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NATIONAL INTELLIGENCE ESTIMATE

EFFECTS OF OPERATIONS IN KOREA
ON THE INTERNAL SITUATION
IN COMMUNIST CHINA



NIE-32

Published 10 July 1951

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NATIONAL INTELLIGENCE ESTIMATE

EFFECTS OF OPERATIONS IN KOREA
ON THE INTERNAL SITUATION
IN COMMUNIST CHINA

NIE-32

The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 5 July. See note of Director of Intelligence, USAF, on page 1.

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EFFECTS OF OPERATIONS IN KOREA ON THE INTERNAL SITUATION IN COMMUNIST CHINA

THE PROBLEM

To estimate the effects of the Korean operations upon the *internal* political, economic, and military situation of the Chinese Communist regime.*

CONCLUSIONS

1. We estimate that:

a. During the Korean war increasingly drastic control measures have been instituted and there has been an intensification of popular dissatisfaction; to date the Chinese Communist regime has shown ability to control the population and check the development of an effective opposition.

* The Director of Intelligence, USAF, believes it necessary to emphasize that this estimate excludes such broad and significant considerations as the effects of Korean operations upon the *external* position of the Chinese Communist regime. These considerations include:

a. The effect of the Korean war in denying Taiwan to the Chinese Communists.

b. The effect of the strong anti-Communist military reaction in Korea on any plans that the Chinese Communists may have had for aggression into Southeast Asia.

c. The creation of a security threat to the Chinese Communists on their northeastern frontier where none existed before the Korean operations.

d. The development of tensions between the Chinese Communists and the Soviet Union over Communist leadership in Asia.

e. The dramatic demonstration to the world of the error of any assumption of Communist invincibility and infallibility.

f. The progressive loss of non-Communist sympathizers among foreign governments and peoples, including the British.

b. While the Korean war has not yet posed a critical threat to the economic stability of the Chinese Communist regime, the war has subjected and will continue to subject the regime to increasingly serious economic difficulties. These difficulties are almost certain to increase during the next year if Western trade restrictions are rigorously applied.

c. The Chinese Communist regime is unable to replace from its own resources the stocks of materiel now being expended in Korea.

d. During the Korean war the size of the Chinese Communist military establishment has been increased.

e. By reason of personnel losses alone, the over-all military strength of the Chinese Communists has probably not been seriously affected.

f. However, deployment to Korea and Manchuria of major portions of their best forces, increased internal police requirements, and the logistic strain of the Korean war have reduced present Chinese Communist capabilities for additional external military operations.

g. The Korean war has increased the dependence of the Chinese Communists

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on the USSR, but apparently has not materially changed Sino-Soviet relations. There are areas of conflicting interests which make rumors of mutual dissatisfaction plausible, but we have no firm evidence to substantiate these rumors.

h. The Korean war has placed strains upon the internal political, military and economic position of the Chinese Communist regime. While these strains have not yet become critical, they may well become so if the war is prolonged.*

DISCUSSION

1. Effects On Chinese Communist Political Stability

2. We have no reliable evidence that reverses in the Korean war have created a rift among the higher Chinese Communist political and military leaders. Rumors suggest, however, that dissatisfaction with the course of events in Korea may have accentuated differences of view that already existed among them. There is fairly reliable evidence that military and political figures of secondary importance have become uneasy over China's involvement in Korea and its isolation from the West. On the other hand, several factors have tended to insure party solidarity, such as the lifelong isolation from non-Communist Western influences and the common ideological conditioning of most Chinese Communist leaders, the mutual interest they have in maintaining a united front among themselves and with the Soviet Union, and the strength of party discipline.

3. The initial Chinese popular reaction to intervention in Korea appears to have been one of pride in victory, and even the later holding actions were viewed as triumphs when compared with the long series of Chinese humiliations in the past. As the war has gone on, popular dissatisfaction with the regime, al-

* We have re-examined the Conclusions of this paper with reference to the Malik statement and do not find that his statement in any way affects the validity of this paper's Conclusions. If the USSR and Communist China do, in fact, desire a cease-fire along the 38th Parallel, they are probably motivated by considerations which include the military situation of Communist forces in Korea but which undoubtedly also take into account important factors above and beyond the scope of this paper.

ready in evidence before the struggle began, has been intensified by heavier taxes and levies in kind, increased conscription and militia duties imposed on an already war-weary people, purges, further disruption of the traditional Chinese family system, and other harsh repressive measures. In addition, there is evidence from reliable sources that among certain of the more educated groups, including some ardent supporters of the regime, misgivings have developed about the regime's relations with the USSR and the USSR's intentions with respect to China and Korea.

4. The decline of popular support and the apparent necessity to impose greater restrictions and demands upon the home front have resulted in the regime's speeding up its efforts to consolidate further its control of the country. Terroristic measures to suppress "counter-revolutionary activity" have been reinforced by positive steps to strengthen the public security system, to centralize and expand militia units, and to increase membership in the Communist-directed "people's organization." The regime has also been required and probably will have to continue to maintain large military forces within China to assist in preserving order. While the control measures have thus far been successful in checking the development of an effective opposition, their harshness has lost to the regime the willing cooperation of at least some community leaders, educators, engineers, and others whose prestige, training, and technical skills the regime has regarded as essential to the furtherance of longer range political and economic planning. In the long run, these developments might have serious effects on the stability of the regime.

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II. Economic Effects of the Korean War

5. There is insufficient evidence upon which to base a complete estimate of the effect of the Korean conflict on the Chinese Communist economy, which, though it has to support an urban population of over 60 million, is undeveloped industrially and preponderantly agrarian. It is entirely possible that any such effect would not be apparent within as short a period as has elapsed and it is improbable that satisfactory statistical evidence of such effects would be quickly or readily available to us.

6. It seems almost certain that the demands of the Korean war have limited the Peiping regime's reconstruction efforts to those projects requiring only the investment of labor, such as the building of dykes, irrigation system, airfields, and roads.

7. Although the regime has been successful in preventing the prices of domestic goods from rising sharply, inflationary pressures have built up since mid-1950, and Western trade restrictions and rising world prices have resulted in precipitous price rises for certain imported strategic raw materials and manufactured products.

8. Foreign trade with the West was at high levels in 1950. We estimate that during the first quarter of 1951 this trade at least remained at the 1950 levels, primarily because of the sharp increase in imports chiefly of strategic materials through Hong Kong. Data on Western flag shipping with Hong Kong and Chinese Communist ports since 1 April indicate that such shipping has fallen off significantly and we believe that the volume of trade has correspondingly declined. We believe that Western trade restrictions are almost entirely responsible for this decline in shipping and that these restrictions will have an increasingly adverse effect on Communist China's import capabilities during the remainder of the year. Smuggling and trade from Communist and non-Cooperating non-Communist nations will probably increase and will offset to some extent the effect of these restrictions.

9. Since the industrial sector of the Chinese Communist economy operates virtually on a day-to-day basis, both in terms of raw materials and plant maintenance, effective curtailment of imports is likely seriously to affect Chinese Communist industry. There have been shortages for some months of petroleum for civilian use and of certain fairly important specialized industrial items. Very recently as a result of raw cotton shortages textile mills have shut down. The Communists assert that they are related to import difficulties as well as to the failure of the cotton collection program in China itself. However, we believe the munitions industry, in spite of reports of plant dispersals and raw materials shortages, is producing at capacity and expanding.

10. During the large initial troop movements northeastward in the summer and autumn of 1950, there were serious interruptions in the rail movement of non-military goods throughout China. Since that time, although military traffic has presumably interfered with the general distribution of goods throughout China, and particularly in Manchuria, and although there have been recent indications of delay in the movement of individual non-military shipments, there is no evidence that the aggregate volume of traffic outside Manchuria in essential non-military items has been sharply curtailed.

11. The diversion of draft animals and manpower to military purposes has impeded agricultural production in China, but the country is not likely to face a critical over-all food situation in 1951.

12. Although such evidence as we have does not suggest that the Korean conflict has as yet posed a critical threat to the economic stability of the Chinese Communist regime, the Korean war has forced the Chinese Communists to modify their program of long range economic development and to place their economy on a war footing, has subjected the nation to economic sanctions imposed by the Western world, has increased inflationary pressures, and has strained the economic relations between urban and rural areas. These factors are likely to increase the economic difficulties of the government during the next year.

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13. The Korean war has increased Peiping's present economic dependence on the USSR from two points of view. In the first place, we believe that the Chinese Communists do not have the industrial resources to meet their requirements for continued operations on the scale of the Korean campaign over an extended period for even the type of military equipment now being used by them in Korea. In the second place, the increased East-West tension that followed the outbreak of hostilities in Korea is resulting in more effective Western trade restrictions.

III. Military Effects of Korean War

14. The Korean war has resulted in the deployment of major portions of Communist China's best military forces in Korea and or Manchuria. Supply requirements of the war are taxing heavily Communist China's limited logistic capabilities. In addition, guerrilla activity and increased unrest have required the commitment of large military forces within China for the maintenance of internal security. We estimate, therefore, that present Chinese Communist capabilities for military operations elsewhere have decreased as a result of their participation in the Korean war.

15. The Chinese Communists had an estimated 277,000 troops deployed in Korea on 19 June 1951. In addition, it is estimated that they had 11 armies and elements of 4 armies and special units in Manchuria totalling 358,000 men. These units constituted a major portion of their best forces.

16. Chinese casualties in Korea are estimated to have been 577,000 as of 16 June 1951, including roughly 73,000 non-battle casualties and 16,500 prisoners of war. Among these casualties have been an undetermined but considerable number of the better trained and politically more reliable troops, including officers and non-commissioned officers who will be especially hard to replace. There are indications that the units committed earlier were of a higher caliber than those recently encountered by the United Nations forces. Morale appears to be lower among Chinese forces in Korea than it was initially and the rate of capture of prisoners of war has increased greatly.

However, Chinese Communist personnel losses in Korea probably have not yet seriously affected their over-all military strength.

17. Despite heavy losses, the total estimated strength of the Chinese Communist Field Forces increased from 1,770,000 on 1 October 1950 to 1,947,000 on 9 June 1951. Military District units and the Militia have also been strengthened.

18. Losses of materiel in Korea have been considerable. Most of the equipment which was not Chinese-made was of US and Japanese origin. Communist China's output of high explosives and military equipment, including artillery, is insufficient to keep up with the expenditures and losses of materiel in Korea and Communist China has no motor vehicle and aircraft industries. Consequently, as the original stocks become depleted, the Peiping regime is becoming increasingly dependent upon the USSR for logistic support.

19. Relatively few Soviet ground force weapons and little ground force equipment have been found in the hands of Chinese Communists in Korea. There are a number of fairly reliable indications, however, that tanks and heavy equipment are being supplied and that some training in their use is being afforded to Chinese Communist units in Manchuria; additional reports, probably with some basis in fact, state that the Soviets have agreed to equip and train Chinese Communist divisions. We estimate that there are 10,000 Soviet military advisers throughout China, and that there are some 3,000 such advisers with the Communist forces in Korea.

20. The Chinese Communist Air Force has been steadily expanded, especially by the addition of jet fighters supplied by the USSR. The Chinese Communists, with a total of approximately 1,000 aircraft available to them, now possess a far greater air capability than they had at the outset of the Korean operation.

21. The USSR has provided almost all the aircraft, aviation equipment, and supplies now available to the Chinese Communist Air Force, and there is substantial evidence that it is now supplying the CCAF with radar, anti-aircraft equipment, and technical personnel. It is probable that Soviet or other non-Chinese

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"volunteer" personnel are operating many of the aircraft currently available to the Chinese Communists.

22. The USSR has provided the Chinese Communist Navy with advisers, technicians, and training personnel, and possibly a few old submarines of the smaller types.

IV. Effects On Sino-Soviet Relations

23. Official pronouncements and propaganda indicate no appreciable friction between Communist China and the USSR, but on the contrary suggest that the coordination of foreign

policy and propaganda and of military, economic, and social planning between the two countries has continued and perhaps increased during the Korean war. However, reports from sources of unknown reliability indicate dissatisfaction on the part of both Soviets and Chinese with the Sino-Soviet alliance. As there would appear to be many areas of conflicting interest and potential friction between the Chinese Communist and Soviet regimes, including possible rivalry for control of Korea, these indications are not inherently improbable. Any genuine Sino-Soviet friction would doubtless be concealed as long as possible.

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21 November 1951

MEMORANDUM FOR ALL HOLDERS OF NIE-32: Effects of Operations in Korea on the Internal Situation in Communist China, dated 10 July 1951.

The following revision was concurred in by all members of the IAC on 21 November.

For paragraph 8, page 3, of NIE-32, substitute the following:

"The foreign trade of Communist China with the West was at high levels in 1950. During the first half of 1951, this trade at least remained at, and probably was higher than, 1950 levels, primarily because of the sharp increase in imports, chiefly of strategic materials, through Hong Kong.*

* "More stringent Western trade restrictions were applied to trade from Hong Kong to Communist China in June 1951, too late to affect trade for the period of this estimate. The course of trade between the West and Communist China for the months after June 1951 will be examined in SE-20."

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10 Jul 51

Effects of Operations
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