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CENTRAL INTELLIGENCE AGENCY

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COUNTRY China/USSR/Korea

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SUBJECT Prospects of the Korean Cease-Fire Talks and of Chinese Communist Strategy in Asia

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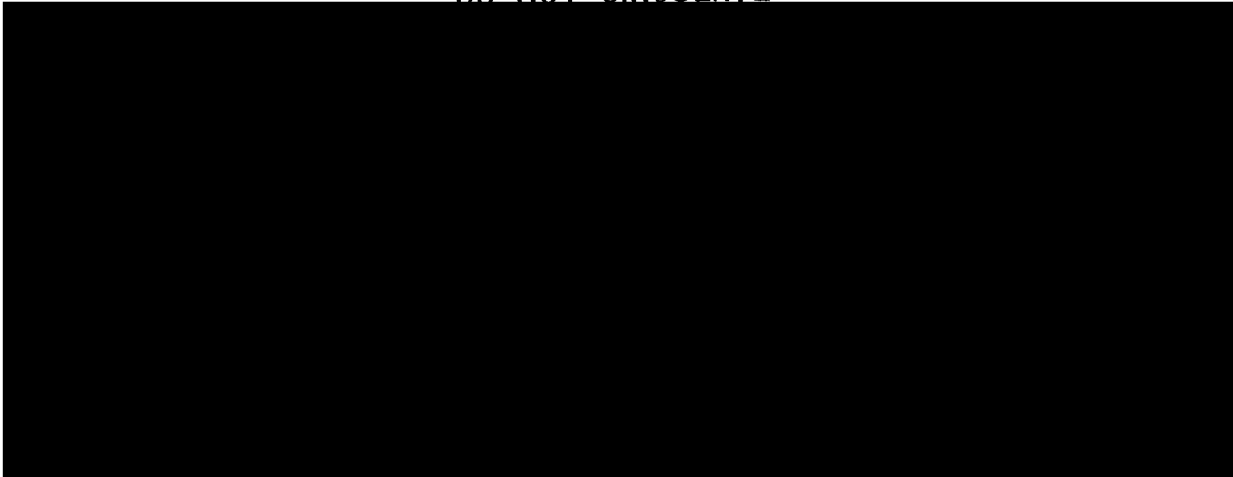
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SUPPLEMENT TO REPORT NO.

REFERENCE COPY

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1. [REDACTED] there may be some reference value in observations and conclusions based mainly on news items and views in Chinese Communist publications as to why the Chinese Communists would like to have a Korean cease-fire, to whether the Kaesong cease-fire will produce any results, and to what will be the future movements of the Chinese Communists.

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- 2. At the present stage of the Korean war, there are the following reasons to explain the willingness of the Chinese Communists for a cease-fire:
 - a. The Chinese Communists have suffered considerable losses in the Korean war. The Ta Kung Pao, Hong Kong, boasted that the American troops and troops of other nations had had over 500,000 losses, and that the ratio of United Nations (UN) losses to those of the Chinese Communists and the North Koreans was one to two. Chinese Communist authorities admitted losses of over a million. Before the Kaesong conference, a Ta Kung Pao editorial stated that the Korean war would not be advantageous to both parties, but would merely add to the loss of lives and property of the North Koreans.
 - b. The Chinese Communists have lost their hope of driving UN troops to the sea. This was hinted by Chinese Communist papers soon after the UN resolution branding Communist China as an aggressor.
 - c. Even if the Chinese Communists could drive UN troops out of Korea, that would not mean the end of the Korean war, but the expansion of the war; this was also expressed in Chinese Communist papers three or four months ago.
 - d. The Korean war has caused grave troubles in Chinese Communist reconstruction, especially in the economic sphere where numerous difficulties have

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- already appeared, such as the shortage of materials, the lack of a proper flow of native goods, financial difficulties, etc.
- e. Chinese Communist authorities are very much worried over the Japanese Peace Treaty and the rearmament and revival of Japan. Japan is expanding, while the Chinese Communists have been wasting themselves in the Korean war, which has made the Chinese Communist very uneasy.
 - f. The USSR and the Chinese Communists do not dare to provoke another world war yet, and therefore the so-called International Volunteer Army and the Chinese Communist Air Force have not yet appeared in the war to any degree.
 - g. The fight for admission into the UN and the conquest of Taiwan cannot be achieved with the continuation of the Korean war. On the contrary, the continuation of the Korean war would deprive the Chinese Communists of an opportunity to make themselves heard in the international circles.
 - h. Chinese Communist authorities may have found that a Korean war ceasefire at the 38th Parallel is for them a possible and profitable solution at the present time. And the withdrawal of foreign troops from Korea, if obtained, would mean a real victory for the Chinese Communists.
3. After the UN passed the resolution branding Communist China as an aggressor, and after the Chinese Communist forces had sustained heavy casualties, Chinese Communist papers at once cut down boastful comments on the progress of the Korean war. The argument that the Chinese Communists must win and that the UN troops must be driven from Korea disappeared almost entirely. Instead, they began to view the Korean war as a long and difficult war with no promise of a profitable future, and admitted also the superiority of UN fire-power. The Anti-America Aid Korea campaign stressed the importance of building up the Chinese Communist strength in various aspects such as national defense reconstruction, production reconstruction, land reform, "suppression of anti-revolutionists," etc., and no argument was advanced that these measures were to bring direct and speedy victory in the Korean war.
 4. According to news from people from the China mainland, it is often reported that there have been differences in opinion within the Chinese Communist Party (CCP) in regard to the Korean war. Proofs of this can also be gathered from Chinese Communist papers. The people even say that the Chinese Communists have craved a cease-fire, and are thus quite dissatisfied with the USSR. The fact that the United States adopted a speedy and firm policy of resisting aggression from the start of the Korean war, and that the UN has been unanimous in opposing aggression, furnishes proof, on the contrary, of the mistaken Soviet policy of provoking the Korean war and its defeat. The Korean war has proved to be an adventure based on mistaken calculation. It was equally erroneous to have rejected UN cease-fire proposals.
 5. There are, however, other factors. For example, the Korean war might have made Communist China and North Korea more dependent on the USSR, and more hostile toward the United States and Great Britain. Further, if a Korean cease-fire could be realized, this would be a way out of a very dangerous situation, and it would not deepen the split between the USSR and Communist China. The Chinese Communist Government could also pacify its people by showing that it can start a war and can also end a war. Therefore, we cannot over-emphasize the growth of a split within the CCP as a result of the Korean war. It might have been a factor in the desire for a Korean cease-fire. This is because the USSR, after having driven her satellites into trouble, must see to it that she does not allow the Korean war to develop into a third world war, and that the losses are still bearable for the satellites.

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6. As the continuation of the Korean war is very dangerous for Communist China, it would be more serious if the Kaesong conference proved a failure. Communist China would suffer greater losses, and war would have to be extended to the Yalu River and to within Chinese boundaries. According to news received by informant, there would, in general, be agreement reached on the agenda of the Kaesong talks. After agreement on the agenda, there does not appear to be any serious reason for the talks to break up. Judging from known facts, we may say that the talks may end in some kind of agreement. However, that does not mean that the talks will face no difficulties and delays.
7. After the cease-fire, the solution of the Korean problem would be very difficult. The implementation of the cease-fire agreement would unavoidably incur many disputes and confusions, because the CCP lacks sincerity and a spirit of abiding by law, and because the division of North and South Korea presents further complications in the implementation of the cease-fire agreement. The speedy withdrawal of foreign troops from Korea would be a major CCP propaganda offensive. North Korea and the Communist bloc, once compelled to accept a temporary cease-fire near the 38th Parallel, would at the same time seize opportunities to get a political solution to the Korean problem that would be profitable to North Korea. They would not easily assume the spirit to accommodate the working out of the UN Korean unification program.
8. One view is that the Communist Party would renew the Korean war shortly after the cease-fire. However, we have no sufficient reason to think that the Communist Party would soon make new aggressive moves while they still remember the losses sustained in the Korean war.
9. There are indications that the Chinese Communists are revamping their policies. In the Sino-Soviet Treaty of Friendship, Japan is taken as their hypothetical enemy. In their propaganda, they have been picturing the United States as their most dangerous enemy, as having replaced Japan in its position and influence in the Far East, and as having designs to follow the Japanese path of military aggression in China. At the beginning, Communist China took as the cardinal policy of its national defense reconstruction to defend the Far East for the USSR against Japan in the event of a third world war. With its entry into the Korean war, Communist China publicly reiterated that national defense reconstruction was the main task. The Korean war meant but a kind of practical exercise in modern warfare to the Chinese Communists. In implication, the Korean war must have made the Chinese Communists understand more thoroughly how efficient the human sea tactics could be in modern warfare, its national defense weaknesses, the shortcomings of its national defense reconstruction, and the great length of time required for national defense reconstruction. The defense planning aims merely at fighting huge Japanese armies in China. The flimsy naval and air strength they possess makes it impossible for them now to harbor any design to launch attacks of a certain kind.
10. For the present, the Chinese Communist national defense program may contain the following points:
 - a. To keep the best naval, land and air forces in the Northeast to coordinate with the Soviet, Mongolian and Korean forces to prepare for war against Japan in the future.
 - b. To prepare to fight major delaying campaigns against Japan in North China.
 - c. To build up military industries and strategic bases in the Northwest to supply Southwest, Central and South China, and East China.
 - d. To launch obstructive campaigns in Central and South China and East China.
 - e. To start in Southwest China "disruptive" areas of "disturbance" against Southeast Asia.
 - f. To launch surprise attacks on the high seas.

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11. The completion of this plan would require three to five years at least. It would also require much time and great effort in stabilizing political power, in completing land reform, in economic betterment, and in other work. Many ills would arise from this over-burdening. The completion of full-scale national defense preparations in the China mainland and construction of aggressive power would require still more time. Apart from preserving China's military dependence on her, the USSR also realizes that China is an important safety factor on her eastern front. When the Chinese Communists joined the Korean war, they put forth the slogan "We must crush aggression first before we engage in reconstruction", but such a slogan is no longer heard; in its place is the slogan to "Speed up reconstruction in order to crush aggression."
12. Following a cease-fire, a Chinese Communist political offensive would be concurrent with their national defense program and other internal reconstruction plans. The Chinese Communists see that there is no unity in the Far Eastern policy of the United States and of Great Britain. The rise of Japan once again would possibly lead to competition between the western countries and to the fear of Japan of Asiatic countries. By this the democratic countries could be weakened and Japanese rearmament delayed, which would cover the progress that Communist China made in rearmament. The Japanese peace treaty would be the first major subject for the launching of a political offensive. Communist China must immediately secure Taiwan, but it would not dare at this time to launch any military attacks on the island. At this time, the Chinese Communists would not dare to send a volunteer army to help Ho Chi Minh, because this would mean a repetition of the Korean war, which would help the solidarity between the United States and Great Britain. This political offensive will be complicated and many-sided. To attack the United States, Great Britain and other nations would not lead to any understanding with those nations. For the Chinese Communists, there is merely retreat under military and political pressure, but not well-meaning understanding.
13. With the bitter lesson of the Korean war, the Chinese Communists have subdued considerably their over-confidence in their ability "to crush aggression" and "to liberate Asia." Armed aggression will be changed to the supply of arms and secret aid to revolting forces so as to bring about the realization of their infiltration policy in all Asiatic countries.
14. In summary, the war-adventure policy of Communist China possibly will stop for the time being; and China will devote itself to internal reconstruction, preparations for war, political aggression, and infiltration policy toward Asia. However, Communist China would change its policy whenever the USSR changes hers.

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