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WEEKLY INTELLIGENCE HIGHLIGHTS

NO. 83

DATE: 17 January 1950

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

INTELLIGENCE HIGHLIGHTS NO. 83
11 JANUARY to 17 JANUARY 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Despite general Western pressures, the nations of Southeast Asia continue to be reluctant to extend recognition to Bao Dai (p. 2).

The Japanese Communists have politely refused to accept Cominform criticism and have expelled one high-ranking member who boarded the Kremlin bandwagon (p. 2).

Cabinet shifts in the Republic of Korea reflect the growing seriousness of economic conditions under the defense-minded Rhee regime (p. 3).

Chinese Communist seizure of the Marine Barracks in Peiping, after US warnings, seem to imply a present absence of concern over Sino-American relations (p. 4). Meanwhile, the failure of attempts to shift surplus urban population to the Yangtze countryside may bring about accelerated Communist efforts to break the Shanghai blockade (p. 5).



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Two top Philippine Communists have left Manila to join dissident Hukbalahop forces in the field (p. 6).

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.

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SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

GENERAL

Asian views on Bao Dai--Notwithstanding the Western view that Bao Dai represents the only alternative to Communism in Indochina, Southeast Asian countries continue to manifest considerable reluctance to consider the ex-Emperor's regime as anything but an instrument to perpetuate French control of Vietnam. Although the Thai government claims full awareness of the gravity of the Indochina situation, it does not intend to recognize Bao Dai until France gives actual independence to Vietnam and Bao Dai receives a large measure of popular support. The Indonesian government also appreciates the regional danger in Communist control of Indochina, but lacks sufficient confidence in the Bao Dai regime to decide on recognition in the foreseeable future. While the Philippine government is torn between a desire to oppose Communist expansion and a strong wish to champion independence movements in Southeast Asia, it does not consider the Bao Dai regime advanced enough to enable the Philippines to take a public stand on the Indochina question at present. Although the question of recognition of Bao Dai is still open in Rangoon, widespread Burmese public sympathy for Ho Chi Minh, together with a belief that Bao Dai is an instrument for continued French power in Indochina, diminishes hope for Burmese recognition unless other Asian countries also take that step. Finally, Indian doubts on the question of whether the Bao Dai regime satisfies the nationalist aspirations of the Vietnamese remain a major deterrent to Western efforts aimed at persuading other Asian governments to extend recognition.

"A"

Meanwhile, the Indochina picture has been further complicated by reports of Vietnamese resistance broadcasts stating that Ho Chi Minh has "recognized" the Chinese Communist regime. It is not yet known what effect this act will have in Vietnam and in Southeast Asia generally.

JAPAN

Communist Party rejects Cominform attack--The Japan Communist Party's initial reply to the Cominform denunciation of NOZAKA Sanzo, while conciliatory and even abject in tone, has nonetheless requested that the Cominform "reconsider" its criticism in view of Japan's "peculiar position." The Party leadership, moreover, has expelled NAKANISHI Ko, a Communist member of the Diet's upper house who had boarded the Cominform bandwagon. NAKANISHI has now issued a statement, accusing Party leadership of being bureaucratic and of attempting to "Titoize" the Japanese Communists.

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The Japan Communist Party faces a dilemma. If the Party submits to USSR discipline, it will have to adopt "struggle" tactics which have already proved distasteful to the Japanese "masses." If, on the other hand, the Japanese Communists defy the USSR, the Party probably will be read out of the international communist brotherhood. The Japanese Communist "Yenan clique," of which NOZAKA is the leader, has close acquaintance with the Chinese Communist history of modifying doctrine in order to meet local problems, often in the face of Moscow disapproval, and Japanese defiance of the Cominform is a strong possibility.

Even if the Party finally "accepts" the Cominform criticism, its delay in so doing has already been unprecedented in the history of national communist parties. If the Japanese Communists break away, the Party may split, with a minority of leaders and membership remaining to be endorsed by the USSR as the "orthodox" Party. Thus, NAKANISHI's defiant attack on present Party leadership may be an opportunistic bid for the leadership of such an "orthodox" group in the event of a split.

KOREA

Cabinet shakeup--Although President Rhee has demanded and received the resignations of the Ministers of Commerce, Home Affairs, and Agriculture, he apparently intends no immediate changes, with the possible exception of Minister of Agriculture. Rumors of a general cabinet shuffle still persist, however. While there probably are many motives behind the projected shifts, in the case of the Minister of Agriculture, it appears that Rhee is attempting to provide an administration scapegoat in response to public concern over soaring prices and increasing inflation.

"B"

Despite an excellent rice harvest, the open-market price of rice in major cities has skyrocketed to a post-war high of 2000 won per small mal (16.5 lbs). The average worker with a salary of 15,000 won monthly is caught in an intolerable squeeze. Inflation is a large factor in this situation, but other factors are important. Reduction of the ration rolls has added over 3 million competing purchasers to the free-market, local officials have restricted the flow of rice to cities until collection quotas are filled, and Government plans to export rice to Japan has prompted speculators to hold rice off the market in anticipation of further price increases. At the same time, the Republic's prospect of obtaining critically-needed foreign exchange through rice exports is jeopardized by the Government's indecision and vacillation in concluding a contract with Japan.

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On 15 January, President Rhee was presented detailed recommendations for inflation control by Ambassador Muccio, who called to discuss the alarming condition of the Seoul rice market and the delay in rice export negotiations. Although the sudden increase in rice prices is a serious problem that could result in considerable unrest and loss of support for the Government unless immediate action is taken to insure minimum food requirements for non self-suppliers, a more permanent solution of the problem involves the larger issue of inflation, which now threatens to get completely out of hand. In the past, Rhee has concentrated on military preparedness, feeling that the Republic's economy was of secondary importance and that ECA would supply basic requirements. The next month will determine whether Rhee has been convinced of the significance to his government's long range stability of the present serious economic situation. His current approach to the problem through another Cabinet shuffle gives no indication that he is yet prepared to attack basic economic problems by accepting and vigorously carrying through recommendations for economic reform.

CHINA

Communists prepared to "do without" US recognition—The Chinese Communist announcement of intent to occupy the former US Marine Barracks in Peiping — the latest step in a program of harassment of non-recognizing governments — probably was designed to force action on recognition. However, the fact that the action was carried out after an explicit US warning that all US officials would be withdrawn in consequence, indicates that the Stalinist leadership of the Chinese Communist Party no longer regards early US recognition as essential. This Communist view probably was influenced by the fact of UK recognition, accorded immediately prior to the move against the US Consulate-General, as well as by possible progress in MAO Tse-tung's negotiations in Moscow. The prospect of profitable relations with the UK, and a possible promise of extensive trade and credit relations with the USSR, may have convinced the Communists that their program for China can succeed independently of the US.

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The possibility that the Communist action was taken without Chairman MAO's knowledge seems very slight. It is more likely that this latest move is another example of Chinese fealty to the Kremlin and that it was encouraged by the USSR in order to capitalize on US-UK differences and to consolidate USSR gains in China. The absence of US officials, who would otherwise be occupied in exploring and perhaps furthering the Chinese Communists' capability for asserting independence of Moscow, will probably facilitate Soviet

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efforts to gain a tighter grip on the Chinese Party apparatus. The Kremlin may estimate that, if and when it appears desirable for the Peiping regime again to invite relations with the US, the USSR will have installed itself so solidly in China, especially in the border regions, as to make Chinese "Titoism" almost impossible.

If US personnel can be successfully withdrawn from Communist China, the US would be able to adopt severe counter-measures against the Peiping regime. It is probable, however, that the CCP will prevent a complete withdrawal of US personnel. The Communists are likely to hold US private citizens as hostages, and may also retain certain US officials

for later use in espionage "trials."

Failure of population dispersal drive--Chinese Communist efforts in the Yangtze valley to evacuate urban "excess population" to rural areas are failing and the deputy mayor of Nanking has admitted that the experience of the past three months has demonstrated the impossibility of large-scale population shifts. Extensive crop disasters in 1949 have engendered a refugee tide to the Yangtze cities which has more than counterbalanced Communist efforts to induce migration from the cities. In northern Anhwei, flood devastation has made refugees of a reported 8 million people, with many seeking shelter in Nanking, Shanghai and other Yangtze cities.

With the failure of planned population dispersal, the Communists can be expected to press more vigorously to break the Nationalist blockade. A commonly expressed opinion among the Communists some months ago was that foreign imperialism in China had fostered the growth of Shanghai and other coastal cities at the expense of the country as a whole and the unemployment created by the blockade had been seized upon as an opportunity to attain a more balanced National economic structure by induced migration. With such resettlement a demonstrated failure, the Communists may be more impressed with the need for commercial revival in the port cities and be more inclined than heretofore to take measures to break the Nationalist blockade.

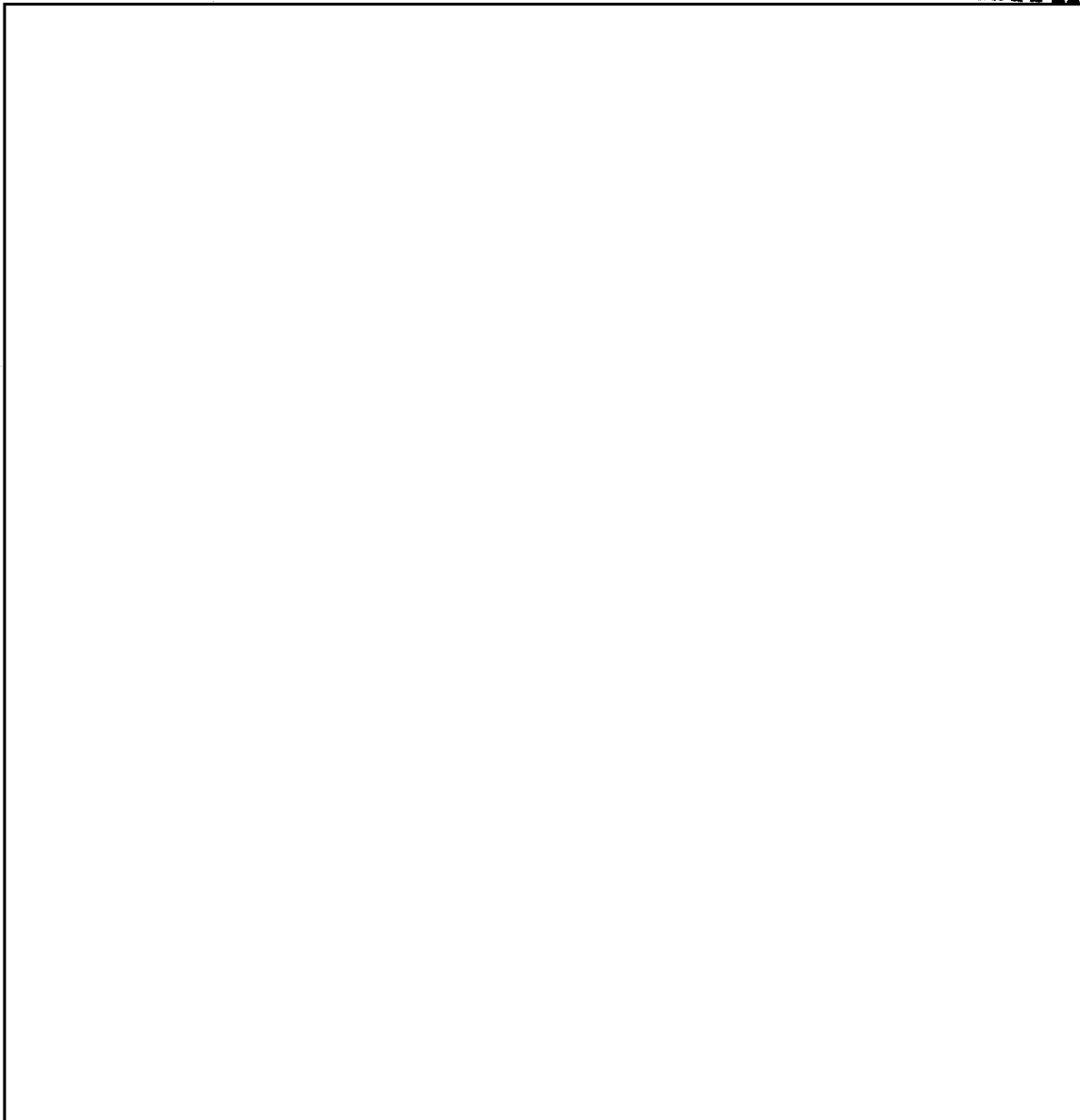
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PHILIPPINES

Top Communists rejoin the Huks--Mariano Balgos and Guillermo Capadocia, both top Philippine Communist Party leaders and formerly active in the Hukbalahap, have rejoined the Huks in the field. Balgos is Secretary-General of the Philippine Communist Party, a vice-president of the Communist-led Congress of Labor Organizations (CLO) and former acting commander-in-chief of the Hukbalahap. Capadocia is a former Philippine Communist Secretary-General and is currently a CLO vice-president.

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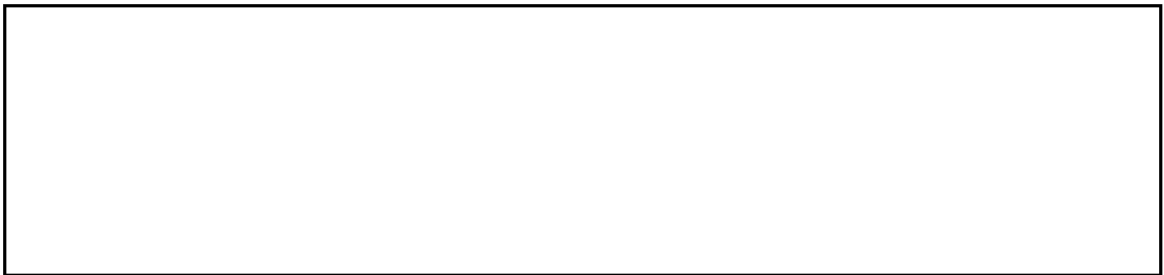
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CIO headquarters released letters on 15 January explaining the two men's move. Balgos stated that the fraudulent November elections and the Government's refusal to allow the Communists to hold public rallies in Manila had led him to rejoin the "People's Liberation Army." Capadocia listed familiar party-line grievances and concluded that, by rejoining the Huks, "I believe I can now render more efficient service to the working class and to the Filipino people."



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