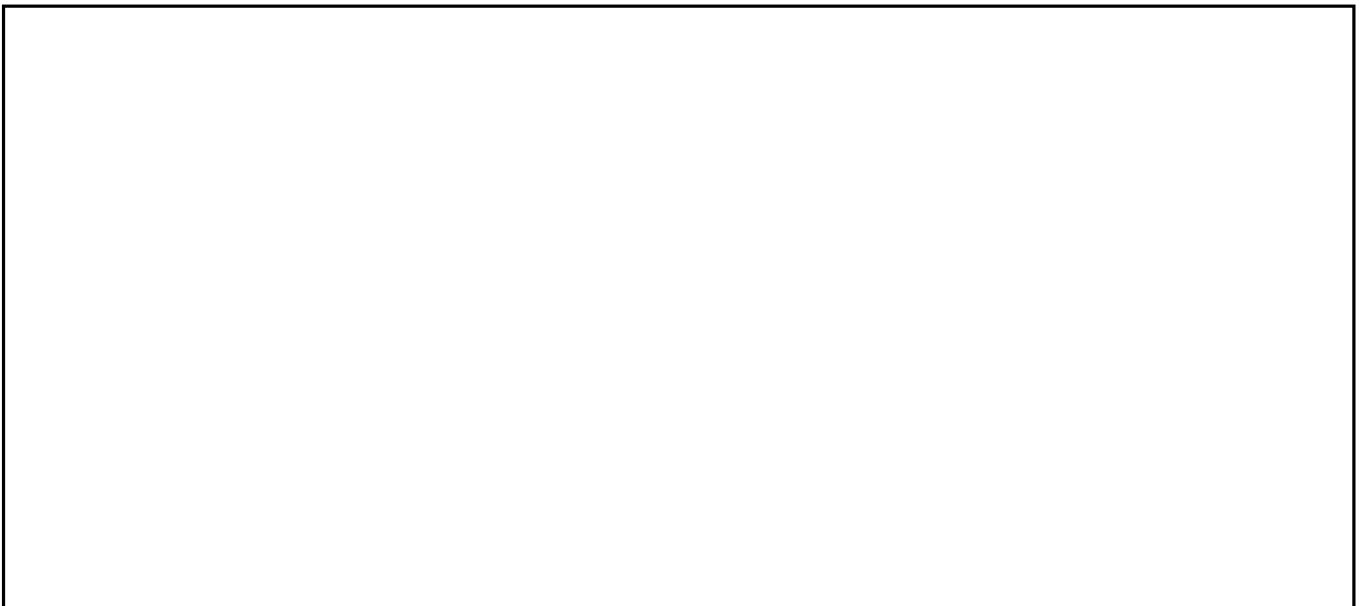


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Tentatively, the Communists are estimated to have over 50 planes, mostly fighters and light bombers of World War II types, in a position to support a Communist landing in the Chou Shans. The Nationalists, in turn, have about 20 combat craft operating from Tinghai and the archipelago provides only one alternate field. The Communists, operating from widely scattered bases probably can either neutralize the Nationalist naval and air units in the Chou Shans or force their withdrawal to Taiwan before the invasion starts. The effectiveness of Nationalist aerial strikes against the Shanghai-Hangchow-Ningpo area, if staged from Taiwan, some 350 miles away, would be greatly reduced. The Communists would then, for the first time, enjoy tactical air support and their junks could probably land a sufficiently large force to overwhelm the Nationalist positions.

Loss of the advance Chou Shan bases would have extremely serious repercussions on Taiwan. The air and naval blockade of Shanghai would be virtually terminated. The belief in Communist amphibious impotence, so large a factor in the recent rise in Nationalist confidence and morale, would be abruptly destroyed. If Nationalist morale and will to fight were then to slip back to the previous low ebb, the Communists would have moved closer to their main objective -- Taiwan -- in both time and essence.

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MALAYA

Concern over "Anti-bandit Month" flop---The Malayan Commissioner of Police has reported that the "Anti-bandit Month" campaign, completed last week, has achieved no improvement in the terrorist situation. This depressing statement, together with the fact that casualties incurred by the security forces -- augmented by 400,000 volunteers -- were greater than those suffered by the bandits, has focussed increased attention on the deteriorating situation in Malaya. Sharp criticism has been expressed from many quarters in Malaya and UK concern over the inability of security forces to suppress the 3,000 bandits now active in various parts of the colony was also voiced in Parliament. The UK Government has acknowledged the seriousness of the situation and has announced plans for the permanent incorporation of the best features of the "Anti-bandit Month" operations into future efforts. It also planned to develop an auxiliary police force to relieve regular forces for operational duty, to reinforce present troops with Churka units from Hong Kong and to obtain additional aircraft, including heavy bombers, from Great Britain.

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BURMA

Burmese seek peace with Karens---The Burmese Government is now attempting to negotiate a settlement with certain Karen leaders who were captured during the recent campaign in the Toungoo area. The Government apparently desires to formalize its victory, by means of an official Karen surrender document signed by these Karen captives, and thus induce those Karens still in the field to cease fighting. Such a peace agreement would probably be damaging to Karen morale and may -- if implemented with magnanimity -- succeed in achieving its purpose with

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a small proportion of the insurgents still at large. Most of the Karen forces, both in the Toungoo region and in the Irrawaddy Delta, however, have not been destroyed and are not likely to consider themselves committed to any settlement in which they did not participate. Therefore, although a Karen-Burman "peace" -- which may be announced in the near future -- should not be considered as completely devoid of constructive possibilities, neither should it imply a rapid restoration of stability to Burma.

PHILIPPINES

Huks pose increasing threat--The effectiveness with which the recent (28 March - 3 April) Huk raids were conducted presages increasing anti-government operations and poses a mounting threat to the Philippine Government's stability. Although the actual tactics used were similar to those used in scores of Huk raids since the end of World War II, individual actions were larger in scale than those in the past, were coordinated with actions in other areas, and were sustained over a period of several days.

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Chief factor believed responsible for the new character of Huk raids is the activity of two top Philippine Communists -- Mariano Balgos, Secretary General of the Philippine Communist Party and Guillermo Capadocia, the Party's propaganda specialist -- both of whom joined the Huks in the field in January, 1950. Since January, the two leaders have been [redacted] in central Luzon, apparently contacting local Huks in an effort to coordinate plans, to tighten the entire Huk organization, and to intensify Communist indoctrination.

A second reason for dissident effectiveness is an apparent increase in Huk numerical strength. Active recruiting is believed to have been undertaken during recent months and new areas have been infiltrated. [redacted]

Steps taken to date by General Castaneda, C-in-C of the Philippine Armed Forces, have been relatively ineffective. Castaneda, however, faces a difficult problem. He must counter guerrilla tactics with poorly-disciplined troops and generally incompetent officers. He must operate in an area where the people, through fear of Huk retaliation and distrust of Government troops, will volunteer no information.

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Two basic factors: (1) the centuries-old agrarian discontent, which the Huks exploit effectively, and (2) the currently unhealthy political and economic climate, deriving from a corrupt government under incompetent leadership, further complicates the military situation.

It is probable that the Huks will be unable to stage further operations on the scale of the March raids for some weeks. That they will raid again, perhaps on a slightly increased scale, is entirely probable. In addition to this future Huk threat, meanwhile, the Government faces serious financial problems and a grave loss of public confidence, both as a result of coercive tactics during the November elections and as a result of its inability to contain Huk depredations. Unless the Quirino regime can develop more effective tactics in dealing with the problem of dissidence, and unless it conscientiously implements corrective social, economic, and political measures, it will undoubtedly face ever-increasing instability.

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SECTION III. CHINESE COMMUNIST RELATIONS WITH SOUTHEAST ASIA

The Peiping regime has openly declared its sympathy for the "national liberation" movements of Southeast Asia and has stated that it will render "moral and material aid, wherever possible." Current trends in Chinese Communist relations with the several Southeast Asia states, summarized below, indicate the manner in which this strategy is unfolding. In general, it may be said that in all areas the Chinese Communists are strengthening their ties with the local Communist movements and are gradually welding the Overseas Chinese communities into useful instruments of Chinese Communist policy.

INDOCHINA

Current evidence indicates that the Ho regime has been receiving some support from the Chinese Communists in the form of arms deliveries and the free movement of Resistance troops back and forth across the China border. There is no firm evidence that the Chinese Communists are moving their own troops across the border, however, or that they plan to do so in the near future. Politically, the Chinese Communists and the Ho regime have accorded each other de jure recognition, but have not as yet exchanged diplomatic missions or concluded any form of treaty or agreement. There are, however, some indications that steps may soon be taken (or may already be in process) to formalize these relations. When this occurs, Chinese Communist support for the Ho forces may be expected to increase. Meanwhile, Chinese Communist recognition of Ho has created a condition of sharp political hostility between Peiping on the one hand, and the French and Bao Dai on the other.

THAILAND

Thailand has not recognized the Peiping regime and has shown, of late, a rather firm disposition to resist Communist psychological pressure. The Bangkok authorities do not appear to have been intimidated by recent Chinese Communist propaganda charging them with all manner of "fascist" and "imperialist puppet" crimes, particularly the persecution of the Overseas Chinese in Thailand. More recently, the Chinese Communists failed to attack Thai recognition of Bao Dai, although good propaganda use might have been made of this move. It does not appear that the Peiping regime is especially interested in Thai recognition, even though diplomatic relations with Thailand could facilitate the acquisition of Thai rice, which, presumably, the Chinese Communists would like. Within Thailand, as elsewhere in Southeast Asia, the Overseas Chinese community continues to be a special

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target of Chinese Communist propaganda and organizational activity.

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[Redacted]

If Thailand should receive United States military aid (which seems likely), or participate in a non-Communist association of Asiatic states, the Chinese Communists can be expected to increase their pressure on Thailand through propaganda, at the least, and possibly through the stimulation of internal disturbances.

MALAYA

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In late February 1950 the Peiping radio resumed its propaganda in favor of armed struggle in Malaya and, in early April, Peiping attacked the British "anti-bandit campaign", although in a comparatively mild manner. The Malayan Chinese, who make up nearly half the total population of the Malayan peninsula, are responding favorably to Chinese Communist efforts to win support and sympathy for Peiping, and the morale of the terrorists appears to have risen somewhat as a result of the growing prestige and aggressiveness of the Chinese Communists. Chinese Communist support for the "liberation" movement in Malaya, however, is complicated by the fact that the terrorist organization is composed almost exclusively of Chinese and is opposed as much by the native Malaysians as by the British, with the result that Communist propaganda in favor of Malayan nationalism has a rather hollow sound. The current outlook is for continuing Chinese Communist propaganda support for the Malayan terrorists, augmented by such material and organizational assistance as is possible within the limits imposed by geographical and other considerations. The campaign to win the Chinese half of the population to the Communist cause will continue in vigorous fashion and will succeed in proportion as the Peiping regime can solve its internal problems and maintain the prestige of a dynamic political movement. There is, however, the early prospect of the Chinese Communists' recognizing the terrorists as the "government" of the Malayan peninsula.

BURMA

Burma recognized the Chinese Communist regime on 17 December 1949, but the establishment of diplomatic relations between the two governments has not yet been accomplished. The Chinese Communists responded rather coolly to Burmese recognition and have so far procrastinated on

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their offer to provide transportation for the Burmese consul at Kunming, who was ordered by the Burmese Government to proceed to Peiping for discussions on the exchange of diplomatic representatives. There is a possibility that the recent establishment of a "purified" Burmese Communist regime at Prome will influence the future of Sino-Burmese relations. The Peiping regime, which now appears to be stalling on the formalization of its relations with Burma, may well decide to wait until the Prome regime demonstrates its ability or inability to survive and flourish. If the Burmese Communists show real promise, Peiping may decide to recognize their regime as the "government" of Burma, and ignore the Rangoon authorities altogether. Meanwhile, the Chinese Communists will probably establish liaison with the Burmese Communists and continue to temporize on the exchange of diplomatic representatives with the Government of Burma.

INDONESIA

On 4 April 1950, the USI announced receipt of a communication from Peiping expressing the Chinese Communists' willingness to establish diplomatic relations with the new republic. At the same time, USI Premier Hatta stated that his Government was agreeable to this step. The fact that the Chinese Communists have given no publicity to the matter may be related to the disdain with which they greeted the founding of the USI in late December, 1949. At that time, world Communism took the position that the USI was just another anti-popular "imperialist puppet". Since then the line seems to have changed (the USSR recognized the USI in February 1950, for example), and the Chinese Communists apparently feel that nothing is to be gained by calling unnecessary attention to the change. Despite internal instability, the USI does not appear to be vulnerable in any important degree to armed Communist activity, nor could such groups receive significant assistance from the Asiatic mainland. Communist strategy for the USI appears to turn on the establishment of diplomatic relations with Djakarta and the eventual staffing of Soviet and Chinese Communist missions there, from which organizational and propaganda work will be carried on among both the Overseas Chinese and native Communist and leftist movements. There are indications that the USI will delay the actual exchange of diplomatic missions with both the USSR and the Peiping regime as long as possible, since there is, among many USI officials, a keen awareness of the disadvantages of bringing Communist officials from abroad into direct contact with local dissident elements.

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PHILIPPINES

The Philippine Government has not recognized the Chinese Communist regime and has given no indication that it will do so in the near future. The Philippine response to the establishment of a Communist state on the Chinese mainland has been mainly one of fear that the Overseas Chinese in the Philippines would align themselves with the Chinese Communists and become a menacing fifth column within the islands. The Quirino regime has taken steps to restrict Chinese immigration sharply and to deport Chinese who are under suspicion for illegal entry or subversive activities. There are some indications that the civil liberties of the Chinese community may be in danger of serious abridgement, a development which, if it occurs, will draw the full wrath of the Chinese Communist propaganda machine. While conclusive evidence of direct Chinese Communist support for the local Huk rebellion in the Philippines is lacking, it is considered almost certain that some liaison exists.

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