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## THE PROSPECTS OF THE CHINESE NATIONAL GOVERNMENT

*Submitted by the*

### DIRECTOR OF CENTRAL INTELLIGENCE

*The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency, and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.*

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## THE PROSPECTS OF THE CHINESE NATIONALIST GOVERNMENT

### THE PROBLEM

To estimate probable short-term developments with respect to the strength, stability, effectiveness, and policies of the Chinese Nationalist Government.

### ASSUMPTIONS

1. US policy towards Taiwan remains substantially unchanged.
2. The Communists do not undertake overt military aggression in the Far East.

### CONCLUSIONS

1. A return to the mainland and the preservation of its identity as the legal government of China will continue to be the central objectives of the National Government of the Republic of China and the foci of its foreign policy. The present Nationalist leadership almost certainly will not agree to the creation of "two Chinas" and will resist moves to stabilize the Taiwan Strait situation as a trend in this direction. (*Paras. 12-15*)

2. Despite slow deterioration in the international position of the National Government due largely to wider international acceptance of Communist China, the internal political situation remains stable, relatively high living standards have been maintained and there has been some improvement in military capabilities. Morale has declined only slightly, and the prospects for maintaining domestic stability over the next two or three years appear good. (*Paras. 16, 19-53*)

3. Over the longer run, Nationalist China's international position and prospects will probably continue to deteriorate. With the passage of time and in a period of reduced tensions, the "return" theme would be increasingly recognized as unrealistic. Nevertheless, the National Government would find it extremely difficult to accept the idea that the Chinese on Taiwan must resign themselves to an insular existence. However, unless they can make this psychological adjustment and give higher priorities to domestic problems, Chiang or his eventual successor may not be able to sustain unity and morale or to maintain the economy. In any event, the survival and future fortunes of the National Government will continue to be determined in large measure by US policy, and will depend increasingly upon the scale and character of US aid and support. (*Para. 18*)

4. Despite the gradual increases that have taken place in the combat capabili-

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ties of Nationalist ground, naval, and air forces over the past several years, these capabilities are still far outweighed by those of Communist China. Even if Nationalist military capabilities are substantially improved, outside logistic, air, and naval support will continue to be re-

quired to defend Taiwan or the Penghus against Communist invasion. Nationalist strength will continue inadequate to defend the offshore islands against determined Communist attacks. (*Paras. 48, 53*)

## DISCUSSION

### I. CHINESE NATIONALIST PROSPECTS

5. The underlying objective of Nationalist China is to return to the mainland and recover power from the Chinese Communist regime. However, though continuing to call for an early invasion, Chiang and his government probably consider that US support for a return to the mainland is not likely unless other circumstances impel the US to engage Communist China or the Communist Bloc in a major war. Until such time as an invasion of the mainland can be realized, the principal objectives governing the domestic and foreign policies of Nationalist China appear to be: to preserve its existence and its identity as the legal government of China; to develop an increasingly strong military force on Taiwan as a major anti-Communist base in the Far East; to stimulate and participate in collective defense arrangements with other Asian nations; and to secure increasing US military, economic, and diplomatic support.

6. In many respects the National Government of the Republic of China is an anomaly. Its very existence is due to the fact that the US defends it, provides it with economic support, and sustains it in the world's councils. While it continues to be acknowledged by a majority of the states of the world as the legal government of China, it controls only a few islands and its international position is being eroded by the growing power of Communist China. Nationalist China is an armed camp, maintaining a military establishment larger than its economy can support, yet inadequate either to undertake the desired invasion or to defend the territory it now holds. The US has not underwritten its long-range aspira-

tions and there is no visible prospect that its hope for an early return to the mainland will materialize. It is staunchly anti-Communist, yet it is an important source of dissension in the non-Communist world.

7. During the past year, the National Government improved its position in several respects. The security of Taiwan and the Penghus (Pescadores) was enhanced by the Mutual Defense Pact with the US. Nationalist China received large-scale deliveries of military equipment from the US which together with MAAG advisory assistance permitted a considerable strengthening of the armed forces. Despite large Nationalist military expenditures, increased US economic assistance permitted the National Government to maintain a standard of living second only to that of Japan in the Far East, to limit inflationary pressures, and to support a moderate level of capital investment. Chiang Kai-shek retained firm control of the government and the Kuo-mintang apparatus. Nationalist morale apparently declined only slightly, and Communist activity on Taiwan appeared to be low.

8. However, in spite of these developments the Chinese Nationalists almost certainly recognize that their position deteriorated during the past year. Tension in the Taiwan Strait last winter increased world demands for a solution of the Taiwan question and produced strong pressures for a "two Chinas" solution which is repugnant to both Nationalist and Communist China. The subsequent Bloc campaign for relaxing tensions tended further to erode the Chinese Nationalist position abroad. There was a general desire in the Free World to expand trade with Com-

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munist China. Many states including Belgium, France, Canada, and Italy showed an increased interest in establishing relations with Peiping. The British reacted with increasing asperity to Nationalist interceptions of British merchant vessels.

9. Although no country withdrew its recognition during the past year, the government failed in its attempt to establish relations with such nearby states as Vietnam, Laos, and Cambodia. Despite the fact that there was almost no change in the final voting from previous years on Chinese Nationalist credentials at the UN, it was clear that support for Nationalist China was being given with increasing reluctance and in many instances only in response to US pressure. Support for the Nationalist Government probably also declined among the overseas Chinese.

10. Moreover, the talks between Chinese Communist and US ambassadors at Geneva have increased in the minds of Nationalist leaders the fear of US recognition of Communist China. Notwithstanding US ratification of the Mutual Defense Treaty, the atmosphere of detente created at Bandung and the Geneva Summit Conference has intensified Nationalist apprehensions over ultimate US intentions with respect to Taiwan.

11. Finally, although the immediate threat of Communist military action against the offshore islands and Taiwan appears to have abated, the announced intention of Peiping to extend its control over all Nationalist held territory has not been modified. Peiping has increased its broadcasts of propaganda appeals to individuals and groups on Taiwan. Although it has reiterated its desire to seek a "peaceful settlement" of the Taiwan issue, it has reserved the right to employ force in a situation which it continues to insist is an internal Chinese affair. It has continued the steady build-up of its military capabilities in East China.

12. Most Nationalist leaders probably estimate that even with US support, Nationalist China's international position will continue to deteriorate during the next few years. They are concerned with respect to future

levels of US economic and military support. They probably believe that present trends will result in the eventual admission of Communist China into the UN, in wider diplomatic recognition of Communist China, in growing superiority of Peiping's air and naval forces, in the reduction or elimination of trade controls, and in extreme international pressures on the US to obtain the evacuation of the offshore islands and even a "two Chinas" solution.

13. Despite this pessimistic outlook, Chiang and most Nationalist leaders apparently believe that Nationalist morale and purpose can best be sustained by pressing the objective of return to the mainland. Nationalist leaders have recently re-emphasized the "return" theme in domestic propaganda. They have reinforced the offshore islands against US advice, and they have tended to adopt a more stubborn and secretive attitude toward the US while becoming more insistent in requests for US support and aid. Nationalist leaders apparently feel that to subordinate the objective of "return" would be the signal for a rapid erosion of the Nationalist position as claimant to the government of China.

14. We believe that Chiang Kai-shek will continue to give priority to the "return" objective. Even such a set-back as Communist China's acceptance in the UN probably would not cause him to modify this policy with its emphasis on the military program.

15. Nationalist China's objectives in its relations with the US will be to retain recognition as the legitimate government of China and to sustain or increase the levels of US support. Chiang will attempt to maintain a state of tension in relations between the US and Communist China and he may employ his military forces in deliberate efforts to provoke Communist reactions. He will almost certainly strongly resist efforts from any quarter to promote a cease-fire in the Taiwan Strait or a peaceful evacuation of the offshore islands.

16. Assuming that Chiang continues the emphasis on "return" and that Peiping does not take military action sufficient greatly to in-

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crease tensions or to involve the US, the primary problem of the National Government will be to sustain morale and limit Communist subversion. For the next two or three years, however, we believe that morale will not decline so far as to affect seriously the operation of the government or the effectiveness of the armed forces. Internal security measures will probably be adequate to counter or suppress Communist subversive activity. Moreover, the present relatively high living standards will probably be maintained, essential security guarantees will be provided by the Mutual Defense Pact, and in any case the Nationalists and Taiwanese will continue to lack practicable or acceptable alternatives.

17. The problem of sustaining morale and loyalties would be greatly increased if control of the offshore islands were lost at any time over the next two or three years. The situation would be critical if the loss involved the destruction of the Nationalist garrisons. Nationalist will and determination to continue resistance to Communist pressures would then depend in large degree upon US measures on Taiwan and subsequent US actions in response to Communist moves.

18. Over the longer run, Nationalist China's international position and prospects will probably continue to deteriorate. Although with the passage of time and in a period of reduced tensions the "return" theme would be increasingly recognized as unrealistic, it would nevertheless be extremely difficult for the Nationalist Government to accept the idea that the Chinese on Taiwan must resign themselves to an insular existence. However, unless this can be done, the task of sustaining unity and morale, and of maintaining the economy, may exceed the determination and skill of Chiang or his eventual successor. In any event, the survival and future fortunes of the National Government will continue to be determined in large measure by US policy, and will depend increasingly upon the scale and character of US aid and support.

## II. INTERNAL POLITICAL SITUATION AND TRENDS

19. Although Nationalist China has a constitution that provides for a representative republican government, it is essentially a one-party state; authority is centralized in the hands of a few, and ultimate political power resides in the hands of the leader of the Kuomintang and head of the government, Chiang Kai-shek. He continues to dominate Nationalist China through his legal authority, his prestige, and the personal loyalty of key personages in the government.

20. The Generalissimo dominates the political scene not so much through direct fiat as through skillful balancing of personalities within the government. His long-standing practice of divide-and-rule is probably responsible in large measure for Taiwan's present degree of political stability. At the same time Chiang's methods are largely responsible for such continuing Nationalist short-comings as the retention of incompetents in high position, a general failure to delegate authority to subordinate political and military officials, and factionalism within the ruling circles.

21. The dominant figures below Chiang appear to be Ch'en Ch'eng, the Vice President, and Chiang Ching-kuo, the Generalissimo's elder son. Although the Vice President may have improved his position recently, Chiang Ching-kuo appears to have developed even more strength. He has been the deputy secretary general of the new National Defense Council since September, 1954, and more importantly he directs the council's National Security Bureau—the instrument of the Generalissimo's control which pervades almost every aspect of Taiwan life. Chiang Ching-kuo exercises a large degree of influence among all ranks of the armed forces through the political officer system.

22. The government has shown increasing sensitivity to the character and conduct of its officials during the past year and several officials have been successfully prosecuted for corruption and malfeasance. On the other hand, some trials have been held which appear to have been politically motivated. In

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April, a former close associate of ex-Governor K. C. Wu was arrested for allegedly harboring a Communist agent. And in July, General Sun Li-jen, the presidential chief of staff, was implicated in a Communist plot. Although officially exonerated of this charge, Sun was found guilty on other counts. He continues under surveillance and has no official position. The facts of the Sun case are not clear and may never be fully revealed. There is a suggestion in the Sun case and in other episodes of a revival of discrimination against officials with close American associations.

23. Although there is no evidence that Communist activity on Taiwan increased significantly during the past year, security measures have been tightened. These measures may have been designed, in part, to discourage criticism of the regime.

24. Prospects for the further improvement of relations between the native Taiwanese and the Chinese from the mainland appear to be less favorable than a year ago. International developments have led to an increased Taiwanese interest in the possibilities of "two Chinas" or of an international trusteeship for the island. Although discussion of these topics has not been forcibly suppressed, the authorities have let it be known that they are not considered suitable subjects for conversation, particularly with Americans. The Taiwanese apparently believe that their opportunities for participation in government are more limited than they were a year ago. While it is possible that Taiwanese-mainlander relations may further deteriorate, neither harsh Nationalist suppression or major political concessions are likely to be required.

25. *Political Trends.* It is unlikely that there will be major changes in the political scene on Taiwan for at least the next year or that any significant advances will be made in democratization. The maintenance of morale will continue as a key problem for the government. However, even greatly lowered morale probably would not affect political stability nor significantly reduce government effectiveness in the immediate future. The basic objective of reconquering the mainland

will almost certainly remain paramount at least as long as Chiang Kai-shek remains on the scene. In consequence, domestic policies will continue to receive subordinate attention. A few shifts in personnel may occur in top level positions, possibly in mid-1956 when some military officers will be due for reassignment, but it is unlikely that the general complexion of the government or the party behind it will be affected. In the event of Chiang's death there would probably be a period of uncertainty as Ch'en Ch'eng, Chiang Ching-kuo and other leaders maneuvered for power. However, if he were to die in the next year or two, we believe that the leadership problem would be resolved without serious effects on the basic stability of the Nationalist Government.

### III. ECONOMIC SITUATION

26. The economic situation on Taiwan is characterized by a rapidly expanding population and limited opportunities for increased agricultural production and employment. The population of Taiwan has increased more than 75 percent since 1940, partly because of a high natural increase and partly because of an influx of two million mainland Chinese. It now totals over 10 million people, is expanding at the rapid rate of about 2.5 percent per year, and will probably reach 13 million by 1965.

27. Taiwan's economy is basically agrarian, with about one-half of the population engaged in agriculture. Nearly all arable land is now tilled and 62 percent of the cultivated land is under irrigation. Known mineral resources are meager, although coal production meets the island's current needs and could be expanded to support a growth in industry. Water power is abundant, and Taiwan could expand its hydroelectric facilities considerably. Some expansion in other primary industries, including fisheries, forestry, and animal husbandry, will probably occur, but Taiwan's over-all economic prospects will depend chiefly on industrial development, based on the utilization of coal and water power resources, and relying on foreign trade for certain raw materials and markets.

28. Although Taiwan's productive capacity is gradually improving, it is still inadequate to

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meet the demands of the expanding population and a large defense establishment. Between 1895 and 1940 the Japanese integrated the Taiwanese economy with that of Japan and, through large scale investment programs, raised the productivity of the island in selected economic sectors to a high level. This process of economic expansion was interrupted by war and postwar dislocations. During 1945-1949 the economic needs of the island were in large part neglected by a government concerned with more pressing matters on the mainland. Since 1949, rehabilitation and expansion efforts have been greater, but it was not until 1952 that production in agriculture and industry passed prewar peaks. Since 1952 agricultural production has declined slightly, but industrial production has increased nearly 50 percent. From 1951 to 1954, total production increased 41 percent while per capita output increased 27 percent. During this same period the price level has increased more than 40 percent.

29. Taiwan's external accounts have been badly dislocated since the end of World War II. The prewar levels of sugar and rice exports have been reduced owing to the growing food requirements of the expanding population. This decline in exports, together with the demands of the large defense establishment, have prevented Taiwan from financing with its own resources the imports of goods and services required to maintain an expanding economy. The Nationalists have been able to acquire necessary imports only because of US economic assistance totaling about \$500 million since 1950. During 1954 a foreign exchange crisis developed, as exports declined sharply following a reduced sugar crop while imports were maintained through drawing down official foreign exchange reserves. The situation eased somewhat in 1955 with the recovery of exports, the imposition of stricter controls over imports, and the allocation of additional US economic aid.

ECONOMIC INDICATORS

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Agricultural production (1938 = 100)	83	101	98	97	96 <sup>a</sup>	
Industrial production (1941 = 100)	92	111	140	152	158 <sup>b</sup>	
GNP (millions of 1954 dollars)	1,050	1,235	1,345	1,480	na	
Per capita GNP (1954 dollars)	115	130	136	146	na	
Wholesale prices (1952 = 100)	82	100	109	111	123 <sup>c</sup>	
Exports (million dollars)	93	120	130	98	na	
Imports (million dollars)	151	222	199	205	na	
Balance of payments (current account of goods and services) (million dollars)	-61	-99	-80	-125	na	
Budget deficit <sup>d</sup> (exclusive of US counterpart) (million dollars)	na	-46.1	-52.1	-55.3	-68.0	-120 <sup>e</sup>
ICA Counterpart (million dollars)	na	38.6	50.9	53.0	67.0	na

<sup>a</sup> Preliminary estimate

<sup>b</sup> Jan-Mar, seasonally adjusted

<sup>c</sup> For July, 1955

<sup>d</sup> 1952 and 1953 figures are for fiscal year ending Dec 31; later figures are for fiscal year ending June 30.

<sup>e</sup> Planned

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30. The financial difficulties of the National Government were intensified this year by sharply rising military expenditures and by the costs of resettling discharged servicemen and Tachen Island refugees. The government has refused to raise taxes, apparently because of fear of alienating the population. Although budget deficits have in the past been covered by counterpart funds, these deficits are constantly rising and the planned \$120 million deficit for fiscal 1956 is nearly double that of 1955. Thus far, Chinese officials have ignored US fiscal advice, apparently in the expectation that deteriorating economic conditions will force the US to extend greater economic aid to the country.

31. The economic policies of the Nationalists reflect their concentration on the objective of an early return to the mainland. In the allocation of economic resources, first priority is given to the build-up of military strength and second priority to the maintenance of current living standards. Long range economic development receives a lower priority. Gross investment, currently about 10 percent of total output, covers capital replacement needs and provides new capital adequate to support possibly a two to three percent annual increase in GNP. This level of investment, taken in conjunction with the rapid population growth, provides little if any increase in per capita GNP.

32. *Economic Prospects.* Over the next few years production will probably expand at a rate somewhat above that of the population growth due in part to expected increases in industrial production resulting from recently enlarged electric power facilities. The government, however, will probably continue to allocate these increases in output to military expansion and to social welfare, subordinating the long-term investment needs of the economy. We believe it unlikely, therefore, that the economy will expand sufficiently over the next few years to reduce the dependence of the National Government upon US aid assuming that military expenditures remain at approximately present levels.

33. In the long run, there will be a deterioration in the Taiwan economic situation unless

the government changes its policies. Current high population growth rates, together with limited prospects for agricultural expansion, indicate that economic development, if it is to maintain per capita productivity and living standards, must provide in the coming decade for a population which will be 30 percent larger and substantially more urban and industrialized than at present. However, the major adjustments required by these developments are not likely to be efficiently implemented without a leadership strongly committed to economic growth and a level of gross investment substantially above the present rate.

#### IV. RECENT MILITARY DEVELOPMENTS AND PROBABLE TRENDS

34. *Army.* The Nationalist ground forces of 325,000 men are organized into 2 field armies, 7 corps headquarters, 21 infantry divisions, 2 light armored divisions, and some miscellaneous units. They are disposed as follows:

<u>General Headquarters, Army and Taiwan</u> <u>Defense Command</u>	
GHQ, army and service troops, 1 airborne infantry regiment, armored force, training units, and service schools	34,000
First Army Area (Northern Taiwan) 3 corps headquarters 6 infantry divisions	87,000
Second Army Area (Southern Taiwan) 3 corps headquarters 6 infantry divisions	83,000
Eastern Garrison Command (Eastern Coast of Taiwan) 1 reconnaissance regiment miscellaneous units	4,000
Taipei Garrison Command 1 infantry division	9,000
Penghus (Pescadores) Defense Command 1 infantry division	13,000
Total on Taiwan and Penghus	230,000
Matsu Defense Command 1 infantry division miscellaneous units	19,000
Chinmen (Quemoy) Defense Command 1 corps headquarters 6 infantry divisions	76,000
Total Ground Forces	325,000

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35. The army's effectiveness is impaired by a failure of the highest command echelons to delegate authority and by a political officer system which interferes with command functions. MAAG is attempting to overcome these problems through instruction in US military staff methods, through recommended changes in army organization and through new agreements designed to modify the functions and operations of the political officers. MAAG's advice is often ignored. In particular, Chiang is adamant in his belief that the political officer system is essential to maintain morale, loyalty, and discipline in the armed service.

36. The newly organized army logistical command is improving supply and distribution, which have been glaring weaknesses in the army, and for the first time gives the army command effective control of its own technical services. However, maintenance of equipment is still unsatisfactory at all levels above that of the individual soldier.

37. The army lacks a rational system for the accounting and utilization of personnel. The insistence by MAAG that all army units supported by the US be brought to full strength has been ignored. Although there is tentative agreement that ineffectives in the army must be discharged and that a reserve training program must be developed to provide the needed "young blood" in the army, the implementation of these programs has so far been ineffective.

38. The morale of officers and enlisted men at the present time is not believed to be a limiting factor in the army's combat capabilities. The over-all morale rating for the army is satisfactory to good, with the morale of the garrisons on the offshore islands being higher than that of the units on Taiwan. The morale of junior officers is impaired by the incompetence of some senior commanders in the army and some officials in the Ministry of National Defense. The morale of the Taiwanese who have been taken into the army, including those sent to the offshore islands, appears to be good. The Taiwanese recruits have been fairly treated.

39. The army has now developed a sound defense concept and improved plans for the defense of Taiwan. Realistic plans for the defense of the offshore islands are being developed. Nationalist troops are well-equipped with small arms and crew-served weapons, and are capable of using them effectively. Although combat capabilities have improved and units up to and including regimental size are generally well organized and trained, only a few units have received training at division level.

40. *Navy.* The Nationalist navy can no longer be considered superior in number and type of ships to the Chinese Communist navy, which was recently strengthened by the transfer of additional Soviet long-range submarines and destroyer types.

41. The personnel strength of the Nationalist naval establishment totals about 53,800 including about 23,500 marines organized in 1 division, 1 brigade, and 2 amphibious battalions. The navy includes 3 destroyers, 5 destroyer escorts, and 34 other patrol-type craft, 11 mine vessels, 34 amphibious vessels, 15 auxiliaries, and 66 service craft. There is no naval air arm.

42. The navy and Ministry of National Defense continue reluctant to accept risks in naval operations. Routine shipboard maintenance programs are poorly executed and regularly scheduled overhauls are not adhered to, thus leaving ships in an "upkeep and repair" status for relatively long periods. Although the importance of practical training, particularly underway training, has long been ignored, comprehension of the need for such training is now becoming evident at all levels of command. Antiaircraft, antisubmarine, and shore bombardment capabilities are fair; however, the navy requires further training before it could satisfactorily participate in either joint or combined operations. The expansion of the marine corps, including the addition of one former army division, has slowed considerably its development as an amphibious assault force; one brigade, however, is considered suitable for use as assault

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troops. Relations between the navy section, MAAG, and the Nationalist navy appear to be good, and continued MAAG training and continued receipt of MDAP material should result in improvement in naval effectiveness.

43. The morale of the Nationalist navy is low. During the past year the navy has lost several ships to Communist planes and torpedo boats and has won no corresponding victories over the enemy. There is a lack of authority on all levels to carry out the prescribed functions and responsibilities. Even the navy commander cannot effectively reprimand or dismiss an officer who fails in his duties. There is constant and arbitrary interference by political officers, and personnel policies have resulted in the promotion of incompetents and the frequent by-passing of the chain of command.

44. *Air Force.* The personnel strength of the Nationalist air force is about 70,000, including about 1,900 pilots of whom 500 are in training. Also included are 27,500 AAA and other army troops under the operational command of the air force. There are about 750 aircraft, of which about 435 are assigned to units. The Nationalists have about 70 F86F jet fighters and about 145 F84F fighter bombers. Pilot training programs for these types appear to be keeping pace with aircraft delivery. The aircraft are currently organized into eight and two-thirds groups: 5 fighter groups, 1 troop carrier group, 1 light bomber-patrol group, 1 transport group, 1 tactical reconnaissance squadron, and 1 air-sea rescue squadron.

45. Air facilities include 21 operational airfields and one seaplane station. All are on Taiwan with the exception of one field on Chinmen and one in the Penghus. Five of the Taiwan fields provide the principal current capability for supporting air combat operations, although two more are now suitable for limited jet fighter operations and are scheduled for further improvement. The air facilities system is generally sufficient for present requirements, but is still inadequate for intensive combat operations. Longer runways, large capacity fuel storage facilities, fuel pipe-

lines, and other support facilities are currently being constructed. When present and planned construction is completed, air facilities will be capable of supporting any operations of the Nationalist air force as presently constituted.

46. Although the Nationalist air force is stronger than that of any non-Communist East Asian country, it is far weaker than the Chinese Communist air force. However, its fully trained jet-equipped units are believed to be equal to those of the Communists on a unit-for-unit basis. The fighter units have the capability of providing effective close support of ground operations, and photo reconnaissance capability is excellent.

47. The capability of the air force to provide air defense remains weak in Taiwan and even weaker in the offshore islands. The chief deficiencies at present are the limited effectiveness of the early warning and GCI systems and the low operational readiness of some of the available intercept squadrons. Antiaircraft artillery defenses are inadequate with respect to types and quantity of equipment as well as to the state of training of personnel.

48. *Over-all Military Capabilities.* Despite the gradual increases that have taken place in the combat capabilities of Nationalist ground, naval, and air forces over the past several years, these capabilities are still far outweighed by those of Communist China. Without an assured resupply of ships and aircraft the Nationalists probably could not supply the offshore islands in the face of sustained interdiction efforts by the Communists. The Nationalists could make difficult and costly any Communist assault on the offshore islands; they could not hold the islands if the Communists are willing to pay the price in men and material. Without outside logistical, air, and naval support the Nationalists are not capable of sustained defense of Taiwan against determined Communist attacks.

49. The Nationalists presently have the capability to restrict ship movements in the Taiwan Strait and adjacent areas; commit aircraft to bombardment, amphibious support,

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airlift and paradrop missions; conduct guerilla raids, and raids with regular troops in regimental strength against the coastal provinces. Although navy antisubmarine and mining capabilities are fair to good, the air force has no capabilities in these two fields.

50. *Probable Military Trends.* Several serious deficiencies will continue to limit the effectiveness of the Nationalist armed forces during the next few years. The Nationalists are unlikely to make significant changes in the present method of senior officers' appointments, to improve leadership and initiative in command positions, or to modify the political officer system.

51. The age-sex distribution of the Taiwan population indicates that there should be an adequate number of physically fit males in the 18 to 25 year age group on Taiwan to maintain the armed forces at present strengths over the next decade. If age and physical requirements were changed, it is possible that as many as one million men could be mobilized. Taiwanese presently constitute about 20 percent of the army, and this ratio may reach 50 percent by 1965. At pre-

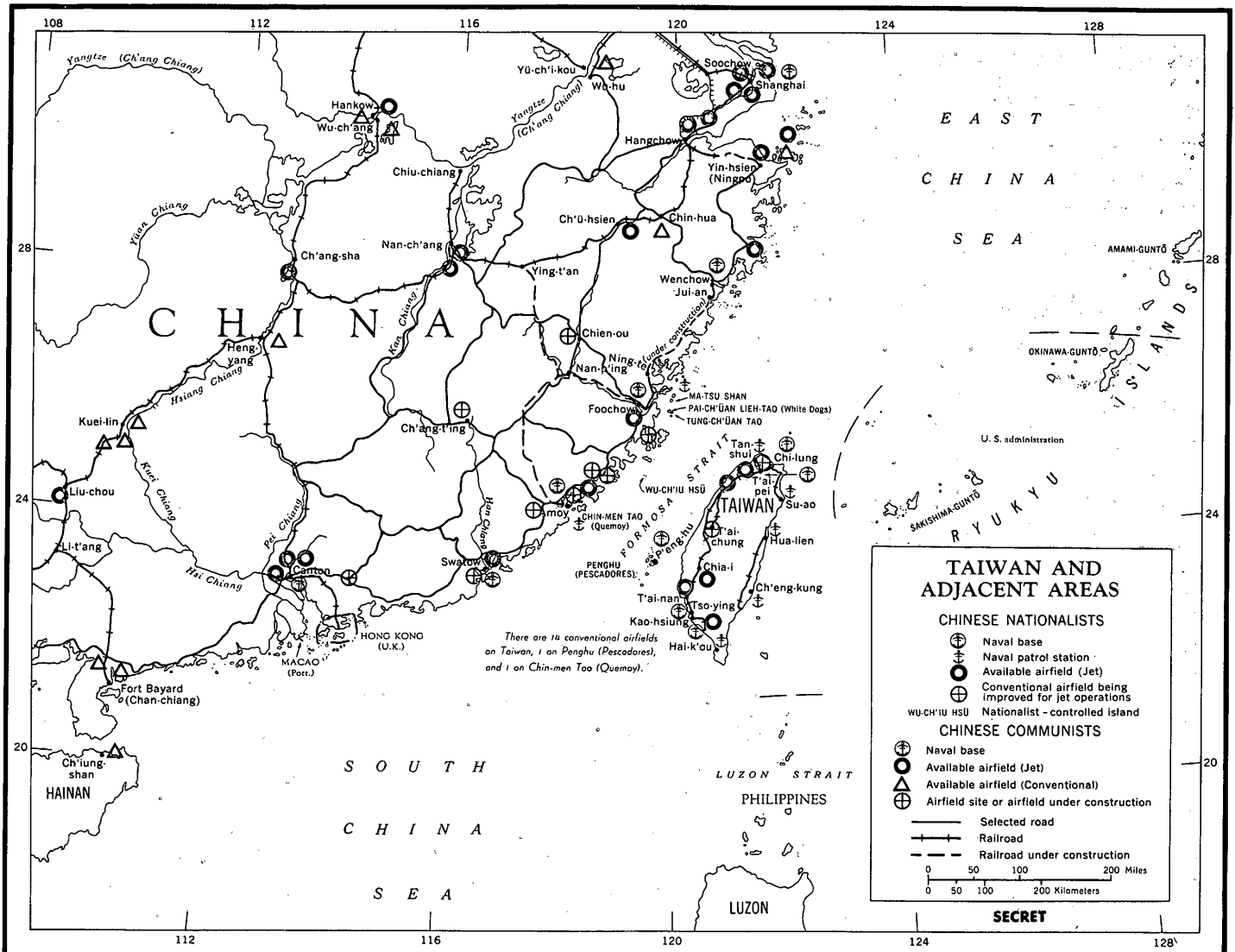
sent, they are used mainly as infantry replacements, but in time they will begin to fill junior officer ranks and may eventually gain important command positions.

52. Present plans call for the air force to have three full fighter groups (nine squadrons) equipped with F-86 aircraft by mid-1958 at which time the personnel of all units should be at a high degree of readiness and training. However, all piston aircraft will have become virtually unflyable and the F-84 jets will be obsolescent.

53. Even if Nationalist military capabilities are substantially improved, outside logistic, air, and naval support will continue to be required to defend Taiwan or the Penghus against Communist invasion. Nationalist strength will continue inadequate to defend the offshore islands against determined Communist attacks. Although the Nationalists will probably develop the capability to conduct division-size raids against the mainland within the next year or so, any invasion effort would require substantial outside logistic, air, and naval support.

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