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PROSPECTS FOR THE GOVERNMENT OF THE REPUBLIC OF CHINA

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 20 June 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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PROSPECTS FOR THE GOVERNMENT OF THE REPUBLIC OF CHINA

THE PROBLEM

To estimate the prospects for the Government of the Republic of China (GRC) over the next two or three years, with particular reference to its international position.

CONCLUSIONS

1. The GRC is likely to be faced this year with the abandonment or failure of the UN moratorium on discussion of the question of Chinese representation. It does not necessarily follow, however, that Peiping would replace the GRC or achieve any representation in the UN this year. Many countries are moving towards a preference for a two-Chinas formula. Both Taipei and Peiping have rejected such a formula and each has stated that it will not accept dual representation. If any Chinese Communist membership in the UN appeared imminent to the GRC, the latter would threaten to withdraw. If Communist China achieved membership in both the General Assembly and the Security Council, we believe the GRC would withdraw from the UN. In less drastic cases however, the GRC might not carry out the threat to withdraw, if only to attempt to prevent Peiping's actually filling a proffered seat. (Paras. 12-15, 27)

2. The GRC's principal objective will continue to be to regain control of the main-

land. The GRC leaders believe that now is a good time to agitate the question of taking probing actions against the mainland in order to capitalize on the economic distress and other sources of discontent there. Although we doubt that they would commit forces to such a mission in the face of specific US objections, the possibility cannot be ruled out that they might, without consulting us, undertake airdrops or raids at any time. (Para. 25)

3. Most GRC leaders now believe that their best chance of regaining the mainland would come in the wake of a war between the US and Communist China. We believe, however, that there is only a remote chance of their trying to provoke such a war. (Para. 23)

4. Politically conscious Taiwanese are generally opposed to GRC rule of Taiwan, but inadequate leadership and organization minimize their threat to the regime. GRC security forces are almost certainly more than adequate to cope with any domestic troubles. Mainlander-Taiwanese

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relations will almost certainly come under increasing strain. (Paras. 30-33)

5. With the help of large-scale US aid, the GRC has made substantial economic progress, and economic development has acquired momentum. Some negative factors such as growing unemployment, an extremely rapid population growth, and a recent decline in productive investment threaten this trend. Whether sufficient economic growth can be maintained over the long run depends largely on the course of US policy and aid and on the ability and willingness of the leadership to adapt to the requirements of prolonged existence on Taiwan. (Paras. 34-38)

6. Over the next few years the GRC will probably suffer setbacks, particularly those growing out of the enhanced international position of Peiping. The ability of the GRC to ride out these next few years will depend largely upon the manner and pace at which the setbacks come and in considerable degree upon the role of the US. We believe that, as long as US economic support and military protection are assured, the GRC can survive

these setbacks and can adjust, however reluctantly, to a gradual series of changes. (Para. 28)

7. If the GRC leaders were faced with a major change in US policy such as a US decision to use the extreme pressures that would be necessary to force the evacuation of the offshore islands, advocacy of the acceptance of a two-Chinas formula, or formal recognition of Communist China, the bitterness and psychological shock would be profound, whatever guarantees or explanations the US might give. Some mainlanders on Taiwan would seek accommodation with the Communists, or advocate precipitating a war with Communist China, or seek refuge elsewhere in the Free World; however, we believe that most would resign themselves to making the best of a future on Taiwan. The surviving government would probably be less disciplined and more corrupt and less stable than the present one; Communist subversion would probably become a problem. However, given continued US aid and protection, Taiwan would probably continue as a part of the Free World. (Paras. 39-46)

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DISCUSSION

I. INTRODUCTION

8. The goal of the leaders of the Government of the Republic of China (GRC) is to re-establish their rule over all China, as epitomized in the slogan "back to the mainland." According to the official rationale, the GRC still represents the will of the people of all China and is still the legal government of all China. The GRC justifies the existence of two governments on Taiwan, national and provincial, by the argument that the GRC is but temporarily confined to the island and will eventually regain its control of the mainland. The GRC leaders maintain that these concepts are indispensable and that without them Free China would lose all hope and sense of purpose and would inevitably collapse.

9. Belief in the mission of a return to the mainland is the prime source and the justification of the GRC's major national policies: (a) the maintenance of a very large military establishment;¹ (b) retention of the offshore islands; and (c) opposition to any kind of recognition of the Peiping regime including the two-Chinas formula. GRC leaders even rationalize the promotion of rapid industrial development on Taiwan in terms of preparing for return to the mainland.

10. The GRC, a government of Chinese mainlanders chosen by a National Assembly that was elected on the mainland in 1948, actually controls Taiwan, the Penghus, and the offshore islands.² The Taiwanese, who comprise over 85 percent of the people actually under GRC jurisdiction, participate in the local and provincial governments but have practically no voice in national affairs because, according to GRC explanations, they constitute only one of over 30 provinces of China.

¹ The GRC maintains by far the world's highest ratio of military forces to population.

² Its control also extends to two minute islands in the South China Sea: Pratas (about 200 miles east-southeast of Hong Kong) and Itu Abu (about 500 miles east of Saigon, in the Spratley group).

The Taiwanese, while regarding themselves as Chinese in language and culture, look upon the GRC as a semi-alien rule not of their own choosing and inadequately responsive to their interests.

11. For over a decade the US has guaranteed the defense of Taiwan and supported the GRC's economy, military establishment, and international position. Thus sheltered, the GRC has made considerable progress on Taiwan. The political situation has been stable, and the leadership dedicated and energetic. The economy has grown, living standards have risen, and corruption has decreased. The performance of the armed forces has been spirited and effective. Now, with changes in UN membership and in the attitude of many countries, the GRC must face more directly the realities of its international position.

II. INTERNATIONAL PROBLEMS

A. The GRC's Threatened International Position

12. *The battle for the UN Seat.* The GRC's retention of the China seat in the General Assembly and the Security Council has in recent years been due almost entirely to persistent US diplomatic pressures to maintain a moratorium on consideration of the question of Chinese representation. Adverse world reactions to outbursts of Chinese Communist aggressiveness in Asia have facilitated this effort. However, the 1960 General Assembly vote was close³ and since that time the UK, Brazil, and a number of other states have indicated that they are not likely to continue support of a UN moratorium. We believe, a moratorium motion in the next General Assembly would probably fail even if strongly supported by the US.

13. It does not necessarily follow, of course, that failure or abandonment of the morato-

³ See Appendix B, Table 1.

rium would mean UN membership for Communist China or the exclusion of the GRC. Even if a majority of members support the principle of UN membership for Communist China, there are many potential obstacles, both technical and substantive. Prominent among the latter is a good chance that Peiping would place unacceptable conditions on membership. Many UN members would favor continued GRC representation even if Peiping were admitted.

14. *Two Chinas.* For an increasing number of countries, a two-Chinas formula, i.e., acceptance of both an independent non-Communist China on Taiwan and a Communist China on the mainland, appears to be the best way out of the present impasse if it could be realized. The GRC remains bitterly opposed to any such idea. Its leaders will almost certainly continue to claim that the GRC is the legitimate government of China and that it will eventually return to power on the mainland.

15. Communist China is also dead set against a two-Chinas concept. Peiping and Taipei have each stated that as a matter of principle it will not appear where the other is officially represented. If Communist China continues to refuse to send representatives to countries or international organizations in which the GRC has representation, the GRC is provided with a possible means of impeding further expansion of Peiping's diplomatic relations and blocking its admission to the UN. The GRC needs only tacitly to accept a two-Chinas situation to the extent of continuing to send its representatives to nations and organizations which are willing to deal with both Communist China and the GRC. Some GRC officials have been cautiously advocating more flexibility in diplomatic competition with Peiping, but, we believe the top GRC leaders will remain very strongly opposed to pursuing any course of action which they considered would prejudice their complete rejection of any two-Chinas situation.

B. Uncertainty Concerning US Support

16. Nationalist leaders believe that the fate of the GRC rests primarily on future US attitudes and policies, and that if full US support continues, the attitudes and actions of the rest of the world will be of secondary importance. The pervading fear and overriding concern of the GRC leaders is that the US may now be drifting towards a two-Chinas policy and also weakening in its resistance to the expansion of international communism. They have been particularly apprehensive concerning what they believe to be a US course of retreat in Laos, and consider that US acceptance of a negotiated settlement there would presage further US retreats in the Far East. They also interpret the fall of Rhee and Menderes as indicating a US unwillingness to take firm action to stand by its true friends.

17. Thus far the GRC's doubts about the US have not grown to the point where they have had a serious impact on GRC policy or US-GRC relations. However, GRC uncertainty on this score will almost certainly grow, and we can expect increasing GRC pressures for a more militant US attitude in Asia and increased support for the GRC and its policies.⁺

C. The Unfinished Civil War

18. *Chinese Communist Positions and Intentions.* The Chinese Communist regime has steadfastly maintained that it is the legitimate government of China, and that Taiwan, the Penghus, and the offshore islands are parts of its territory. Consequently, to Peiping, the question of "liberating" Taiwan and the other islands is purely an internal Chinese affair. It maintains that the Chiang regime has no rightful claim to be the government of China, that continued recognition and support of his government by any foreign nation is an invasion of China's sovereignty, and that the Chinese People's Republic is free to use any means it sees fit to "liberate those parts

⁺ A discussion of probable GRC reactions in the contingency that major changes in US policy actually do occur appears in paragraphs 39-45.

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of its territory" occupied by Chiang's "bandit forces."

19. Communist China's past tactics toward Taiwan and the offshore islands have fluctuated widely from strong military pressures to peaceful overtures to the Nationalist authorities. Since its testing of US and GRC resolve in the 1958 Taiwan Strait crisis, Peiping has not stressed force with respect to Taiwan and the offshore islands, but has sought to undermine GRC morale and international position. Its propaganda and private letter campaigns have been designed to undermine GRC confidence in the US, exploit the mainlanders' fear of being forever separated from the motherland, and create an atmosphere in which Communist triumph and the absorption of Taiwan would be regarded as inevitable. Peiping has occasionally tried to make accommodation with communism palatable by such gestures as offering to welcome Taiwan, under the nominal leadership of Chiang Kai-shek, into the fold of the People's Republic of China as an autonomous region.

20. Peiping almost certainly has little expectation that such campaigns will succeed in the near future but probably does have high hopes for them over the long run. Its leaders probably anticipate that trends in the Bloc-US power relationship and in UN composition and attitudes will in time enhance Peiping's stature and result in general acceptance of its claim to be the sole government of China. Peiping apparently believes that as this happens, morale on Taiwan and resistance to Chinese Communist pressures and inducements will be effectively undermined. Furthermore, Peiping almost certainly believes that a military assault on Taiwan and the Penghus would bring on major hostilities with the US. For these reasons we believe that Peiping will rely primarily on nonmilitary pressures to eliminate the GRC.

21. However, the Chinese Communists will almost certainly not give up all use of force in the Taiwan Strait. They will probably step up military pressures from time to time

in the offshore island areas, to remind the world that they have not accepted the status quo, to probe GRC and US resolve, and to advance broader cold war objectives. We believe, however, that they are unlikely to launch an assault against the offshore islands so long as they believe that this would lead to major hostilities with the US. Should a GRC withdrawal from the offshore islands be undertaken, however, Peiping would almost certainly initiate intensive propaganda action, probably accompanied by military harassment, to convince the world that such withdrawal was the result of the pressure of Peiping's military power and to take credit for pushing the GRC off the islands despite US support of the GRC.

22. The Soviet Union will continue to support Peiping's objective of occupying Taiwan, but it is determined to prevent the Chinese Communists from drawing it into war with the US in the Far East. Consequently, we believe that the USSR will attempt to restrain the Communist Chinese from actions which the Soviets believed to involve serious risk of war with the US. Despite the serious strains in Sino-Soviet relations over the last year or so, Soviet influence is likely to be effective in such a case.

23. *Chinese Nationalist Positions and Intentions.* The GRC's principal objective is, and will continue to be to regain control of the mainland. Most GRC leaders believe that their best chance of returning to the mainland would be in the wake of a war between the US and Communist China. They also believe that the US, in the interests of the Free World struggle against communism, should at no point yield to Communist pressures in order to avoid war. They believe that a showdown is inevitable and that to postpone it only enables the Peiping regime to strengthen its military power and its controls over the Chinese people. It is almost certain that some GRC leaders have, at times, thought of attempting to provoke a conflict with Communist China under conditions which would embroil the US. Although we do not believe that the GRC leaders are likely to undertake such a rash act, we cannot exclude it entirely

as a decision of ultimate despair and frustration.

24. The GRC attaches great political and psychological importance to the offshore islands. Nationalist leaders are convinced that the islands must be held not only to assist the defense of Taiwan, but more importantly to maintain their claim to be a national government, to prevent a serious blow to morale, and to preclude any further decline in the prestige and international position of the GRC. Determination to hold the islands is dramatized in the fact that the GRC has stationed there about one-third of its army combat troops—the elite of these forces.⁵ The GRC could not itself hold the offshore islands against determined attack, and the army, navy, and air force losses that would probably be entailed in an unsuccessful defense of the islands would seriously reduce the contribution the GRC could make to the defense of Taiwan itself.

25. The hopes of GRC leaders have been buoyed up by the acute economic difficulties on the China mainland and by indications that public discontent there is reaching substantial proportions. In their view, now is a good time to agitate the question of taking probing actions to capitalize on mainland discontent. They are fearful that as time goes on Communist Chinese police powers will grow to the point where no revolution will be possible. They have made extensive plans for the initial use of special forces teams to exploit public dissatisfaction and to organize resistance efforts which, they hope, could ultimately lead to larger scale action and the collapse of the Communist regime. We believe that they would not commit such forces in the face of specific US objections. However, they might, without letting us know, undertake airdrop or raiding activities against the mainland at any time, particularly since the GRC claims that paramilitary operations are "political" and not subject to the US veto on military operations against the mainland.

⁵The Nationalist army garrison in the Chinmen (Quemoy) group numbers 89,000 troops, and in the Matsus group, 21,000. See maps at the end of the estimate.

III. GRC REACTIONS TO ITS CHANGING INTERNATIONAL STATUS

26. As the Nationalist leaders see the GRC world position slipping and the prospects for continuance of the UN moratorium worsening, and as they are plagued with increasing doubt as to the degree of US support, it becomes more difficult for them to maintain their hope and sense of purpose. If the moratorium motion in the UN fails or is abandoned this year, the morale of the GRC leaders will suffer. They will view the disappearance of the mechanism which has prevented discussion of the GRC's status as the first step towards ultimate representation of Communist China in the UN.

27. Depending upon the nature and timing of subsequent developments in the UN, the GRC might at some point withdraw from the organization. We believe that if the Chinese Communists achieved membership in both the General Assembly and the Security Council, the GRC would withdraw from the UN. It is not possible to estimate with confidence GRC moves in situations where the threat to its UN position is less immediate or less clear. The GRC will probably threaten to withdraw on occasions when it believes it can thereby influence the US to oppose a development derogatory to the GRC's present position. The likelihood of the GRC's carrying out such a threat would depend not only on its view of the seriousness of the issue in terms of its prejudice to the GRC's basic policies, but also on whether the GRC leaders felt that pride and self respect called for such drastic action. The GRC, even in circumstances which seemed to threaten seriously its major policies, might back away from its threats to withdraw in order to preserve the advantages which membership in the UN entails, particularly if the GRC thought that remaining in the UN would cause Communist China to refuse to fill a proffered seat.

28. The end of the moratorium will probably be followed by other setbacks, including those growing out of the enhanced international position of Peiping. The ability of the GRC to ride out these next few years will depend

largely on the manner and pace at which the setbacks come and in considerable degree on the role of the US. We believe that, as long as US economic support and military protection are assured, the GRC can survive these setbacks and can adjust, however reluctantly, to a gradual series of changes—the more abrupt and concentrated, the greater will be the difficulty of adjustment and the more serious the consequences internally and in foreign relations.

IV. DOMESTIC PROBLEMS

A. Political

29. *Popular support.* The population of Taiwan can be divided into four groups: (a) the several hundred mainlander leaders, who hold all the principal positions in the government, the armed forces, and the government-run industries; (b) the one and a half million other mainlanders; (c) the more than 10 million Taiwanese, who are of Chinese origin; and (d) the 180,000 aborigines, who dwell in remote areas of the mountains and are of little political significance. Only the first of these groups, the mainlanders who run the country, are motivated by the official objectives of return to the mainland. Most of the remaining mainlanders, while subscribing to this objective, have generally adjusted to the realities of their situation on Taiwan. They have no political or economic alternative to supporting the GRC, but because of their limited economic prospects and their family ties to the mainland, this group is potentially the most susceptible of the four groups to Communist blandishments for some sort of voluntary accommodation with Peiping.

30. Earlier GRC misrule of Taiwan and the bloody suppression of a 1947 rebellion of the Taiwanese embittered many who might otherwise have developed a sense of identification with the mainlanders and the GRC. Their patriotic sentiments have been largely channeled into a narrow Taiwanese nationalism. They have no incentive to attempt to recover a homeland that they do not consider theirs.

31. The GRC is acutely aware of these sentiments and has adopted a wide range of means

to deal with Taiwanese discontent. The land reform program helped the mass of the farmers. Favorable economic conditions and a standard of living which has increased in real terms over the years have also served to alleviate popular dissatisfaction. On the other hand, measures such as giving Taiwanese more voice in local affairs and appointing them to one or two lesser cabinet posts have helped little, and to a considerable extent the GRC's control rests on the quiet application of force. Martial law and a multiplicity of security organs operating under various degrees of secrecy enable the regime to prevent or to break up undesirable developments.⁴ In addition, the absence of leaders with widespread popular support and the inability of the present leaders to unite lessens the Taiwanese threat to GRC domination.

32. There is little likelihood that the Taiwanese will become susceptible to communism during the period of this estimate. They do not wish to share the wretched conditions of life on the mainland, and certainly do not care to exchange GRC rule for another, and more ruthless, mainlander rule. Some Taiwanese, too, believe that the GRC, with all its faults, provides them their best defense against the Chinese Communists. Most of them, however, feel that if they could be left to their own devices, they could develop a modestly prosperous and happy life on their island and avoid being dragged into the travail of Chinese affairs.

33. Mainlander-Taiwanese relations will almost certainly come under increasing strain during the period of this estimate. The twin necessities of replenishing GRC armed forces

⁴ The 1960 suppression of the incipient China Democratic Party, a largely Taiwanese group, is a case in point. When the Kuomintang had decided that there was the possibility of a real opposition party forming, it began to put pressure on the potential leaders. Bribes or threats persuaded one to leave the country, two were beaten by "unknown persons," several had their business licenses revoked or suffered other economic pressures; and their most important leader, Lei Chen, a mainlander, was quickly convicted on questionable charges of harboring a Communist and sentenced to 10 years imprisonment.

strength and of maintaining mainlander dominance of these forces will grow increasingly incompatible. Already, over 75 percent of the enlisted ranks are Taiwanese, but mainlanders retain authority with 97 percent of the officers and 93 percent of the NCO's. The Taiwanese will probably increasingly resent the GRC's domination of Taiwan and will demand a larger voice in their fate. Increased restiveness on the part of the Taiwanese will probably stimulate the GRC to intensify its controls which in turn will add to Taiwanese discontent.

B. Economic Problems

34. Over the past 10 years the economy of Taiwan, with massive American assistance¹ has expanded rapidly. By 1960, industrial production was 3.5 times the level of 1950. In spite of a very high rate of population growth, the per capita GNP increased at an average rate of over 3.7 percent a year. At present Taiwan is one of the most prosperous areas in East Asia. Whether this relative prosperity can be sustained, even with present levels of US aid, depends upon the solution of several growing economic problems.

35. One of the major problems facing the GRC is the rapid growth of population. Taiwan's annual rate of increase, 3.5 percent, is one of the highest in the world. Food consumption has outstripped food production, and in 1960 Taiwan, for the first time, became a net importer of rice. The already intensive land use on Taiwan limits the possibilities of expanding production at the rate needed to reverse the trend toward a growing food deficit. The rapid growth of the labor force is increasing the problems of unemployment and underemployment. Maintenance of a proportionally huge military establishment places a heavy burden on the economy even after large US military aid.

36. To meet these problems, industrial production must continue to grow rapidly. Industry must provide jobs for the growing labor force and provide exports to pay for the in-

¹ Since 1949 the US has supplied the GRC more than \$3 billion in economic and military aid.

creasing food imports. During the past two years the growth rate of industrial production has been reassuring. It rose 13 percent in 1959 and 15 percent in 1960. Industrial exports in those two years more than made up for the decline in agricultural exports. Foreign exchange reserves rose by more than \$19 million to a new high of \$52.4 million in 1960.

37. A continuation of such rapid industrial growth requires a continued high rate of investment in industry. There is, therefore, some cause for concern in the fact that during the past year or so there has been a sharp drop in investment in productive enterprises. Local investors seem to prefer to put their money into other kinds of enterprises where quicker profits can be found, and foreign investors tend to believe that areas other than Taiwan offer greater economic return and security. The tightening of credit which the government imposed as an anti-inflationary measure in 1960 appears to have reduced industrial investment and probably reduced the rate of expansion in industrial output during the difficult period ahead.

38. There is some economic unrest on Taiwan today resulting from a variety of causes including unemployment and some increase in bankruptcy, but it is unlikely to become explosive during the period of this estimate. Taiwan has valuable economic assets, the greatest being a capable and energetic labor force and, in many fields, an actual surplus of technical and managerial skills. A momentum has been established, and it is possible for the economy of Taiwan to continue to grow at a satisfactory rate. Whether it will do so over the long run cannot be estimated with any confidence, because the way the economy develops depends so heavily upon the nature and size of US economic and military aid as well as upon GRC economic policy and internal and external political developments.

V. CONTINGENCIES

A. GRC Reactions to Major Shifts in US Policy

39. The US has strong leverage with which to influence GRC policy. The GRC has no feasible alternative to continuing to depend

on the US for maintenance of its military strength, protection against attack, economic aid, and diplomatic support. Without US aid and support, its prospects would be dark indeed. For their part, GRC leaders believe that there are strong inhibitions on the US use of its leverage. They believe that the US would not take measures which might lead to a collapse or alienation of the GRC, since such a result would face the US with what would be, at best, a dangerously unstable condition on Taiwan and would gravely damage the anti-Communist position in Asia.

40. If the US should seek to persuade the GRC to withdraw from the offshore islands, the GRC would refuse, banking on US reluctance to use its leverage. We believe that the GRC leaders would eventually yield, but only when they were convinced that the US would in fact use whatever means were necessary to force compliance—e.g., drastic curtailment of economic, military and diplomatic support.

41. US insistence on forcing withdrawal from the offshore islands or other major shifts in US China policy which clearly rejected the GRC rationale (for example, advocacy of the representation of two Chinas in the UN or formal recognition of Communist China) would cause profound bitterness and psychological shock among the Nationalist leaders, whatever guarantees or explanations the US might give.

42. The courses of action open to GRC leaders would all be highly repugnant to them. There would be a very few, not including Chiang, who would become so completely disillusioned that they would seek to turn Taiwan over to the Communists on the best terms they could get. Whatever offers Peiping might make, most Nationalist leaders would be hesitant to place themselves at the mercy of the Chinese Communists and would certainly be fearful of reprisals from other GRC leaders and from the Taiwanese if they attempted to hand Taiwan over to the Communists.

43. Some of the Nationalist leaders would be tempted to attack the mainland or to bomb major cities, seeking to embroil the US and

Communist China in a war. This would be a desperate effort to achieve their objective of returning to power on the mainland, or go down fighting. Although we cannot rule out such a "go for broke" effort, we believe it highly unlikely that such a suicidal course could be undertaken. The return-to-the-mainland activists among the Nationalists are a small minority of the mainlanders on Taiwan, and the Taiwanese would almost certainly oppose any such policy which would risk their future chances for an independent and non-Communist existence.

44. A number of Nationalist leaders have at times threatened to "go it alone." By this they presumably mean that they would seek to maintain their position as best they could by themselves without regard to the US. Although it is conceivable that the GRC might adopt such a course, we believe that the threat to do so is primarily a pressure tactic.

45. Although we cannot exclude any of the above possibilities as the GRC response, we believe on balance that, even with a basic change in US policy as posited above, most of the Nationalists would, with much reluctance and bitterness, conclude that they must resign themselves to a future on Taiwan. A few would leave Taiwan; a few would attempt to defect to the mainland; and others would simply withdraw from public life, disillusioned and disgruntled. Chiang Kai-shek would probably resign, in admission of the failure of his life's effort, leaving the future to the younger men.

46. The government, its purposes, and its policies would in time evolve so as to bear little resemblance to those of the past. The leadership would have to adjust to a greatly expanded role in the government for the Taiwanese, and would have to pay more attention to long-range problems of economic and political development of Taiwan. The government would be less disciplined, more corrupt, and less stable; Communist subversion would probably become a problem. However, given US guarantees and continued aid and assistance, Taiwan would probably continue as part of the Free World.

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B. Detonation of a Nuclear Device by the Chinese Communists

47. The immediate GRC reaction would be one of great concern at this dramatic step toward increase in the power of the Communist enemy. The GRC would suffer from the probable increase in world pressures for the admission of Peiping to the UN, if that had not already come to pass, and for Peiping's participation in disarmament negotiations. Communist China's leaders might insist upon the withdrawal of US protection of the GRC as their price for entry into the UN and participation in disarmament talks. The GRC, meanwhile, would almost certainly urge the US to provide it with nuclear weapons.

C. The Death of Chiang Kai-shek

48. The death of Chiang Kai-shek would remove the leader who has dominated and sustained the Chinese Nationalists for a third of a century. The immediate result would be

shock, uncertainty, and probably some lessening of governmental stability and effectiveness. However, there would probably be an orderly succession by the Vice President (at present, Ch'en Ch'eng) as provided by the Constitution. It is of course possible that Chiang Ching-kuo, the Generalissimo's son, who controls most of the intelligence and security forces of the GRC might challenge the constitutional succession. Should his father be removed from the scene in the near future, he would probably be content not to contest the Presidency but would work to improve his already powerful position behind the scenes. Whoever the next President may be, he will probably attempt to continue Chiang Kai-shek's general policies, but he would not have the Generalissimo's prestige and authority. It is likely that any successor regime would in time adjust somewhat more readily to the realities of the GRC's situation and probable future.

APPENDIX A

MILITARY

1. The GRC maintains a total military force of over 615,000 men which makes its ratio of armed forces to total population the highest in the world. These forces are divided among five commands:

Table 1
Distribution of Personnel

MND (Ministry of National Defense) . . .	30,000
Army	427,700
Navy	59,800
Air Force	89,700
CSF (Combined Service Force)	8,000

In these commands all but about 6,000 MND and about 13,000 army forces are MAP-supported.

2. Quantitatively the GRC combat forces are much smaller than those of Communist China. Qualitative comparisons are more difficult to make. One of the few cases where a direct comparison could be made occurred in the 1958 Taiwan Strait crisis, in which the GRC fighter pilots outperformed the Chinese Communist fighters by a large margin. Naval and ground forces did not meet directly, but the troops on the Chinmen Island group showed good stamina under prolonged heavy bombardment and, after a hesitant start, the navy showed up well in resupplying the islands under fire. At present the morale of the armed forces ranges from fair to good. The best morale is found in the air force and among the troops on the offshore islands.

3. *Capabilities.* The armed forces of the GRC are inadequate to hold against a determined Chinese Communist attack either the offshore

¹ Includes about 25,550 marines.

islands or Taiwan and the Penghus without large-scale US naval and air support. They are, however, very much larger than are needed for internal security on the territory held by the GRC. The GRC has the capability of dropping approximately 3,000 troops on the mainland and resupplying them to a limited extent. It can conduct an amphibious operation with a 4,000 to 5,000 man force using GRC naval amphibious ships. With the addition of merchant and fishing vessels a larger force could be landed.

A. The Army

4. The 414,000-man regular army is organized into 21 infantry divisions, 2 armored divisions, an airborne regiment, 2 special forces groups, and supporting elements. These forces are combat ready, well-trained and equipped, and have a substantial reserve and replacement manpower pool. Taiwan-born soldiers constitute over 75 percent of the enlisted ranks,² and it is believed that they can be relied upon to fight in defense of the offshore islands and Taiwan. The army lacks the logistic capability to maintain its armed forces or engage in extended military operations without foreign assistance. Steps are being taken to remedy equipment shortages and personnel management deficiencies.

5. Principal units of the 13,000 non-MAP-supported army forces of the GRC consist of the

² Because nearly all of the NCO's and the large officer corps are mainlanders, Taiwanese constitute only about 35 percent of the total armed forces personnel.

7,000-man Anti-Communist National Salvation Army (ACNSA) and a special forces group of about 3,000; both are under the direct control of army GHQ and are integral parts of the GRC forces. They are highly qualified troops of mainland origin, with high esprit de corps but not always amenable to strict military discipline. For the most part, these troops were former guerrillas from the coastal provinces of China, who have been trained and largely re-equipped to regular army standards. Their principal weakness is inadequate logistic capability for sustained operations. The ACNSA provides the garrison for the minor offshore islands of Wuchi and Tungyin, while the special forces group provides a capability for limited special operations on the mainland. In addition to the above, non-MAP supported MND forces total above 6,000.

6. The three Garrison Regiments of the Taiwan Garrison General Headquarters (TGGH) not included in army strength figures provide a paramilitary force of 7,500 men, which also does not receive MAP support. These troops, generally of mainland origin, are physically disqualified and overage regular army personnel equipped with light weapons. They are used principally for security and garrison duties, and have only a limited combat capability. The more than 3,000 irregular troops recently returned from the Burma-Thailand-Laos triangle will probably be absorbed into the ACNSA, the special forces group, and garrison regiments according to their physical and technical qualifications.

7. *Offshore Islands.* In the Taiwan Strait area, the GRC has about 21,000 troops on the Matsu Islands group and there are an estimated 51,000 Chinese Communist ground troops on the nearby mainland (the vicinity of Foochow). On the Chinmen Island group, there are approximately 69,000 GRC troops and the Communists have an estimated 98,000 ground troops nearby in the Amoy area. The GRC garrisons on the Chinmens and the Matsus are at about maximum feasible strength; the Chinese Communists within 12 days could reinforce their troop strength in the Amoy-Foochow area with the additional forces already in the East China Military Dis-

trict (approximately 212,000 troops, including 3 airborne divisions, which total about 21,000 men). Such redeployment possibly could be accomplished without detection, but any sizable concentration of amphibious craft could be detected.

8. Chinese Communist artillery strength in the Matsu-Chinmen areas totals about 850 pieces, as compared to 420 GRC pieces. Artillery now on Chinmen and Matsu includes 240-mm nuclear-capable howitzers. Recent improvements in fortifications and covered artillery emplacements have increased the defensive capability of both the Chinmen and Matsu garrisons. Food, ammunition, and other supplies in abundance are stockpiled on the major offshore islands.

B. The Navy

9. The GRC Navy has a small fleet composed of former US ships, the largest combat type being destroyers. The total ship strength is as follows:

Table 2

Destroyer (DD)	5
Escort Ship (DE)	5
Patrol Escort (PF)	2
Escort (POE)	7
Submarine Chaser (PC)	16
Motor Gunboat (PGM)	2
Motor Torpedo Boat (PT)	6
Coastal Minelayer (MMC)	2
Fleet Minesweeper (MSF)	5
Coastal Minesweeper (MSC)	4
Amphibious Vessels	69

10. The size and composition of the navy enable it to carry out certain limited offensive assignments, such as lifting and supporting amphibious assault missions within a restricted radius of Taiwan, shore bombardment, reconnaissance and interdiction of shipping in the Taiwan Strait, and mine warfare. The navy is capable of providing logistical support to the offshore islands and furnishing patrol surveillance and destroyer gun-fire support. The state of training of the navy is good. Maintenance and repair of ships and equipment in the recent past have been generally substandard, but currently they are showing significant improvement. Logistic practices and facilities are adequate but supplies are

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dependent on continued US support. While its antisubmarine warfare and minesweeping capabilities are still limited, they are continually improving. Under US guidance and support further augmentation and modernization of the navy is taking place. The present capabilities of the GRC Navy are not adequate to meet the naval requirements for defense against a determined Chinese Communist assault on GRC-held territories.

11. The 25,550 man Marine Corps is organized into a headquarters, a supporting establishment, and the Fleet Marine Force. The operating forces consist of 1 division, 1 brigade, and 1 LVT and 1 LVTA battalion, organized and equipped under modified US Marine Corps TO&E. The Marine Corps continues to have the capability to execute amphibious operations involving the division and brigade against light to moderate resistance, assuming adequate naval and air support.

C. The Air Force

12. The Chinese Air Force (CAF) is the strongest non-Communist Asian Air Force. Its primary mission is the air defense of the Taiwan area. Its secondary missions are: destruction of Communist Chinese installations capable of launching offensive actions against Taiwan; defense of the offshore islands; support of GRC Army and Navy operations; destruction of the Chinese Communist Navy; and aerial reconnaissance.

13. The CAF has 12 fighter squadrons organized into four tactical fighter groups. The one F-104 interceptor squadron is expected to be operational during the summer of 1961. The three F-100 fighter squadrons are expected to become fully retrained and combat ready by the end of June. Crews for the F-86D all-weather squadron are fully trained

and were placed on active alert status in April 1961. Personnel strength totals 89,700, including about 1,075 trained pilots.

14. The CAF's capability to conduct tactical air operations is fair to good, proficiency varying from unit to unit. Tactical effectiveness is handicapped by the number of obsolescent F-86F fighter aircraft that are still in the inventory. Capability for deep penetration reconnaissance over the Chinese mainland is limited to the single RB-57D. Lesser penetrations can be performed by the RF-101's and by the RF-100's. The latter are presently in storage. The RF-84F's are restricted to oblique photography along the coast because of their poor survival capability against MIG-17 interception. Visual reconnaissance missions are flown twice daily over the Chinmen areas by T-6's; every other day a C-46 conducts a visual reconnaissance of the waters northeast of Taiwan. The CAF has an excellent daylight air defense capability for a limited period of combat. With the acquisition of the F-86D's and the F-104's, the CAF now has a limited all-weather defensive capability.

15. Radar coverage from Taiwan sites and from Makung in the Penghu Islands is fairly good; radars on the offshore islands of Matsus and Chinmen have only a limited range and heightfinding capability. The AAA battalions are well trained, but they are equipped with only a limited number of pieces that would be effective against jet aircraft. Static air defense of the Taipei area is bolstered by the Nike-Hercules surface-to-air missile battalion (52 missiles in 4 batteries) installed there. This unit is controlled and operated by the GRC Army.

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Table 3
INVENTORY OF AIRCRAFT BY CONFIGURATION AND ASSIGNMENT
CHINESE AIR FORCE, GRC

BASIC CONFIGURATION	MODEL DESIGNATION	INVENTORY TOTAL		IN TACTICAL UNITS		ROLE ASSIGNED
		Jet	Prop	Jet	Prop	
Fighter						
All weather	F-86D	18		18		
Day	F-86F	304		271		
	F-100A	78		78		
	F-100F	9		9		
	F-104A	21		21		
	F-104B	4		4		
Subtotal		434		401		
Reconnaissance						
	RB-57D	1		1		
	RF-84F	17		17		
	RF-100A	4				in storage
	RF-101A	4		4		
Subtotal		26		22		
ASW						
Land	PB4Y		1			
Subtotal			1			
Transport						
	C-46A		3		3	
	C-46D		84		82	
	C-47A		7		7	
	C-47B		18		18	
	C-54B		2		2	VIP
	C-118G		16		16	
	H-19B		6		6	Air Rescue
Subtotal			136		134	
Trainers						
	T-28A		24			
	T-33A	54		46		
Subtotal		54	24	46		
Miscellaneous						
	SA-16A		5		5	Air Rescue
Subtotal			5		5	
TOTALS		514	166	469	139	
TOTAL INVENTORY		680				
TOTAL ASSIGNED TO TACTICAL UNITS				608		

APPENDIX B

POLITICAL TABLES

Table 1
UN VOTE ON MORATORIUM ISSUE

Year	For	Against	Ab- stentions	Vote not re- corded	Total Member- ship at Time of Vote
1951	37	11	4	8	60
1952	42	7	11	..	60
1953	44	10	2	4	60
1954	43	11	6	..	60
1955	42	12	6	..	60
1956	47	24	8	..	79
1957	48	27	6	..	81
1958	44	28	9	..	81
1959	44	29	9	..	82
1960	42	34	22	..	98

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Table 2
GRC and PRC International Position

Country	Recognizes	UNGA Vote on Moratorium Issue							
		1957		1958		1959		1960	
		For	Against	For	Against	For	Against	For	Against
1. Afghanistan	PRC		X		X		X		X
2. Albania	PRC		X		X		X		X
3. Argentina	GRC	X		X		X		X	
4. Australia	GRC	X		X		X		X	
5. Austria	Neither	X		Abstained		Abstained			Abstained
6. Belgium	GRC	X		X		X		X	
7. Bolivia	GRC	X		X		X		X	
8. Brazil	GRC	X		X		X		X	
9. Bulgaria	PRC		X		X		X		X
10. Burma	PRC		X		X		X		X
11. Byelorussian SSR	No foreign relations outside UN		X		X		X		X
12. Cambodia	PRC	Abstained			X		X		X
13. Cameroun	GRC								Abstained
14. Canada	GRC	X		X		X		X	
15. Central African Republic	Neither								Abstained
16. Ceylon	PRC		X		X		X		X
17. Chad	Neither								Abstained
18. Chile	GRC	X		X		X		X	
19. China (GRC)		X		X		X		X	
20. Colombia	GRC	X		X		X		X	
21. Congo (Brazzaville)	GRC								Abstained
22. Congo (Leopoldville)	GRC								Not present
23. Costa Rica	GRC	X		X		X		X	
24. Cuba	PRC	X		X		Abstained			X
25. Cyprus	GRC								Abstained
26. Czechoslovakia	PRC		X		X		X		X
27. Dahomey	Neither								Abstained
28. Denmark	PRC		X		X		X		X
29. Dominican Republic	GRC	X		X		X		X	
30. Ecuador	GRC	X		X		X		X	
31. El Salvador	GRC	X		X		X		X	
32. Ethiopia	Neither	X		X		Abstained			X
33. Finland	PRC		X		X		X		X
34. France	GRC	X		X		X		X	
35. Gabon	GRC								Abstained
36. Ghana	PRC						X		X
37. Greece	GRC	X		Abstained		X		X	
38. Guatemala	GRC	X		X		X		X	
39. Guinea	PRC						X		X
40. Haiti	GRC	X		X		X		X	
41. Honduras	GRC	X		X		X		X	
42. Hungary	PRC		X		X		X		X
43. Iceland	Neither	X		Abstained		Abstained			Abstained
44. India	PRC		X		X		X		X
45. Indonesia	PRC		X		X		X		X
46. Iran	GRC	X		X		X		X	

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Table 2
GRC and PRC International Position
(Continued)

Country	Recognizes	UNGA Vote on Moratorium Issue									
		1957		1958		1959		1960			
		For	Against	For	Against	For	Against	For	Against		
47. Iraq	PRO	X			X			X		X	
48. Ireland	Neither		X		X			X		X	
49. Israel	PRO	Abstained		Abstained		Abstained		Abstained		Abstained	
50. Ivory Coast	Neither									Abstained	
51. Italy	GRC	X		X		X		X		X	
52. Japan	GRC	X		X		X		X		X	
53. Jordan	GRC	X		Abstained		X		X		X	
54. Laos	Unclear	Abstained		Abstained		X		X		Abstained	
55. Lebanon	GRC	X		X		X		X		X	
56. Liberia	GRC	X		X		X		X		X	
57. Libya	GRC	X		Abstained		Abstained		Abstained		Abstained	
58. Luxembourg	GRC	X		X		X		X		X	
59. Madagascar	GRC									Abstained	
60. Malaya, Fed. of	Neither	X		X		X		X		Abstained	
61. Mali	PRO									X	
62. Mexico	GRC	X		X		X		X		X	
63. Morocco	PRO		X		X		X		X		X
64. Nepal	PRO		X		X		X		X		X
65. Netherlands	PRO	X		X		X		X		X	
66. New Zealand	GRC	X		X		X		X		X	
67. Nicaragua	GRC	X		X		X		X		X	
68. Niger	Neither									Abstained	
69. Nigeria	Neither									X	
70. Norway	PRO		X		X		X		X		X
71. Pakistan	PRO	X		X		X		X		X	
72. Panama	GRC	X		X		X		X		X	
73. Paraguay	GRC	X		X		X		X		X	
74. Peru	GRC	X		X		X		X		X	
75. Philippine Republic	GRC	X		X		X		X		X	
76. Poland	PRO		X		X		X		X		X
77. Portugal	GRC	Abstained		Abstained		Abstained		Abstained		Abstained	
78. Romania	PRO		X		X		X		X		X
79. Saudi Arabia	GRC	Abstained		Abstained		Abstained		Abstained		Abstained	
80. Senegal	GRC									X	
81. Somalia	PRO									Abstained	
82. Spain	GRC	X		X		X		X		X	
83. Sudan	PRO		X		X		X		X		X
84. Sweden	PRO		X		X		X		X		X
85. Thailand	GRC	X		X		X		X		X	
86. Togo	GRC									Abstained	
87. Tunisia	Neither	Abstained		Abstained		Abstained		Abstained		Abstained	
88. Turkey	GRC	X		X		X		X		X	
89. Ukrainian SSR	No foreign relations outside UN		X		X		X		X		X
90. Union of South Africa	GRC	Not voting		X		X		X		X	
91. USSR	PRO		X		X		X		X		X

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Table 2
GRC and PRO International Position
(Continued)

Country	Recognizes	UNGA Vote on Moratorium Issue							
		1957		1958		1959		1960	
		For	Against	For	Against	For	Against	For	Against
92. United Arab Republic ..	PRO		*		X		X		X
93. United Kingdom	PRO	X		X		X		X	
94. United States	GRC	X		X		X		X	
95. Upper Volta	Neither					X		X	Abstained
96. Uruguay	GRC	X		X		X		X	
97. Venezuela	GRC	X		X		X		X	
98. Yemen	PRO		X		X		X		X
99. Yugoslavia	PRO		X		X		X		X
Recognized GRC		49							
Recognized CPR		33							
Recognized Neither		14							
		<u>96</u>							

*The UAR not yet created. Egypt and Syria voted separately against.

Table 3
Recognition by Countries Outside the UN

	Recognizes	
	GRC	PRO
Non-Communist Governments		
West Germany		Neither
South Korea	X	
Switzerland		X
South Vietnam	X	
Mauretania	X	
Communist Regimes		
East Germany		X
North Korea		X
North Vietnam		X
Outer Mongolia		X
Other		
The "Provisional Government of the Algerian Republic"		X

EAST CHINA AND TAIWAN ARMY STRENGTHS 1 May 1961

COMMUNIST ARMY

UNIT	STRENGTH
31st Army	47,000
83rd Div, 20th Army	18,000
20th Army Arty Regt	1,000
Two Arty Bns	700
63rd AAA Div	4,000
64th AAA Div	2,600
67th AAA Regt	1,500
3rd Arty Div	5,500
9th Arty Div	5,500
4th Arty Div	5,500
4th Arty Regt	1,500
80th Pub Sec Regt	2,000
84th Pub Sec Regt	2,000
Seamen Div (vms)	4,000
TOTAL	97,800

GRC UNIT STRENGTH

UNIT	STRENGTH
First Field Army	85,000
Second Field Army	84,000
Pinghu Det Comd. PDC	23,000
Chengmen Det Comd. MDC	19,000
Matsu Det Comd. MDC	21,000
TOTAL	263,000

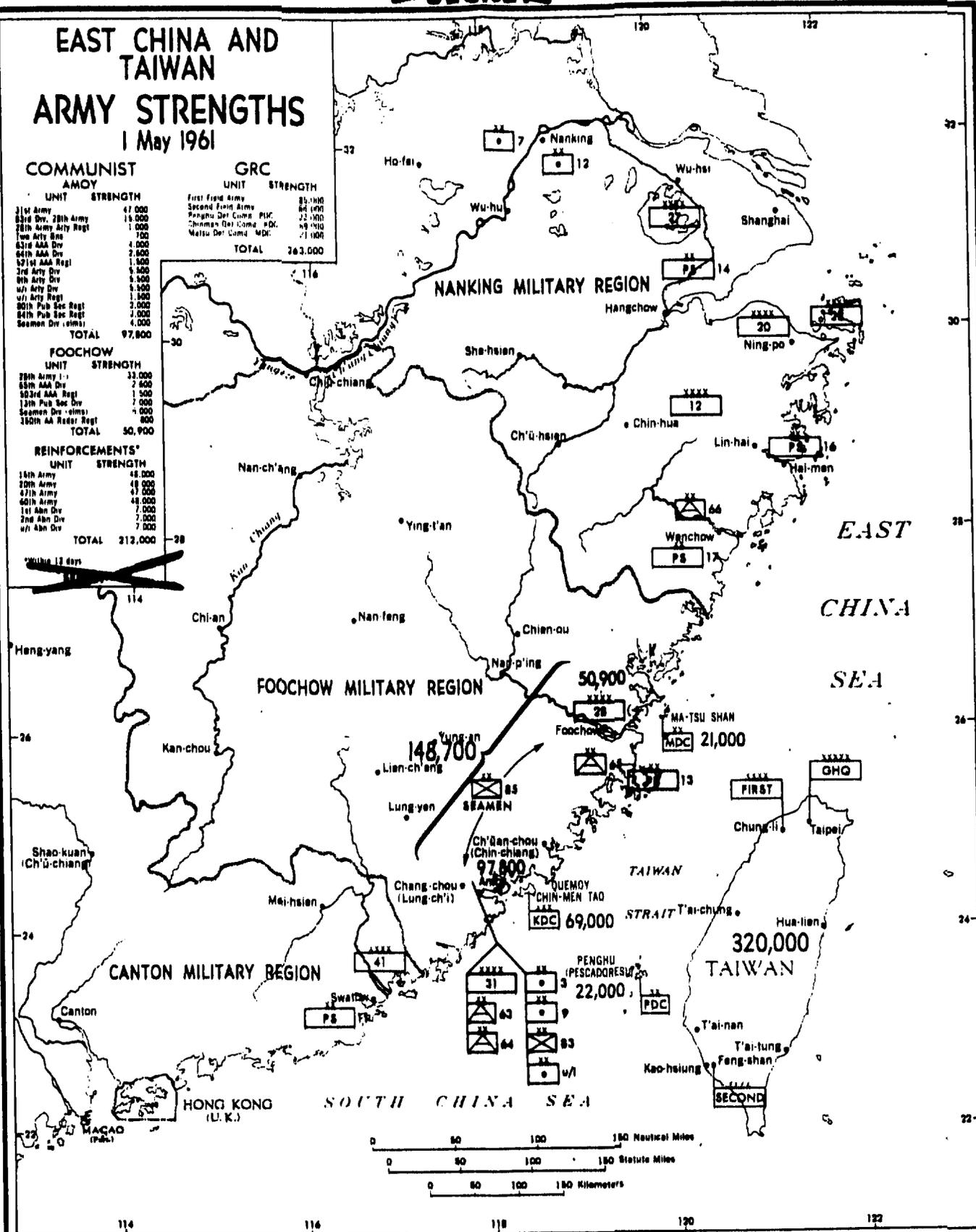
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UNIT	STRENGTH
20th Army 1st	12,000
65th AAA Div	2,600
68th AAA Regt	1,500
13th Pub Sec Div	2,000
Seamen Div (vms)	1,000
150th AA Radar Regt	800
TOTAL	50,900

REINFORCEMENTS*

UNIT	STRENGTH
16th Army	48,000
20th Army	48,000
21st Army	47,000
60th Army	48,000
1st Abn Div	7,000
2nd Abn Div	7,000
4th Abn Div	7,000
TOTAL	212,000

*Within 12 days



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