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

INTELLIGENCE HIGHLIGHTS NO. 84
18 JANUARY to 24 JANUARY 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Recognition of Ho Chi Minh's "Democratic Republic of Vietnam" by the Chinese Communists has further clouded the future of the French-sponsored Bao Dai Government in Indochina (p. 2).

A split in the Japanese Socialist Party, which appears irreconcilable, will serve to strengthen the conservatives' control of the Government (p. 2).

While most Koreans do not believe that US aid has ended for good, the shock of the recent Congressional defeat may force a more realistic attitude toward economic affairs in Government circles (p. 3). Meanwhile, the northern puppet Republic has taken strong measures to recruit additional industrial manpower (p. 4).

The Chinese Communists have become increasingly critical of ineptitude on the part of their rural political organizers in newly-"liberated" areas (p. 4). Meanwhile, in the Nationalist camp, Governor WU's woes are increasing and foreign exchange is apparently being squandered for unneeded rice (p. 5).



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The insurrectionist activities of "Turk" Westerling, which climaxed with the temporary occupation of Bandung this week, may lead to outbreaks of serious proportions in Indonesia (p. 7).

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

Chinese Communists recognize Ho government--Communist China's recent de jure recognition of the "Democratic Republic of Vietnam" (the Communist-led Ho Chi Minh regime), has complicated the already confused local and international aspects of the Indochina situation. The alacrity and cordiality with which Chinese Communist leaders responded to Ho's 15 January extension of recognition to the People's Republic of China, in contrast to the very cool reply to Burma's similar gesture, is indicative of the special importance which the Chinese Communists attach to Ho's future success.

"A"

The Ho regime's recognition of the Peiping government followed by one day a Resistance statement proclaiming the "Democratic Republic of Vietnam" the only legal government in Vietnam and asked for world recognition. While these moves more clearly define the Communist alignment of Ho's government, they are not expected to improve Bao Dai's chances for success. In fact, these moves have given Ho an initiative and a status in the Far East which will minimize the possibility that Southeast Asia nations can be induced to follow anticipated Western recognition of the French-sponsored Bao Dai regime.

JAPAN

Socialist Party split--Minority right wing Socialists, under the leadership of former Party Chairman KATAYAMA Tetsu, walked out of the Socialist Party Convention last week, announced their intention of establishing an orthodox Socialist party, convened separately and elected officers. The rump Socialist delegation, meanwhile, continued in session and reaffirmed leftist leadership. Center-of-the-roads are reported working to end the split but prospects of Socialist reunification are slim.

"B"

The break-up came as a consequence of right wing refusal to accept left wing occupancy of an increasing number of important Party posts. Behind the issue of leadership was the problem of Party policy, in which the right wing refused to support the Party's shift to "working class" interests, as instituted by the left wing.

In view of the history of factionalism which has hobbled Japanese Socialism both before and after the war, the split is not surprising. Ever since its reconstruction shortly after the surrender, the Socialist Party has exhibited such tendencies. A complete split had been avoided to date, however, although extreme right wing and left wing elements have left the Party in the past, either through purge or withdrawal.

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The right wing leadership that controlled the Party until the last national election was discredited by public scandal and by a willingness to compromise Party principles in order to retain working relationships with moderate conservative politicians. Under left wing leadership, after a crushing election defeat, the Socialists made significant gains in recovering trade union support. The left wing Socialists successfully promoted the anti-Communist trade union "Democratization Leagues", captured majority control of the General Federation of Labor and laid the foundation in the National Council of Trade Union Federations for the merger of these two anti-Communist labor groups.

The Socialist split has severely weakened "respectable" political opposition to the YOSHIDA Government. Unification of non-Communist trade unions, moreover, will be postponed. As both wings of the Socialist Party move to merge with fringe elements -- the leftists seeking to win over non-Communist labor-Farmer members and the rightists attempting to revive a middle-of-the-road coalition with the People's Cooperatives and the anti-YOSHIDA Democrats -- Japan's potential "Third Force" will be further fragmented, thus enhancing conservative domination of the Japanese Government.

KOREA

Reaction to Aid Bill failure--Reaction to the defeat of the Korean Aid Bill in the US House of Representatives has been restrained and general comment reflects the belief that the action is not final and that the United States will continue economic support for the Republic of Korea. "B"

President Rhee's initial response to the news was one of shock and disbelief. Rhee later issued a press release recounting Korea's contributions in the fight against Communism and drawing an analogy from Berlin. Although National Assembly members showed dismay and demanded explanations, Prime Minister Lee assured them that commodities in the pipeline would continue and that the 1951 appropriation was not jeopardized. There was no indication in any of the Korean press that any quarter of the Korean people consider that the Bill's defeat means an end to US economic aid.

Although Koreans generally appear to believe that the US will continue economic aid despite the House action, the official Korean attitude that continuing US economic aid is a foregone conclusion has probably been badly shaken. Increased fear that Korea is not included in US long-range defense plans might also result in a lessening of public support of the Rhee Government. The shaking of the Republic's complacent belief in the inevitability of US aid, however, may result in a more determined attempt on the part of the Government to put its economic house in order.

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Labor problem in North--In the wake of puppet Premier KIM Il Sung's year-end speech [redacted], criticizing shortcomings in the "People's Democracy", the northern Korean Cabinet has "adopted" a number of "Decisions" (laws) designed to rectify these errors. Laws calling for a more rigid implementation of the "Contract (piece-work) System" and establishment of an elaborate system of prizes and awards for increasing "Socialist" competition have been enacted. The most important of the "Decisions" provides for the recruitment of "migrant" farmers into industrial establishments. Although cloaked in terms solicitous for the plight of the landless farmer, this law is a straightforward authorization of the drafting of labor into industry.

"B"

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In view of the present inability of the northern Korean manpower pool to supply simultaneously the minimum demands of industry, the armed forces, and agriculture, this series of laws is obviously designed to tighten the present regimentation of northern Koreans in an attempt somehow to fulfill the steep industrial and agricultural export quotas set by the USSR.

CHINA

"Cadres" criticized--The Chinese Communist press is engaged in a surprisingly violent attack on the performance of their political organizers, particularly those now working in the newly "liberated" areas of East and Central China. The Communist "cadres" are being charged with complacency, lack of confidence, failure to promote the interests of the peasants, and failure to break the power of the landlord class. Some of the press comment attacks the other extreme of "unnecessary brutality" and the alienation of "middle peasants" whose support the Communists need. Significantly, Communist directives have begun to list "quality of cadres" as one of the factors which will determine the pacing of the "overturn" program in newly-occupied areas.

"A"

The rapid seizure of Central, South, and West China has left the Communists acutely short of seasoned political workers, capable of mobilizing mass support for the "new order". These areas are being turned over to inexperienced students who, ignorant of the particular local situation and untrained in Communist methods, are committing serious blunders in the name of the new regime. In addition to the inexperience of the "cadres", the Communist's problem has been complicated by the decrease in "revolutionary" incentive resulting from the fact that Nationalist power has been all but eliminated from the mainland. It is no longer a military necessity for the Communists to lead the peasantry in a rapid overthrow of existing property relationships and, in this way, give them a vested interest in defending the new situation against a return of the pro-landlord Nationalists. Since the Communists now enjoy a virtual monopoly of political and military power in China, there is apparently a temptation to let the work of local consolidation slide.

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Contrasted with the North China countryside, which was consolidated politically by the Communists under "struggle" conditions during and after the Japanese war, the remainder of "liberated" rural China is likely to remain unstable for a long time. While the lack of skilled organizers is only one of several factors contributing to this instability, it is probably the principal one operating at the present. The Communists are busily engaged in training political workers and in retraining those who are considered "politically immature", but the areas to be organized are so vast and the problems so complex that it may be years before "grass-root" support for the Communists can be developed. Reduced incentive is an even more serious problem, and one which raises the question of whether the Communists, having emerged victorious from the civil war and shifted the emphasis of their program to urban industrialization, will ever really accomplish their promised revolutionary peasant program throughout all of "liberated" China.

WU's woes--The reported dismissal of two of Governor K.C. WU's appointees to high administrative posts in Taiwan indicates that his entire reform program is endangered by the "old guard" opposition within Nationalist ranks. WU is trying to place two other Taiwanese leaders, one of whom has been associated recently with the native independence movement, in these offices.

"B"

During his month's tenure as Governor, WU has sincerely sought to arrest Nationalist deterioration in Taiwan, (1) by making his administration representative of the Taiwanese and (2) by launching a program of budgetary, administrative, and social reforms. Opposition to WU's reforms is being fomented by ex-Governor CHEN Cheng, many right wing officials and generals, and leaders of the Provincial People's Political Council, all of whom are concerned over their personal and political interests. The present success of the "old guard", together with the rapidly fading Nationalist hopes for further US military aid, probably will lead to more sabotage of WU's reform program.

WU may soon offer his resignation. Even if he remains in office, however, Nationalist failure to carry out his announced policies will aggravate administrative difficulties, stimulate new Taiwanese resentment and diminish the effectiveness of the ECA program in Taiwan. Unless CHIANG Kai-shek is persuaded to support WU decisively, the Nationalists will forfeit their last chance for continued survival in Taiwan, probably within two months.

Nationalist rice "shortage"--The Chinese Nationalists' announced plan to import 50,000 tons of Thai rice to Taiwan cannot be motivated by an impending rice shortage on that island, since Taiwan produces a substantial surplus of rice. Although these imports are presumably intended for troops on Hainan, the Chou-shan islands and Quemoy, the question of the need for such imports arises.

"B"

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With the favorable 1949 rice harvest on Taiwan (some 1.25 million tons), the Nationalists should be able to meet all their civilian and military requirements without resort to imports. Apparently, however, the low "controlled" government purchase price for rice has created an artificial scarcity on the island. This low price -- coupled with an expectation of future rises -- has resulted in rice being withheld from the market. It has also encouraged smuggling of Taiwanese rice to other areas where more favorable prices are obtainable.

Although rice stocks now held by the Taiwan Food Bureau are ample, the Bureau apparently is unwilling to release supplies for bases outside the island. The spending of over US\$5 million by the Nationalists for the purchase of an item already in ample supply points up the disorganized state of Taiwan's administration and gives a hint of the panicky atmosphere there.

NEWS NOTE

The current rumor that the light cruiser, Chungking, has been refloated by the Chinese Communists is considered to be "unfounded." A fear that the Chungking may make a sudden appearance with the "People's Navy" nevertheless continues to plague Nationalist naval leaders, who do not unanimously credit the claim of the Nationalist Air Force to have sunk the vessel.

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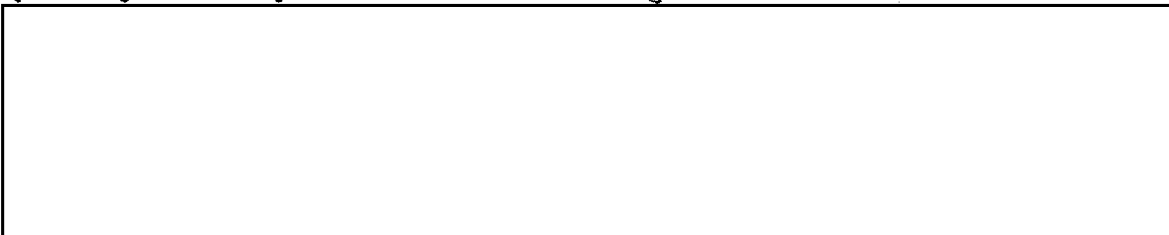
INDONESIA

Westerling's uprising--The attack on the West Java city of Bandung by the forces of Ray "The Turk" Westerling, former Dutch Army officer, may lead to further outbreaks of violence of serious proportions, although Westerling's troops were subsequently withdrawn. It is believed that the core of "The Turk"'s following consists of 3,000 men, mostly well-trained and battle-hardened deserters from the Royal Netherlands Indies Army.

"B"

The Netherlands High Commissioner Hirschfeld has openly --and apparently sincerely -- denounced Westerling's insurrectionist activities.

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Potentially more serious than Westerling's putative collaboration with the Dutch military is the strong possibility of his cooperation with other dissident groups in Indonesia. Foremost of these is the fanatical Darul Islam movement, which is striving to set up an Islamic state on Java with a force of perhaps 50,000 well-armed but ill-trained troops. In addition to Darul Islam, there are indications that some 10,000 followers of Tan Malakka, a "Titoist" Communist, may be allied with Westerling. While activities of orthodox Communists at the moment do not seem aimed at open revolt, they have armed bands of smaller total strength scattered throughout Java, which might cooperate with both Darul Islam and Tan Malakka.

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There is little doubt that the Federal Army — if possessed of the equipment which the Dutch have promised to deliver — could defeat all these forces in a few months, provided the fighting were localized. However, the forces of Westerling and Darul Islam are mainly in West Java, those of Tan Malakka in Bantam in the western tip of Java, and those of the orthodox Communists are in East Java. Consequently, the dissidents, if they should cooperate, are in an excellent potential position to carry on guerrilla warfare, by coordinating attacks on first one area and then another without ever engaging the main strength of the Federal Army.

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PART III. Funny Coincidences Department

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_____ certain Asian nations are exhibiting reluctance to accord recognition to the Bao Dai regime in Indochina, on the grounds that the sincerity of French intentions to grant genuine Vietnamese independence is in doubt. In this light, it is of possible interest to compare the following parallel extracts from the Treaty of Hue - 6 June 1884 - with the as yet unratified Agreement of 8 March 1949.)

Excerpts from the Treaty of Hue (6 June 1884), between the Third French Republic and the Empire of Annam.

Excerpts from the Bao Dai-Auriol Agreement (8 March 1949).

"Article 1--Annam recognizes and accepts the protectorate of France. France will represent Annam in all its foreign relations. Annamites living in other countries will be placed under the protection of France."

"Section II--The foreign policy of the French Union...will be examined and coordinated under the direction of the Government of the French Republic...The unity of the international policy of the French Union...will be assured at once by the general directives laid down... and transmitted by the Government of the Republic to the Government of Vietnam, as well as by the direct contacts maintained by French and Vietnamese diplomats."

"Article 3--Annamite functionaries will continue to administer the provinces... except in matters concerning customs, public works, and, in general, all services which require unified direction or the employment of European engineers or agents."

"Section VII--It has appeared advisable to reserve...to the competence of the French-Viet-Lao-Cambodian conference the following matters: (1) Transport, and communications, (2) Immigration, (3) Foreign commerce and customs, (4) Treasury, (5) Plans for economic development."

"Article 7--Native functionaries of every grade will continue to govern and to administer the territory under their control but they must be removed on the demand of the French authorities."

"Section IV--The Government of Vietnam will exercise in full the attributes and prerogatives which stem from its internal sovereignty...but...no national of the French Union may take part in the Vietnamese administration without the prior authorization or accord of the representatives of the French Union..."

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"Article 10--foreigners of every nationality will be placed under French jurisdiction. The French authority will rule on disputes of whatever nature which arise between Annamites and foreigners, as well as between foreigners."

"Article 13--French citizens may, throughout Tonkin and in the open ports of Annam, circulate freely, carry on trade, acquire moveable goods and real property, and dispose of them."

"Article 15--France engages to guarantee henceforward the integrity of the domains of His Majesty, the King of Annam, to defend this sovereign against aggressions from without and against rebellions from within."

"Section V--Commercial, civil, and penal cases involving nationals of the French Union other than Vietnamese or nationals of states with which France has conventions implying jurisdictional privilege...will be submitted to mixed French-Vietnamese courts."

"Section VII--...French nationals and nationals of the French Union enjoy the same freedom of establishment as Vietnamese nationals...They will enjoy freedom of circulation, trade, and, more generally, all democratic freedoms within this sphere."

"Section III--In time of war...all means of defense will be put in common, and the Military Committee will constitute the nucleus of a mixed General Staff under the direction of a French general officer..."

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