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NATIONAL INTELLIGENCE ESTIMATE

Number 100-4/1-55

MORALE ON TAIWAN

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Advance Copy

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
Intelligence Advisory Committee



on 16 April 1955. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, G-2, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant to the Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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CENTRAL INTELLIGENCE AGENCY

MORALE ON TAIWAN^{1/}

THE PROBLEM

To analyze the pattern of morale and subversion on Taiwan, and to estimate the extent and intensity of the reactions which may occur in Taiwan, and in certain other countries of free Asia^{2/}, if the Matsu and Quemoy groups should be lost or evacuated under certain given conditions.^{3/}

THE ESTIMATE

I. GENERAL CONCLUSIONS



1. On the surface the general state of Chinese Nationalist morale remains fairly good despite recent events. We have not detected

1/ "Taiwan" as used herein includes the Penghu (Pescadore).

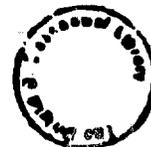
2/ Japan, the Philippines, the ROC, Thailand, South Vietnam, Cambodia, and Laos.

3/ These contingencies have been given the intelligence community as a basis for making this estimate.

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Communist subversive activity of major proportions on Taiwan, and strong countermeasures are being enforced throughout the island. Nevertheless, the National Government has undergone many frustrations and disappointments during its six years on Taiwan, and adverse psychological forces are almost certainly at work beneath the surface of Nationalist society. (Paras. 20, 21, 23)



2. The islands of Quemoy and Matsu have recently assumed such importance in the eyes of the Nationalists that their loss during the current crisis would be a severe blow to morale, irrespective of the circumstances or conditions under which the loss occurred. The effect would probably be considerably greater if the islands fell to Communist attack, especially if US forces were involved, than if they were evacuated without armed conflict. In any event, however, we believe that the blow would not be so great as to cause the Nationalists to fold up.^{4/} We believe that they would continue their resistance to Communist pressures, at least for a time.^{4/} The behavior of the Nationalists would depend in

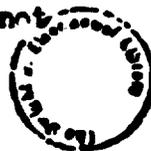
^{4/} The Special Assistant, Intelligence, Department of State, and the Assistant Chief of Staff, G-2, Department of the Army, believe that these two sentences overly emphasize the probable effects of possible changes in morale on the future courses of Nationalist action and would rephrase these sentences as follows: "In any event, we believe that the blow would not be so great as to destroy the Nationalist will to resist or to set in motion forces that would cause the Nationalists to fold up. We believe that they would continue their resistance to Communist pressures as long as they had confidence in the determination and ability of the US to defend Taiwan."

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large measure on specific US actions with respect to Taiwan, and on US reactions to subsequent Communist moves. (Para. 23-31)

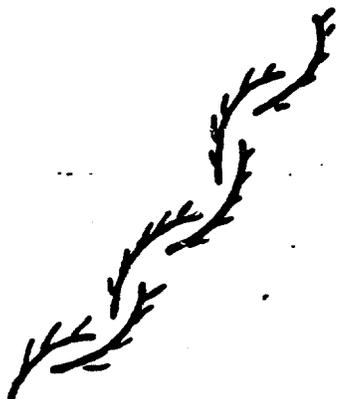
3. Among the other Asian governments under consideration (Japan, the Philippines, the ROK, Thailand, South Vietnam, Cambodia, and Laos), evacuation of the offshore islands without armed conflict would probably not lead to significant changes of policy; it would be greeted with relief in Japan, but would arouse some concern elsewhere in the area under discussion that the US was not prepared to commit its forces to forward areas. (Para. 37)



4. Loss of the islands to Communist assault, without US participation in their defense would cause a widespread feeling among the countries under discussion that if the islands were not to be defended by the US, the Nationalist garrisons should have been evacuated rather than sacrificed. US prestige would suffer. Laos, South Vietnam, Cambodia, and Thailand, in which the US does not maintain forces or bases, would probably feel increased doubts as to whether the US would defend them in case of need. These countries would probably be disposed to increasing caution in their policies toward the Communists. (Para. 38)

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5. If US forces had been actively involved in defense operations, loss of the islands would severely damage US prestige throughout the area. There would be a tendency in the states under discussion, except in the PRC, to adopt a somewhat more neutralist position and to move less vigorously in situations risking Communist counteraction. (Para. 39).

6. Among the overseas Chinese loss of the offshore islands would increase Chinese Communist prestige and the number of active and passive Communist supporters. We believe, however, that the mass of overseas Chinese would tend to remain uncommitted unless the state in which they reside made a decision to accommodate or was under an immediate threat of a takeover by the Communists. (Paras. 41-42)

7. In summary, we feel the effect of the loss of Quemoy and Matsu would depend largely upon whether prior and subsequent US actions, gave or failed to give, convincing evidence of a US determination to resist further Communist aggression.

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II. PRESENT SITUATION

8. The people of Taiwan fall into two main categories, the Taiwanese and the Mainlanders. The former are a largely passive, non-governing element, harboring some resentment against the mainland "invaders" and their past policies, but in present circumstances generally constituting a psychological factor of little importance. Among the Mainlanders, there are four overlapping components: (a) Chiang Kai-shek and his close subordinates; (b) the military and the security forces; (c) the bureaucracy; and (d) nonofficial persons, including especially the intelligentsia.

9. Of these components, the morale of the first two is most important, since they determine political action. Chiang Kai-shek and his close subordinates, by their deeds, their expression of resolve, and by the expectations which they can in part create, determine in large measure the spirit with which decisions are made and implemented throughout the bureaucratic and military chains of command. The military and the security forces constitute the key elements, since they will largely determine the effectiveness of defense, and the likelihood of mass defection or a coup d'etat. The rank and file bureaucracy plays a lesser

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role in determining morale, as do the intelligentsia, the press, and other nonofficial elements. Nevertheless, widespread disaffection or demoralization among these groups would tend eventually to weaken the National Government.



A. The Current State of Morale

10. Surface words and public utterances do not necessarily reflect the true state of Chinese Nationalist morale and willingness to resist Communist pressures and inducements. The principal factors affecting the state of mind of key groups on Taiwan appear to be the following: (a) prospects for a return to the mainland; (b) prospects for US defense of Taiwan and support of the National Government; and (c) alternatives to a Nationalist return to power on the mainland (see paras. 15-19).

Return to the Mainland

11. All elements have been sustained by the hope that the National Government will return to the mainland. For several years, however, actual expectations appear to have been dimmed, notably among the higher

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civil and military rebellions. There has been little assurance at any time among Chinese Nationalist officials that the US, except through involvement in a general war, would assist the Nationalists to establish a beachhead. As long as three years ago officials in private conversations would admit that, contrary to public assurances, they actually harbored little hope of ever returning to the mainland except in the event of general war. More recently, US official statements probably have increased Chinese Nationalist doubts regarding their prospects for a return to the mainland.

12. Chiang Kai-shek is the outstanding symbol of hope for return to the mainland, and the chief creator and perpetuator of this hope. Chiang has been uniquely successful in preserving a sense of unity and purpose on Taiwan. Unlike the situation on the mainland before 1949, there are few sources of independent power or influence within the regime, and politics and personal relationships revolve almost exclusively about his person. His steadfastness in persuing return to the mainland has been responsible for sustaining this objective, however remote or infeasible it might be.

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13. Actions which clearly reduce the likelihood of return to the mainland will have an erosive effect on Chinese Nationalist morale. If the Chinese Nationalists on Taiwan come to believe that there could be no return to the mainland, the effect upon morale and upon Chiang Kai-shek's personal prestige would be seriously adverse. Nevertheless, Chiang would almost certainly be able to maintain his authority. Practically speaking, however, it would be almost impossible for Taipei to acknowledge any settlement which would in fact signify that the National Government no longer had de jure claim to the mainland. While Nationalist officials and civilians no longer live out of suitcases, they have as yet made no serious accommodation to an insular existence. However, certain programs which they have undertaken would tend to facilitate adjustments to continued life on the island.

Prospects for US Defense of Taiwan and Support of the National Government

14. Among the most basic requirements for maintenance of morale on Taiwan is visible evidence of a firm US intention to defend Taiwan and to support the National Government as the legitimate government of China. The Mutual Defense Treaty has largely met the first of these requirements.

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But with respect to the second, apprehensions exist among the Nationalists. For example, there are doubts as to US intentions regarding the defense of the offshore islands, US attitudes toward the "two-Chinas" formula, and long-term US policy concerning recognition of the Communist regime. Top echelons on Taiwan probably view with alarm what they believe to be a US tendency to avoid direct military involvement with Communist China, and a US willingness to discuss a peaceful solution of the Taiwan Straits problem. They fear that these developments indicate an eventual abandonment by the US of support of the National Government as the legitimate government of China and perhaps even of the independent existence of the National Government itself.

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Alternatives to a Nationalist return to power on the Mainland



15. Although all groups maintain the hope that the National Government will return to the mainland, many individuals almost certainly have considered certain alternatives. The principal alternatives would be (a) defection to the Communists; (b) resignation to continued life on Taiwan; and (c) emigration to other non-Communist areas.

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16. The attractions of Communist China are probably primarily psychological. The Chinese Nationalists on Taiwan regard the mainland as home where the families of many still remain. In addition, there are many dissatisfactions with the situation on Taiwan, in particular lack of opportunity for many intellectuals, minor bureaucrats, and military officers. Finally, Peking exercises a powerful appeal through its apparent dynamism and its enhanced stature in world affairs.

17. Since July 1954, and especially since the evacuation of the Tachens in February 1955, the Chinese Communists have been conducting a high pressure propaganda campaign aimed at inducing defections from Taiwan and the offshore islands. This effort has included specific appeals from former friends on the mainland to high-level Nationalist officials and officers, as well as general assurances of pardon and of full use of any defector's talents. This campaign has not as yet had any visible success, but Communist spokesmen have recently claimed that such a campaign, added to continued military pressures against the Nationalists, will in time result in the subversion of Taiwan.

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18. However, most Chinese on Taiwan are aware that the repressive controls of the Peiping regime are much more onerous than those to which they are subjected on the island. In economic terms also the increasingly austere life on the mainland holds no inducements for the emigres on Taiwan, where the standard of living is second only to that of Japan in the Far East. The theme of return has not precluded some degree of adjustment by mainland Chinese to their present existence which has gradually come to appear more acceptable and less transitory. Moreover, the Nationalist leadership now on Taiwan constitutes the most uncompromising anti-Communist element among the Chinese.

19. In view of these considerations, we believe that the number of Chinese on Taiwan who would leave for the mainland at the present time, even if it were possible to move freely out of Taiwan, would be small.

The present state of morale

20. On the surface the present general state of morale on Taiwan remains fairly good despite recent events. Aside from some pessimistic editorial comment in the Nationalist-controlled

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press, there have been few visible evidences of lowered morale. We nevertheless believe that this relatively satisfactory state of morale may be more apparent than real. The adverse psychological forces analyzed above, in particular the disappointments over certain US policies, are almost certainly at work beneath the surface of Nationalist society. These forces do not appear as yet to be of serious proportions, but their erosive effect may prepare the way for an accelerated deterioration of morale in the event Nationalist China should suffer additional setbacks.

B. Effectiveness of Internal Security

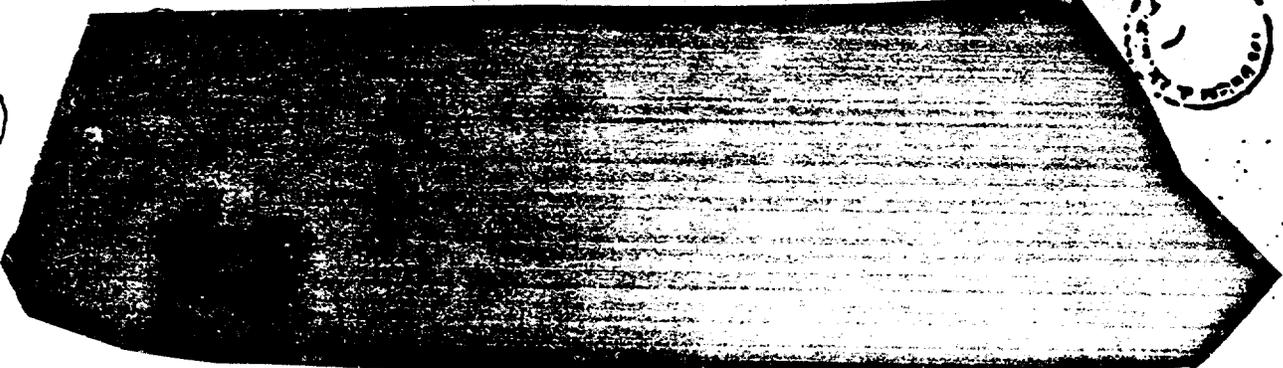
21. Although our intelligence on the subject is not full or conclusive, we believe that Communist subversive activity on Taiwan at the present time is not of major proportions and apparently is being effectively suppressed. The substantial threat

* Cases of Communist subversion resulting in conviction have been halved in the past four years, from an average of 22 per month in 1951 to 13 per month in 1954. There is no necessary correlation between the number of "cases" and the number of individuals convicted. The Peace Preservation Headquarters at Taipei stated on 16 November 1954 that 858 cases of subversion involving 1,745 persons had been tabled in the first three quarters of 1954. Of these individuals, 597 were later convicted.

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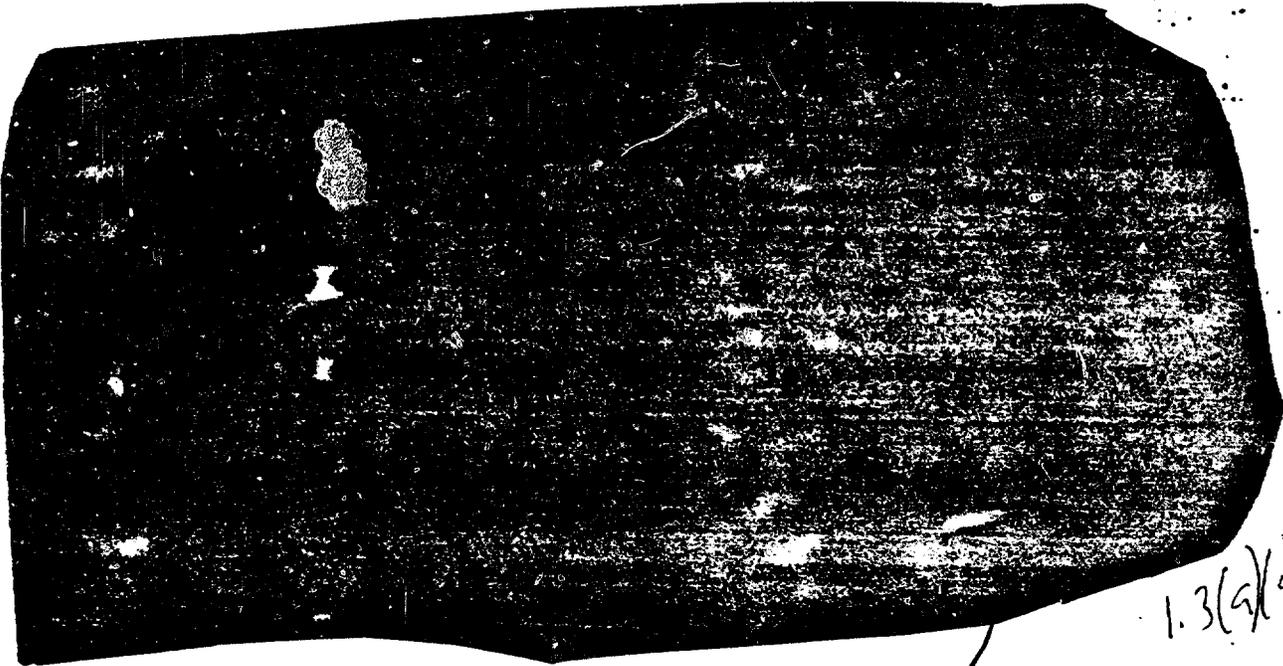
which was posed by Communist activities on Taiwan in 1949-1950 has since been markedly reduced by vigorous Nationalist countermeasures. Nationalist knowledge and surveillance of Communist activities is believed good. Countermeasures are probably most effective in the ranks of the military, reasonably so among the civil population at large, and somewhat less effective among high officials on Taiwan. Recent defections have been few. Over and above the effectiveness of Nationalist security controls, defection is inhibited by a number of practical considerations: distance from the mainland, few means of egress from Taiwan, and the difficulty of establishing channels of communication with Communist agents.



1.36(a)(5)

- * Known recent defections consist of only 3-5 airmen, and a very few ground troops from offshore islands. General Wei Ji-huang, who took off from Hong Kong in March 1955, has long been an equivocal character. He has not been associated with the Nationalist leadership since he fled to Hong Kong from the mainland in 1949.

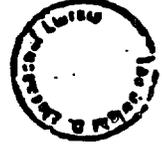
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III. EFFECT ON NATIONALIST MORALE OF THE LOSS OF THE OFFSHORE ISLANDS AND OF OTHER POSSIBLE DEVELOPMENTS

A. General Considerations.



23. Loss of the offshore islands during the current crisis

* The Special Assistant, Intelligence, Department of State, and the Assistant Chief of Staff, G-2, believe that Nationalist confidence in the willingness and ability of the US to defend Taiwan is the main general consideration affecting developments in Chinese Nationalist morale as well as the significance of such developments. They believe that paragraphs 23, 24, and 25 taken as a group obscure the key importance of this factor and would substitute the following for these three paragraphs: "Loss of the offshore islands during the current crisis would adversely affect Chinese Nationalist morale, as would any development that appears to lessen the chances of an ultimate war between the US and the Chinese Communists or to indicate that the US was moving further away from support of Nationalist aspirations for a return to the mainland. The extent of this loss of morale as well as its significance, will depend in large part on how these developments affect the Chinese Nationalist estimate of US policy. So long as Chinese Nationalist confidence in the willingness and ability of the US to defend Taiwan remains firm no one of the contingencies considered below is likely alone to destroy Nationalist will to resist or to cause the Chinese National Government to fall from within."

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would be a severe blow to Chinese Nationalist morale, irrespective of the circumstances or conditions under which it took place. Since retiring to Taiwan in 1949, the Chinese Nationalists have experienced a series of crises and frustrations, of which the current offshore island crisis is but the most recent. The frustrations and disappointments of the past six years, together with the more recent hopes that the US would become militarily involved in the defense of the offshore islands, have so increased the psychological importance of the Quemoy and Matsu that the loss of these islands would have varying adverse effects upon Nationalist morale depending upon the circumstances of their loss as described in paragraphs 27-31 below.

24. Loss of the offshore islands would probably be taken as evidence that the US was moving further away from support of Nationalist aspirations for return to the mainland. Nationalist leaders, and perhaps the Nationalist rank-and-file, probably do not have any deep conviction that the US will in fact support such a return, except in the event of war between the US and Communist China. It would be a different matter, however, to admit finally to themselves that a cherished hope had been without foundation. We do not believe that the Nationalists have yet

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come to such an admission, or that they would be driven to it even if the offshore islands were lost and the US appeared to regard the loss as final. They would be forced closer to it, however, and the impact would be great among all elements on Taiwan. There might not be any sudden increase in defections or other manifestations of changing loyalties, but the leadership would find it much more difficult to sustain its own morale and the loyalty of lower levels.

25. Nevertheless, it is our estimate that the Nationalists would not fold up, but would continue their resistance to Communist pressures. The behavior of the Nationalists would depend in large measure on specific US actions with respect to Taiwan and US reactions to subsequent Communist moves.

B. Particular Contingencies

26. Reactions on Taiwan to the loss of the offshore islands would vary according to the circumstances of the loss. We have considered the following contingencies.

27. Nationalist forces in the offshore islands evacuated at US instigation and with US assistance prior to the application

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of substantial and sustained military pressure by the Communists. Evacuation of the offshore islands at US instigation and with US assistance would be strenuously resisted by Chiang Kai-shek and Nationalist officialdom. Such an evacuation would pose for the Nationalist leaders a serious problem of justification. Failure to defend the offshore islands would damage the prestige and self-respect of the military. The evacuation would greatly reduce hopes for early US-Chinese Communist hostilities and for a return to the mainland. Many Nationalists would evince frustration and bitterness in a situation in which they would consider that their interests were being subordinated to the purely defensive interests of the US. Cooperation between the US and the Nationalists would be adversely affected. Nevertheless, all elements on Taiwan would probably continue to estimate that the US would defend Taiwan. Hope of eventual conflict between the US and Communist China would remain. In these circumstances, we believe that Nationalist leaders would continue to control loyalties, limit subversion, and reduce Communist military pressures.

26. Nationalist withdrawal accompanied by a multi-national guaranteed by certain non-Communist states of the security of Taiwan. The reaction to this contingency would not differ appreciably from

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that of paragraph 27 above. Evacuation would be no more acceptable to the National Government if other non-Communist countries participated in a guarantee of the security of Taiwan. While such a guarantee might give some additional assurance of security, it would almost certainly be unwelcome to the Nationalists because it would tend to reduce the chances of war between the US and Communist China, and thus decrease the chances of a return to the mainland. It would, in the Nationalist view, appear to associate the US with the British "two-China" policy, or even indicate a drift toward international trusteeship for Taiwan.

29. Prolonged attrition of Nationalist strength on the offshore islands as a result of severe Communist bombing and shelling, without attempted seizure and without US counteraction. During a prolonged period of attrition, the Nationalists would increasingly resent the fact that some of their best forces were being gradually weakened in combat with Communism while the US stood by.* This resentment would be aggravated if the US

* There are 60,700 regular troops located on the eleven offshore islands. These troops are deployed as follows: 800 on the two islands of the Tungyin Group, 12,300 on the three main islands of the Matsu Group, 2,000 on the two islands of the Paichuan Group, and 65,400 on the four islands of the Quemoy Group.

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maintained present restrictions on Nationalist military operations against the mainland. Should Nationalist leaders become convinced that the US would not intervene, they might request US assistance to evacuate the islands. In any event there would be mounting bitterness against the US and a feeling that the US was interested in holding Taiwan only for its own security. In time, this contingency would probably have a seriously adverse effect upon Nationalist morale. Nevertheless, we believe that they would continue to believe that the US would defend Taiwan, and the leadership would continue to control loyalties and limit subversion.



30. Nationalist forces in the offshore islands defeated and the islands seized with no intervention by US forces. The reaction to this contingency would be sudden and even more serious than the reaction we have noted in paragraph 29 above. The loss of up to one-fifth of the Nationalist combat forces would materially reduce Nationalist forces available for the defense of Taiwan. The loss would greatly increase Nationalist vulnerability to propaganda themes of Communist invincibility, Nationalist weakness, and the unreliability of the US as an ally. While Nationalist leaders might entertain serious doubts as to US

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intentions with respect to the defense of Taiwan, we believe that over the short term they would continue firm in their determination to defend Taiwan. However, continuation of this determination, and the ability of the Nationalist leadership to retain loyalties and to limit subversion on Taiwan would depend, in large measure, upon whether (a) the Nationalists had believed, at the time of the Communist assault on the offshore islands, that the US was morally committed to the defense of these islands and would in fact defend them; and (b) the nature of US measures taken concurrently with and immediately following the loss of the offshore islands.

31. Offshore islands lost to a Communist assault against which the US intervened locally and subsequently disengaged. In this contingency, the effect upon Nationalist morale would be extremely grave. The Nationalists would be concerned for the very existence of their regime. The symptoms of disintegration would quickly develop. Nevertheless, we believe that Chiang Kai-shek would probably be able in the short term to maintain control on Taiwan. Nationalist will and determination to resist Communist pressures and inducements over the longer

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term would 'upon' in large degree upon US measures on Taiwan following the loss of the offshore islands and upon subsequent US actions in response to Communist moves.

32. If the US should fail to take counteraction against Communist air raids on Taiwan carried out subsequent to the loss of the offshore islands under any of the above contingencies, there would be an accelerated deterioration of morale and loyalty on Taiwan. If the Communist air raids were heavy and long continued without US counteraction, the Nationalists would lose all faith in the US.

33. We have been asked to estimate the effect upon Chinese Nationalist morale if the Chinese Communists established a surprise lodgment on Taiwan subsequent to the loss of the offshore islands. We estimate that the Chinese Communists cannot in the near future establish a surprise lodgment in sufficient force either to overcome Nationalist military resistance, including US support if necessary, or to attract major defections.

34. Death or retirement of Chiang Kai-shek. Chiang is so important to the unity and determination of the Nationalist government that his death or retirement would introduce serious

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uncertainties into the situation on Taiwan. Present indications point to the likelihood of a constitutional succession by Vice President Chen Ch'eng, probably followed by jockeying for power behind the scenes. The probable initial loss of unity in the top leadership of the Nationalist government after Chiang Kai-shek's death or retirement would be reflected at all levels of the population, and might make them more susceptible to Communist moves. US policy and actions would be of key importance in restoring stability and confidence in the government. In any event, it is unlikely that Chiang's death or retirement would by itself lead to a rapid collapse of the will of the leaders and people on Taiwan, since the external unifying factors - particularly the Communist threat - would remain, and since Chiang's retirement from the scene would presumably not alter the US commitment to support the Nationalist government.

35. The stationing of additional US forces, including a division ground force, on Taiwan, with the concurrence of the Nationalists, following the loss of the offshore islands under any of the circumstances described in Section III B above, would have a beneficial effect on morale and would increase determination to resist. The presence of these forces would somewhat affect the

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effects of the loss of the islands and would greatly increase Nationalist confidence in the security of Taiwan.

IV. EFFECT ON CERTAIN STATES AND GROUPS IN ASIA* OF THE LOSS OF THE OFFSHORE ISLANDS

36. The effects of the loss of the offshore islands on other states of non-Communist Asia, like the effects on Taiwan, would vary with the circumstances under which the loss occurred.

37. Evacuation of the islands prior to a Communist assault would produce some adverse effects among the governments under discussion, and US prestige probably would suffer in varying degrees in all of these countries. In the Philippines such an evacuation would stimulate concern that the US was not prepared to commit its forces in forward areas, and might cause the Government to request a clearer definition of the US commitment to defend Philippine security. There would be a lesser concern in Thailand, Laos, Cambodia, and South Vietnam. ROK leaders would be greatly disappointed. However, the dominant reaction

* This estimate only considers the reactions of the overseas Chinese, the ROK, the Philippines, South Vietnam, Laos, Cambodia, Thailand, and Japan.

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in Japan would be one of general relief. Moreover, none of the governments under discussion would be unduly concerned by an evacuation if the US reaffirmed its intent to defend Taiwan at all costs, and none of them would materially change their policies as a result of the evacuation.

38. If the US had not intervened while the Chinese Communists seized the offshore islands, there would be severe criticism of the US in the ROK, and to a lesser degree in the Philippines. Most other governments under discussion, especially the Japanese, would be relieved that hostilities between the US and Communist China had not developed. However, the adverse effects on morale arising from loss of the islands, as described in paragraph 37 above, would be more sharply evident. There would be a widespread feeling, moreover, that if the islands were not to be defended by the US, the Nationalist garrisons should have been evacuated rather than sacrificed. US prestige would suffer. Laos, South Vietnam, Cambodia, and Thailand, in which the US does not maintain forces or bases, would probably feel increased doubts as to whether the US would defend them in case of need. These countries would probably be disposed to

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increasing caution in their policies toward the Communists.

39. If the offshore island's had been lost to a Communist assault against which the US had intervened locally and had subsequently disengaged, US prestige throughout the area under discussion would be very seriously damaged. The adverse effects on morale and policies described in the preceding paragraph would be aggravated. There would be a tendency in most of the states under discussion to adopt a somewhat more neutralist position and to move less vigorously in situations that might arouse Communist counteraction. The NOK would not weaken its posture against Communism, but would become more fractious in its relations with the US.

40. The stationing of additional US forces, including a ground force division, on Taiwan, with the concurrence of the Nationalists, concurrent with any of the above contingencies, would probably have a beneficial effect on morale in the countries under discussion. At a minimum it probably would assure these countries that the US was fully prepared to honor explicit defense commitments.



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41. The overseas Chinese. The majority of the overseas Chinese in Asia appear, at present, to be uncommitted either to the Nationalists or the Communist cause. They have little confidence in the long-term prospects of the Nationalists, and they have been disillusioned by the domestic policies of Peiping. Traditional loyalties to the Chinese government are being weakened, and a very gradual process of integration - political if not cultural - into the community of residence is taking place. Although the mass of the overseas Chinese would probably remain indifferent in any of the above contingencies, developments with respect to the offshore islands which appeared to enhance Peiping's prestige would increase the number of passive and active Communist supporters in these communities, and reduce the number of those committed to the Nationalists. Defections among important Chinese intellectuals and former KMT officials in Hong Kong would increase.

42. We believe, however, that the mass of overseas Chinese, even in the event of a progressive and serious deterioration in the position of the Chinese National Government, would tend to remain uncommitted. They would prepare actively to serve Peiping only if the state in which they resided made a decision to accommodate or was under an immediate threat of a takeover by the Communists.

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