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**SHORT-RANGE OUTLOOK IN THE
REPUBLIC OF KOREA**

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.

Concurred in by the
UNITED STATES INTELLIGENCE BOARD

On 21 March 1961, concurring were: The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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SHORT-RANGE OUTLOOK IN THE REPUBLIC OF KOREA

THE PROBLEM

To estimate the likelihood of a major political crisis in the Republic of Korea (ROK) over the next month or so.

CONCLUSION

1. The April anniversary of the fall of President Rhee will be marked by demonstrations and, probably, some acts of violence. In view of present grievances among opposition groups and the public at large, these demonstrations could be converted—by design or accident—into a major political explosion of some kind in the next month or so. However, the odds appear to be against such an explosion, since present grievances are not as intense or focused as those which gave rise to the 1960 revolution. Nevertheless, the ROK will continue to be plagued by formidable economic and political problems, and the long-term outlook for the ROK is bleak.

DISCUSSION

I. INTRODUCTION

2. April 1961 will mark the first anniversary of the revolution that felled Syngman Rhee and swept his government and his followers from the political scene. Police terrorism and press censorship have been eliminated, but little real progress has been made in the past year on the basic social and economic problems which confront the ROK Government and people. Prime Minister Chang Myon has succeeded in consolidating a slim majority in Parliament and some reforms have been accomplished. However, as the anniversary approaches, there are mounting signs of frus-

tration and resentment directed at the government and, increasingly, at the US, over the slow pace of reform and progress in South Korea. Public demonstrations, which succeeded so well a year ago, have continued to mark the ROK scene, especially in the nerve center of Seoul. Although the tempo of demonstration activity declined somewhat during the winter, there is a possibility that anniversary demonstrations will erupt—by design or accident—and confront the ROK Government and the US with a major crisis in the next month or so. This estimate seeks to assess the chances of such a crisis and the conditions which might spark it.

II. THE POSSIBLE SOURCES OF CRISIS

A. Political Weaknesses

3. The new government has indicated an awareness of basic problems and has taken some steps to cope with them. Nevertheless, the seven months of Prime Minister Chang Myon's government, formed last autumn, have been expended largely in customary Korean politicking, and the government's position is none too strong. In the July 1960 elections, the ruling Democratic Party had won 174 of the 233 seats in the House of Representatives. However, the deep divisions within the party showed up almost immediately and led to a prolonged struggle for party control. Chang was confirmed as Prime Minister by the House of Representatives only after Kim To-yon, a fellow Democrat, had been nominated but rejected by a very narrow margin. The faction led by Kim finally broke away completely, formed the New Democratic Party, and is now the major opposition, with about 61 adherents, in the House of Representatives. Chang's Democratic Party has about 128 seats (117 are needed for a majority) and he can increase the number slightly on certain issues by scattered support among the 37 independents in the House. However, potential schisms exist even within Chang's own Democratic Party, the most significant being a group of 25-30 younger men who believe Chang's leadership is not sufficiently imaginative or vigorous.

4. The opposition in Parliament is made up of the conservative New Democratic Party, the independent group, and a few members of left-of-center parties. The opposition has enjoyed the full exercise of its constitutional rights of expression and parliamentary interpellation. Though fragmented and divided, it has been highly vocal and quick to take advantage of any opportunity to embarrass the government and demand the resignation of individual cabinet members. The opposition in Parliament is backed by a substantial segment of the press which has taken advantage of the new freedom from censorship to indulge in generally antigovernment, often irresponsible journalism. The government has

come under increasing criticism from student, labor, veteran, and other groups as well, who feel that the reforms and improvements which should have followed upon Rhee's expulsion have been all too slow in coming about. Demonstrations and mass meetings have become a characteristic of Korean public life over the past year.

5. In the past year the Communists have increased their efforts to subvert the ROK. North Korean broadcasts aimed at the South have increased in number and intensity, and there has been a greater North Korean effort of late to increase the influx of subversive literature and support into the ROK, largely by way of Japan. Some of the present political unrest in the ROK is almost certainly attributable to Communist efforts. However, we believe that this unrest for the most part would exist without Communist instigation.

6. The National Police and security services were a primary target of the popular revulsion that led to last April's revolution. Since that time, purges and reorganizations have gone on repeatedly, causing a serious drop in the capabilities and morale of the police. Despite current antiriot training, there is little likelihood that they could function effectively against organized mass riots of the scale of 1960. In such circumstances, the army would become the most important element in the maintenance of order. We believe that the government would call on the army in an extreme situation, and that the army would respond to the call but might be reluctant to fire on demonstrators.

7. Public resentment over corrupt practices played an important part in the making of the 1960 revolution. Corruption continues to be a major problem for the government, although by itself it is not likely to cause revolutionary action in present circumstances. Student groups in particular have continued to lead the outcry against corruption. Although Prime Minister Chang and the government generally have thus far escaped serious attack on this score, petty graft at lower government and military levels and among much of the public is as widespread as ever.

The exposure of continuing corruption in the police has caused new public concern over the issue and forced the government to intensify its efforts to stamp it out. Solution of the problem will be difficult, especially as long as civil and military pay scales remain at their present low levels.

8. On balance, the Chang government has achieved certain limited goals but has not sparked any broad degree of public enthusiasm or support. As the government in power, it bears responsibility for the absence of significant political or economic advances. Well aware of increasing nationalist feeling, Chang has sought to avoid becoming too closely identified with the US. This has been difficult, however, as the government has recognized the necessity also of cooperating with the US on the solution of its economic problems. Although the Korean public probably does not regard Chang as a US puppet, it almost certainly believes that, under his government, the US has taken a more direct hand than previously in the conduct of the government's economic affairs and that the US therefore shares responsibility for existing economic conditions.

B. Economic Grievances

9. Underlying the political unrest in South Korea is the weak and uncertain state of an economy poor in natural resources and diverted from the major problems of reconstruction by the requirements of one of the largest military establishments in proportion to population in the entire world. Although the government's efforts at economic reform may yield some long-term benefits, there has in general been no significant improvement in the lot of the individual citizen since Chang's government took power last August. Indeed, some problems have become more serious.

10. The annual food shortage, which the rural areas normally experience in April and May before the early planting is harvested, has already hit many districts. There has been no starvation, but rations in many areas have been sharply reduced. The urban population has been subjected to a general rise in prices; in Seoul the wholesale price index rose

by about 10 percent in January alone. This rise has slowed somewhat since, but the Korean public remains apprehensive over continuing inflationary trends. The situation has already produced strikes, demonstrations, and petitions among the laboring groups. There has been no improvement in the employment situation, and unemployment and serious underemployment continue to affect about 20 percent of the labor force. This number will soon be swelled by most of this year's 45,000 college and vocational school graduates. In seeking to fix responsibility, the Korean public, through demonstrations and the press, blames not only the government but also, to an increasing extent, the US. In particular, the upward push of prices is ascribed to US-sponsored measures, namely the recent revision of exchange rates and a 50 percent increase in utility rates now awaiting enactment by the Parliament.

11. The Chang government is aware of the dissatisfaction caused by the state of the economy and is making efforts to remedy the situation. One important government measure is the National Construction Service program, a large-scale public works project being undertaken jointly with the US in an attempt to alleviate unemployment, particularly in the outlying provinces. The recent increase of US surplus food shipments has contributed to an easing of hunger in the drought-hit districts in the south. Chang is hopeful that such measures will at least tide the government over until longer term economic reforms begin to take hold. Although these short-term measures will probably have little practical effect on the economic situation within the period of this estimate, they may have some beneficial psychological result.

C. Grievances Against the US

12. The South Koreans have long resented the reluctance of the US to conclude an administrative agreement providing for the legal status of US armed forces in Korea. Under Rhee, public expression on this subject was channeled and controlled. Since his departure, public interest in such an agreement has mounted greatly, in keeping with the general

rise of nationalist sentiment. The Koreans hold that whatever reasons excused the absence of a status of forces agreement in the past, the end of Rhee and the virtual restoration of peacetime conditions—this latter recognized in the conclusion of a US-ROK bilateral economic aid agreement—no longer justify US reluctance to meet ROK desires on this issue. On 2 March 1961, the Assembly unanimously passed a resolution urging "the earliest conclusion" of such an agreement, and Chang has been urging on the US the immediate necessity of such a step.

13. Considerable controversy developed over the bilateral economic aid agreement. Opponents of the agreement alleged that, under it, the US was "interfering" in the operations of the government, infringing Korean sovereignty, and treating South Korea as a client state. In spite of this charge, the measure was supported by a substantial majority in the National Assembly. The US and the ROK Government also continue to be criticized, sporadically, for being "pro-Japanese."

D. The Unification Issue

14. Although Korean unification has not become a burning issue, interest in it has increased considerably over the past year, at least in part as a consequence of dissatisfaction over conditions in the ROK. Student groups have been in the forefront of those calling for a re-examination of past stands and for new initiatives to end the division of the country. The government itself would like to take the propaganda initiative on unification from North Korea but has put off any new action until after the UN consideration of the Korean question this spring. The unification issue will almost certainly become an increasingly serious problem for the ROK and the US.

III. THE PROSPECTS FOR A MAJOR CRISIS

15. Combustible materials are present. Design, incident, or a combination of accidents could ignite street demonstrations, converting them into destructive mob action and a major crisis. The Communists would, of course, exploit such an event. At a minimum, there will be considerable noise over the next month or so. Some acts of violence are probable and a major explosion of some kind is possible.

16. However, the odds appear to be against such an explosion this spring. Despite the factors present which could spark a new revolution, the situation in April 1961 is different in many respects from that of April 1960. Present frustrations are not as severe as those so long suppressed by Rhee. Moreover, although demonstrators may once again take to the streets, there is at present no single, emotion-packed focus for discontent comparable to last year's election frauds and police brutality. Finally, the government is alert to the danger and has publicized its preparations for coping with disturbances.

17. In any event, South Korea's fundamental problems will continue to plague any ROK leadership. Faced with an impoverished economy, drained by defense costs, and handicapped by inexperience in self-government, South Korea will remain heavily dependent on outside economic and military assistance for the foreseeable future. There will, moreover, be increasing political pressures arising out of growing nationalist spirit and incipient neutralist sentiment. In short, South Korea is basically so weak economically and unsteady politically that internal crisis or threat of crisis will be the norm, not the exception, over the years ahead.