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WEEKLY INTELLIGENCE HIGHLIGHTS

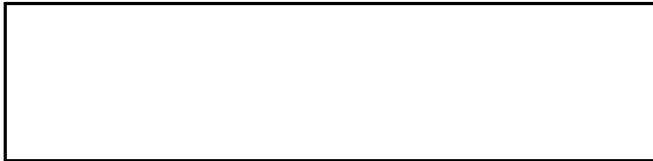
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OFFICE OF REPORTS AND ESTIMATES, CIA
FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 90
1 MARCH to 7 MARCH 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Although the general strike proposed by Japan's labor moderates is scheduled to start this week, the scale of action to be taken is expected to be less than militant (p. 2).

The UN Commission on Korea has decided to institute a system of UN military observers, an action which should diminish the likelihood of major incidents along the 38th Parallel (p. 2).

25X1 Although [redacted] a considerable degree of local dissatisfaction with the recently-concluded Sino-Soviet treaty, it is unlikely that the reaction will threaten USSR ties at present (p. 3).

Bao Dai's desires to have any possible US aid channeled directly to the Vietnam Government appear to be in contradiction to the express views of French military authorities on the scene (p. 4).

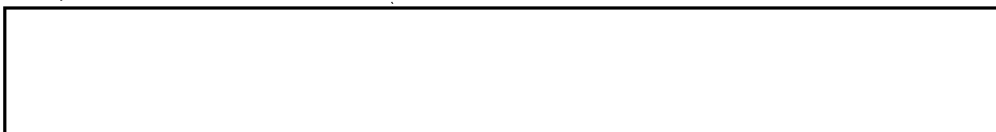
The long-awaited Malayan People's Anti-Bandit Month, launched last week, indicates British awareness of the increasing threat posed by the possibility of Overseas Chinese support for the terrorists (p. 4).

Indonesia's major state, the Jogjakarta "Republic", is attempting to extend its sway over many of the former "Federalist" states, in opposition to the views of some moderates in the central USI administration (p. 5).

The Burmese Army has scored notable and unexpected initial successes in its campaign against the Karen insurgents (p. 6).

NEWS NOTES

Nationalist Chinese air raids strike South China...Cuban Chinese vow support for Peiping... Thai rice surplus spoken for.



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

S E C R E T

S E C R E T

-2-

SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

JAPAN

Moderate unions to initiate "moderate" strikes---Although the twice-postponed Japanese general strike is scheduled to commence this week, the active measures contemplated by moderate trade unionists will remain within the scope of "legal" dispute tactics. In order to duck the ban on government workers' strikes, leaders of the railway union have directed their members, instead, to adhere "strictly" to the working regulations embodied in the Labor Standards Law, an action which should result in a considerable disruption of train service. In an attempt to exploit the advantage of coordinated strike action, workers in private industries, who are not bound by the same prohibitions as government employees have planned strikes of their own. Such groups as the coal miners and electrical workers, who have directed the initiation of "wave tactics" on 8 and 9 March, can take more militant and probably more effective action than the railroad workers. While the coal and electric unions have indicated their intention of adopting even stronger tactics after 13 March, neither private group apparently plans action of the sort that would make them liable to penalties under SCAP's regulations prohibiting general strikes.

"B"

KOREA

UNCOK calls for military observers---On 2 March 1950 the United Nations Commission on Korea (UNCOK) adopted a resolution requesting the UN to supply eight military observers for service in Korea, in order to report on developments that might lead to military conflict in Korea. The UNCOK resolution stated that the military observers should come, insofar as possible, from the nations now represented on UNCOK.

"B"

Although the presence of UN military observers will not inhibit continued northern Korean support and incitement of guerrilla activities within the southern Republic, the observers should act as a deterrent to openly aggressive moves by northern Korean regular armed forces along the 38th Parallel and should also assist in restraining any aggressive moves by southern forces against the north. As a further evidence of UN interest in Korea's future, the presence of military observers will also tend to bolster the southern Republic's confidence in its ability to withstand Communist pressures.

S E C R E T

-3-

CHINA

Popular response to Sino-Soviet treaty--Although it is impossible to take seriously the Communist contention that the Chinese people are wild with delight over the new Sino-Soviet treaty, it still appears that the treaty has gained the USSR, at small expense, a three-year period of grace in which to strengthen its position in China.

"B"

25X1 [redacted] a general lack of Chinese enthusiasm for the treaty, a Chinese realization that only the surface of the treaty is visible, and a suspicion that the Chinese Communists may have made "fantastic concessions" in secret agreements.

25X1 [redacted] the treaty was most informative to those Chinese previously ignorant of the extent of Soviet privileges in Manchuria, while to others it confirmed the continued Soviet enjoyment of those privileges. The Soviet promise to return the Changchun railway and the Port Arthur naval base area to Chinese control prior to 1953 is suspected by the Chinese of concealing a Soviet belief that this retrocession will prove to be unnecessary. Certain Chinese circles regard as ominous the presence of a Sinkiang delegation in Moscow and the absence of mention of Sinkiang in the treaty. Rumors persist that the USSR is pre-empting Manchurian foodstuffs in the face of a famine in China. There is apparently a belief, among the Chinese intelligentsia, that the treaty has over-extended China in its military alliance with the Soviet bloc, and has bound China closer to the USSR than Chinese Communist leaders themselves had desired. Finally, there is some resentment that the announcement of the treaty was timed to dominate the Chinese New Year celebrations.

25X1 [redacted] public conversation about the treaty has been largely concerned with "baleful rumors" and with speculation on secret agreements, and thus has not been firmly based on a serious examination of the Soviet position in China. In addition, Communist manipulation of all organs of public opinion is likely to drown out the isolated voice of protest. Although politically sophisticated Chinese will continue bitterly to resent their country's subservience to the USSR, it does not appear likely that their disaffection will prove sufficiently contagious and virulent to threaten the Sino-Soviet alliance for at least the next two or three years.

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S E C R E T

-4-

INDOCHINA

Who will receive US aid?—Plans for US military aid in support of French operations in Vietnam have stimulated controversy as to who the recipients shall be. The Bao Dai Government has repeatedly emphasized the psychological importance of a direct transfer of US aid to Vietnamese authorities, although it is incapable of making effective use of significant amounts of military equipment through its own limited establishment. On the other hand, General Carpentier, Commander of French Union forces in Indochina has flatly stated that a large proportion of any arms transferred to ostensibly pro-French Vietnamese would be passed on to the Resistance. Moreover, he has threatened to resign his post if US arms dispatched to Indochina are not delivered to the French.

"A"

Attempts to resolve this quandary have been made on the basis of a section of the 8 March Bao Dai-Auriol Agreement which provides that "orders for military equipment shall be made by the Vietnam Government to the French Government," and that "in time of war" ultimate authority will rest with a French general officer. However, in view of France's constant efforts to represent its military activities in Indochina as merely "pacification" the authorities of the Bao Dai Government may well question the applicability of the 8 March Agreement in this matter. The only apparent solution to this impasse seems to be some face-saving arrangement by which Bai Dai would ostensibly receive the prospective aid while the French actually assume effective control over its distribution and employment.

MALAYA

Conflict in Malaya intensified—The launching of the Malayan People's Anti-Bandit Month on 26 February indicates that the British have a new appreciation of the gravity of the Communist guerrilla effort in Malaya and a recognition of its long-term nature. Although the campaign has mobilized wide popular support (350,000 volunteers have been recruited), auspicious results are not expected. Serious bandit attacks have been increasing in recent months and some observers are of the opinion that at best the campaign will serve merely to counter the ill-effects of British recognition of Communist China - a move which raised bandit morale.

"B"

It now appears that the link between the terrorists and the Chinese community in Malaya may become stronger. The possibility of a wholesale shift of alien Chinese sympathy in Malaya toward the

SECRET

S E C R E T

-5-

Communist regime in China is evidenced by the welcome accorded the prominent Chinese, TAN Kah Kee, upon his recent return from Communist China, and the loss of Western prestige within certain quarters following the failure of the US Consul General to repossess a defected Chinese ship under mortgage to the US. Furthermore, the Peiping radio has intensified its propaganda campaign glorifying the rebellion in Malaya, and it is expected that TAN Kah Kee and other influential Chinese will increase their efforts to develop support for the Chinese Communists among local Chinese.

INDONESIA

Republic challenges federal authority—The Republic of Indonesia at Jogjakarta, the principal state forming the federal government of the United States of Indonesia (USI), is currently attempting to gain control of many other member states of the USI. The USI Minister of the Interior, an East Indonesian, is demanding that the areas in question retain their identity or submit to USI control until self-determination by regular elections is possible. High Republican officials have severely criticized the USI policy of appointing temporary federal commissioners who have delayed the transfer of already-dissolved territories to Republican administration. Republican insistence on the imposition of its authority in areas of Java, regardless of the presence of USI Commissioners, results in dual administrations which preclude orderly government.

The Republic, led by a radical group which succeeded the moderate officials absorbed by the USI, appears to be winning the contest for power. The Republican Ministry of Information is competing with the USI Ministry of Information and has successfully urged many state leaders to agitate for incorporation with the Republic. A minor crisis has also developed in the USI Ministry of Interior, where several Republican members have resigned in protest to government policy. Republican pressure in the USI House of Representatives has forced the adoption of a motion recommending that virtually all of the territory which was under Republican domination at the time of the Linggadjati Agreement of March 1947 be returned to the Republic. This territory includes all of Java, Sumatra and Madura.

Republican maneuvering, if unchecked, would result in the dissolution of the USI federal structure as it now exists. This structure would be replaced by a unitary state, actually the Republic of Indonesia. In turn, resistance to Republican efforts to eradicate strongly federalist states in East Sumatra and East Indonesia could cause civil strife which would further undermine stability in Indonesia.

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S E C R E T

-6-

BURMA

Major Army gains against Karens--After a week of sharp fighting against the main Karen forces, the Burmese Army on 25 February captured Nyaunglebin, the second most important Karen stronghold in Burma. Government troops have since moved rapidly northward against extremely light opposition and are now reported to be within 40 miles of Toungoo, the Karen "capital" and chief center of resistance. The advance has apparently resulted from a critical Karen ammunition shortage, as well as from a surprisingly well-planned and executed Burmese attack.

"A"

Although the Karen main body has not been destroyed, the Burmese Army, apparently flushed by its initial successes, has not hesitated to advance without consolidating its gains. Therefore, it is possible that the Burmese Army is in danger of ambush. On the other hand, the early capture of Toungoo, which appears entirely possible, would constitute a notable military victory for the Burmese Government, since unified and highly organized Karen resistance would be ended, although prolonged guerrilla warfare would continue. Such a Burmese victory, moreover, would considerably enhance the prestige of the Burmese Government, both internally and in the eyes of the outside world. Finally, the Burmese Government would be free, if it desired, to focus primary attention on its other major antagonists, the Communists and the allied Peoples Volunteer Organization (PVO), who are now firmly entrenched to the northwest of Rangoon along the Irrawaddy River, obstructing the main communication links between Upper and Lower Burma.

NEWS NOTES

Nationalist air raids on Communist China have been extended to south China where targets in the city of Canton, along the rail lines leading south, and in the area of Shumchun, just across the Hong Kong border, have been bombed and strafed. According to a 3 March Reuters dispatch from Hong Kong, RAF Spitfires, operating inside the British border, "prevented continuance" of a CAP attack on Shumchun when the raiders were "unable to start or finish strafing runs over British territory".



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-7-

The Cuban Overseas Chinese League for Democracy has declared its support for the "People's Republic of China", according to a 2 March broadcast of the Chinese Communist New China News Agency. A resolution was passed in a meeting at Santiago in January re-naming the organization the "New Democratic League of the Overseas Chinese in the Americas" and stating as its aim "the unification and mobilization of the Overseas Chinese organizations in the Americas to support the People's Republic wholeheartedly..." Another aim of the League, according to this report, is the protection of Overseas Chinese interests in the Western Hemisphere.

Of an estimated 1,200,000 tons of Thai rice available for export this year, a large part has already been committed under government-to-government negotiation. The UK has contracted for some 400,000 tons at 1949 prices for their Far Eastern territories, Japan will absorb upwards of 300,000 tons under a barter agreement and Indonesia has just contracted for 12,000 tons a month, with deliveries to begin in two weeks. [redacted]

[redacted] No reports of possible Indian purchases have been received, but that country received some 300,000 tons in 1949 and is expected to be in the market again this year. Although [redacted] Soviet interest in Thai rice surpluses (presumably on behalf of Communist China), it is probable that only very minor quantities will be available should any firm USSR offers be extended.

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-8-

CONFIDENTIAL

SECTION III. COMMUNISM IN EAST ASIA



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At the Asian Trade Union Conference in Peiping last December, MAO Tse-tung's tactics in China -- the establishment of a "united front" and the employment of armed forces in open civil war -- were approved for the Communist Parties of Indochina, Indonesia, Malaya, Thailand and the Philippines, (other tactics being obviously required in India and Japan). However, the theme of "proletarian revolution" -- a revolution organized by labor and with the overt objective of one-party rule -- replaced MAO's theme of "new democratic revolution" (the waging of the struggle by a coalition of classes), which in turn had supplanted the old Leninist-Stalinist theory of "bourgeois democratic revolution" (the achievement of independence by a national capitalist movement). The end result of the past two years of ideological jockeying in East Asia has been to make labor the chief ostensible instrument and the Communists the admitted beneficiaries of the "colonial liberation" struggle. This development explains the recent glorification of the virtually non-existent labor organizations in Southeast Asia, the increased publicity given to "urbanism" and "proletarianism" in Communist China, and indications that the "Democratic People's Coalition Front" of North Korea will soon be replaced by one-party rule.

Not a Chinese but an "international" organization has been given the task of "liberating" colonial Asia, and not Chinese but indigenous populations are to be the major instruments. Like the European Cominform, the new WFTU Liaison Bureau for Asia is probably under firm Soviet control and enforces strict discipline upon its members. Moreover, its chief agencies are the native Communist, non-Chinese parties of East Asia. The function of the Chinese Communists apparently is to transmit advice, carry on intelligence, make arms available, and adopt the proper diplomatic postures toward the "imperialist" West.

Should the Chinese Communists wish to expand their organizational role in East Asia beyond this limited mission, they possess important advantages, including great prestige, central location, and historical affinity for other peoples of East Asia. Offsetting these advantages, however, are the presumed Soviet opposition to creation of a "Balkan bloc" in East Asia (whether by a Chinese Dimitrov or Tito), the increasing domestic subservience of Communist China to the USSR, and the emphasis on more clearly tactical features of MAO's revolutionary theories.

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