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NO. 79

DATE: 6 December 1949

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INTELLIGENCE HIGHLIGHTS NO. 79  
30 NOVEMBER to 6 DECEMBER 1949

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Keynote addresses at the Peiping meeting of the WFTU indicate that the Chinese Communists expect to take a leading role in the communization of Asia (page 2).

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A private study of the Republic of Korea's air force needs is expected to result in a plea for US aid from President Rhee, who appears determined to build up air strength even at the expense of the nation's economy (page 4).

The Chinese Communists are busily explaining to the inflation-sick people of that country that the present printing-press spiral is the price of victory (page 5). Meanwhile, refugee Nationalist Acting President LI's Kwangsi clique is attempting to establish a new resistance group in China's Southwest, in the hope that such a coalition may out-survive CHIANG on Taiwan and thus be in line for any available US aid (page 6).

As a result of slowness in implementing independence plans, the French in Indochina are finding themselves faced with increasing insolence on the part of their supposed Vietnamese friends (page 7).

Increasing opposition to Thailand's Premier Phibul from a variety of sources makes a new coup attempt there in the near future a distinct possibility (page 8).

The Government of Burma plans to offer peace terms of a generous nature to the Karen insurgents (page 9).

Rebellious senators probably will be able to keep the impending special session of Congress, called to proclaim Quirino's election victory, in a state of turmoil (page 9).

The marginal notations used in succeeding sections of this Weekly ("A", "B", or "C") indicate the importance of the items in D/FE opinion with "A" representing the most important.

-2-

SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

GENERAL

Chinese bid for Communist leadership in Asia—Speeches by Chinese Communist leaders LIU-chi and LI Li-san, recently delivered in Peking on the occasion of the WFTU's Congress of Asian and Australian countries, reveal the existence of a comprehensive and well-coordinated program for Communist expansion in Asia, based on both Soviet and Chinese Communist experience. Significantly, the speeches were strongly reminiscent of the recent Soviet assertions that the Bolshevik experience is "essentially acceptable to, and compulsory for, the Communist Parties of all lands..."

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The essentials of the Chinese Communist program, recommended as a pattern for Communist movements throughout Asia, as given by LIU and LI, were: (1) the formation of a 'united front' of the working class, the peasant masses ("its chief and most reliable ally"), and whatever urban bourgeoisie are willing to oppose "imperialism"; (2) the effective control of the 'united front' by a Communist Party, thoroughly indoctrinated in Marx-Lenin-Stalinism and able to adapt that "guide" to the local situation; and (3) the creation of a Communist-led army, the establishment of bases for it, and the coordination of military operations with the activity of workers and peasants in enemy territory. The speeches emphasized that events in China have proven that "the working class definitely cannot fundamentally better its status...without building a revolutionary army...and waging a revolutionary war..." While both speakers noted that this program was "the way of MAO Tse-tung," it is interesting to note that it is also the way of Lenin, who formulated this general line, and of Stalin, who has repeatedly endorsed MAO's application of it.

The Chinese Communists will render assistance to Communist movements in Asia by such approved means as propaganda activity, diplomatic and trade missions, the development of international labor, women's and youth organizations and the provision, wherever practicable, of financial aid, organizational specialists, advisors and materiel. The Chinese Communists may come to stand in much the same relation to these Asian movements as do the Soviets toward the Chinese -- as leaders, teachers and friends -- and thus will acquire some capability for challenging Soviet domination of these movements. At present, however, there is no evidence of any Sino-Soviet conflict in the Asian sphere. If the inherent suspicion of Chinese leadership can be dispelled among other Asians, the Chinese Communist effort in Asia should prove a powerful instrument of Soviet expansion.

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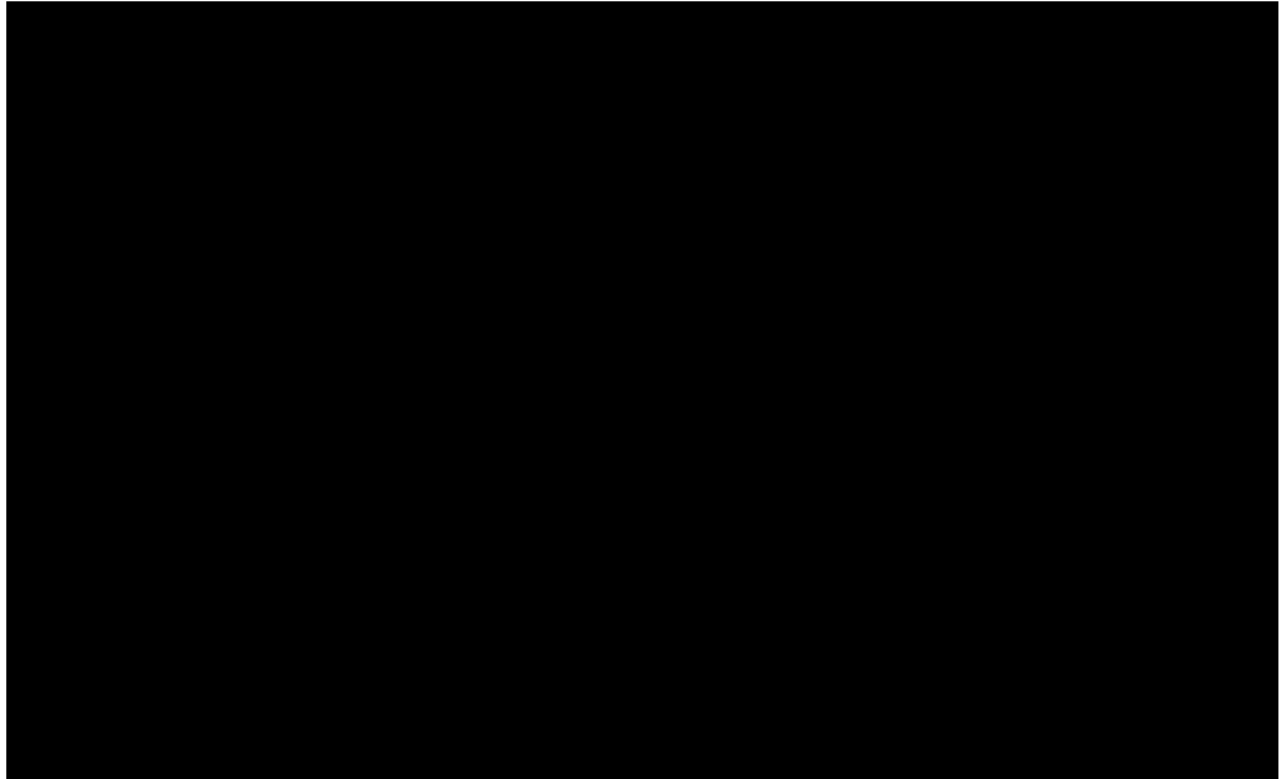
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-4-



KOREA

99-Plane air force recommended--Russell E. Randall, retired USAF general officer invited by President Rhee to survey Korea's air capabilities and requirements, has recommended that Korea obtain US aid in developing a 99-plane air force. Under the Randall plan, the Korean air force would acquire a total of 29 liaison planes, 30 AT-6s, 9 transports, 6 B-25s, and 25 F-47s or F-51s during the next thirteen months. As Korea now owns 14 liaison craft and has 10 AT-6s on order, 75 additional planes would have to be procured to bring the force to recommended strength. The Randall plan also provides for US air advisors, attached to the US Korean Military Advisory Group (KMAG).

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Persistent reports of increasing air capabilities in northern Korea have been of concern to both US and Korean Republic officials in recent months. In October 1949, Brigadier General Roberts, the Chief of KMAG, recommended that the Korean Air Force be provided with 40 modern fighters and that KMAG be authorized to assist in training the Korean Air Force. Since that time, Rhee and Korean defense officials have become increasingly concerned over the failure of the US to provide them with aircraft and training assistance. Randall's study will serve to strengthen the official

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-5-

Korean opinion that their security is contingent on an immediate increase in air capabilities to meet the threat of Communist aggression.

Rhee probably will incorporate the Randall plan recommendations into a formal request to the US for air support. If this request is denied, Rhee, obsessed with the desire for air strength, probably will attempt to build up a smaller air force on his own, using limited Korean foreign exchange and possibly employing Randall and other private US citizens as air advisors. Randall is reported to have planned a 59-plane air force for this purpose.

The presence of private air advisors in Seoul would complicate KMAF's relations with Rhee; but more important, further military use of limited Korean foreign exchange would seriously interfere with plans for the Republic's economic development. Moreover, although Rhee's immediate concern may be to develop adequate air defense, he undoubtedly is hoping to build an air force with sufficient offensive potential to strengthen his dream of recovering the "lost territories" of northern Korea.

#### NEWS NOTE

North Koreans offer release of missing Americans---Pyongyang Radio, in a broadcast of 6 December, has stated that the People's Republic is willing to release the two American ECA Advisors who have been under detention since the defection of the cargo steamer "Kimball Smith" to the northern puppet regime in September. The US Embassy at Seoul is directed to acknowledge the offer over Seoul Radio and send a US representative with "power of attorney" to sign for delivery of the two men at the railroad station of Yohyon, on the 38th Parallel at 1100, 11 December.

#### CHINA

Communists "explain" inflation as "price of victory"---Although recent violent price upsurges in Shanghai and other cities of China have been halted for the moment, observers expect a resumption of the inflationary trend in the near future. Very poor harvests foreshadow substantial increases in food and cotton prices in the coming months, while government deficits resulting from military and restoration expenditures, as well as the support of state-owned trading enterprises, are forcing a continuing resort to printing-press currency. It has been estimated that no more than 30 percent of total Communist administrative and military costs are being met by government revenues, while the deficit is being met by uncontrolled note issue.

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Recent experience with hyperinflation under the Nationalists has made the Chinese public keenly sensitive to inflation threats. As a result, the Communists are issuing increasing "reassurances" that inflation does not threaten the stability of the new government. Premier CHOU En-lai has explained price increases as "unavoidable difficulties to be met on the path to victory," which are "fundamentally different from the ruinous economic crisis under the reactionary KMT regime." The Communist press, preparing the public for new price increases, has elaborated on the necessity of being "prepared to pay a certain price before final victory is realized." The "price revolution", it is explained, "must be met before the people of the whole nation can be liberated." The Communists will need all the skill of their propaganda to explain the coming spiral of prices to the realistic Chinese and to dispel the public's inevitable association of inflation with government decay.

Kwangsi clique promoting Southwest "coalition"--The Kwangsi clique, headed by refugee Acting President LI Tsung-jeu, now visiting the US for urgent reasons of "health", claims to be organizing a group of leaders in southwest China who will continue resistance to the Communists following the expected loss of Szechwan. The group is said to include the governors of Yunnan and Kwangtung, the administrator of Hainan Island and other local warlords and its military strength is supposedly based on the remnants of PAI Chung-hsi's troops, now reportedly withdrawing to the coast between the Luichow Peninsula and Indochina and to the island of Hainan. "A"

Such a "coalition", if organized, would be unable to draw on Nationalist resources in Taiwan and would lack both the funds and the materiel required for an effective resistance movement. Several of the alleged leaders, moreover, have shown little will to resist the Communist advance. Indeed, a movement to facilitate the Communist take-over of Yunnan is already reported to be developing there.

Although Hainan appears to be the best available retreat in the Southwest at the moment, the island has little to offer as a final bastion because of its military vulnerability. Only twelve miles offshore, Hainan already is extensively infiltrated by local Communist guerrillas. Acting President LI's physical absence from China, moreover, will do little to improve the group's dim prospects. Apparently, the underlying purpose of this "coalition" is an attempt to preserve a claim, as the "true" Nationalist government, to any US aid which may become available after the fall of CHIANG Kai-shek and his Taiwan regime.

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INDOCHINA

French headaches—In addition to the annoyance of accelerated resistance force attacks in North Vietnam, the French authorities in Indochina in recent weeks have found it increasingly difficult to distinguish their friends from their enemies on the political front.

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Although Emperor Bao Dai himself has caused the French little trouble in his almost complete isolation at the hill-station of Dalat, various members of his entourage have continued to harass the French. By publicly inflating the 8 March Bao Dai-Auriol "accords" into a "treaty" between France and "independent Vietnam" and by contending that the French role should be merely one of conceding Vietnam's independence in fact as well as in name with the least possible delay, these Vietnamese friends of France have strained colonial tempers almost to the breaking point. Bai Dai's Foreign Minister, Nguyen Phan Long, now threatens to violate both taste and protocol by appealing for early agreement on Vietnamese autonomy directly to the French Foreign Office rather than to the Ministry of Overseas France which is charged with the administration of Vietnam and other colonial areas.

The French-cherished image of Bao Dai's Vietnam as a bastion against Communism has also suffered from broadcasts by native-language stations presumably operating under the Emperor's control. In Hue it was announced: "With reference to Communism, we believe this is our own affair... Anyone who helps us will be our friend... There should be give-and-take between nations to allow them to last long." Radio Hanoi quoted a local newspaper to the effect that no undue significance should be attached to the recent "fraternal" exchange of telegrams between Ho Chi Minh and MAO Tse-tung. The gist of the comment was: "This is a wise move. Anyone is Ho's position would do the same. No identity of ideologies is implied."

There have been additional headaches for the French within the areas under their control. From the left came a strike threat by Government employees at the instance of the local affiliate of a metropolitan French Socialist trade union. From the right came efforts on the part of conservative elements in South Vietnam to remove that area from Bao Dai's control by making it subject to the exclusive authority of a "mixed" French and Vietnamese autonomous Assembly.

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-8-

THAILAND

Coup possibilities increase—Beside losing popular support, the Thai Government, controlled by Premier Phibul Songgram and his military collaborators of the 1947 coup d'etat, is in a weakened political position because of widespread corruption and a serious schism within the ruling military clique. The blatant graft and political excesses of these militarists have alienated not only the Navy and Air Force, but also certain elements of the Army and civilian population. In opposition to Phibul's regime, also, are those who envy the military clique's opportunity to accumulate large personal fortunes and who have not themselves shared in the financial spoils. Consequently, a coalition of both responsible and opportunistic men, working for the overthrow of the Phibul regime, is developing considerable strength. \*A\*

Although the Navy appears to be taking the lead in organizing this coalition, this service by itself is believed unable to cope with Police and Army supporters of Premier Phibul. The Navy, therefore, probably is counting on and has gained the support of the Air Force. The coalition also appears to be gaining support within the Army from careerists who wish to see the military removed from active participation in Thai politics.

Tentative evidence points to the inclusion in the group of some civilian support, possibly from the openly oppositionist Democrat Party in Parliament. The developing coalition, while not depending upon former premier and elder statesman Nai Pridi Banomyong for leadership, is nevertheless aware that Pridi and his followers have not foregone plans for future action against Phibul's regime. Collaboration with Pridi, therefore, is a possibility.

Should the opposition be able to gather force despite the stern security measures currently imposed by Phibul, a successful armed coup d'etat is a fair possibility. Most probable time for the coup attempt would be before the arrival of King Phaulphol Aduldej, who is expected to return to Thailand before April for his coronation.

The successful overthrow of the Phibul regime, while perhaps resulting in a more democratic and less corrupt regime, would not contribute significantly to Thailand's internal political stability and security. On the contrary, the present basic cleavages which separate the men who in 1932 overthrew the absolute monarchy and established the present constitutional monarchy might well be intensified by open conflict, particularly between the supporters of Phibul and those who would collaborate with the opposition leaders. Such increased instability would make Thailand more vulnerable to the extension of Chinese Communist influences than it is at present.

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-9-

BURMA

Government plans peace offer to Karens--Burma's Foreign Minister and chief delegate to the UN, E Maung, recently informed US officials that the Burmese Government was planning to seek a negotiated settlement with the insurgent Karens as part of a larger effort to stimulate Burmese racial unity in the face of the growing threat of Communist China. Maung added that he hoped the Department of State would advise American missionaries to use their extensive influence to obtain Karen acceptance of the Government's terms. According to Maung, the Government was prepared to offer the Karens an autonomous state, full amnesty, permission to retain their arms, and an invitation to rejoin the Burmese Army.

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Such an offer would be accepted as a basis for discussion, especially if the Karens were encouraged in this course by Western Powers. The actual consummation of an agreement, however, would be extremely difficult, with the stiffest problems related to definition of the powers and boundaries of the proposed Karen state. Implementation would probably be even more difficult, for mutual animosity between Karens and Burmans, exacerbated by nearly a year of violent communal strife, will continue indefinitely regardless of an agreement between their respective leaders. Nevertheless, even an indifferently-implemented settlement of the Karen rebellion would be a vast step towards the restoration of stability in Burma, and would permit a greater concentration of Government efforts against the Burmese Communists at this critical time.

PHILIPPINES

Senate rebels will obstruct Quirino's confirmation--Nacionalista adherents and Avelinista Liberals have not yet abandoned hope of preventing the proclamation of Quirino's election or at least of reducing the margin of his victory over Laurel. Twelve Senators, a majority of 23 seated members of the Senate, have ignored a notice issued by acting Senate President Cuenco to attend a special joint session of Congress on 13 December to canvass the presidential votes. They instead petitioned Senator Malecio Arranz, currently an Avelino follower, both to convene the session and to preside over it. Although his legal authority is open to question, Arranz has reportedly issued the call.

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The twelve rebellious Senators and their sympathizers in the House can initiate action to delay the proclamation of Quirino's election and may even be successful in cancelling fraudulent votes.

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-10-

Quirino's support in the House, however, is sufficient to prevent any attempt by the joint session to refuse ultimately to proclaim him the victor.

With a struggle over leadership in the Senate impending and disputes brewing over election returns, the special Congressional session promises to be a stormy one. Adding to the general post-election tenseness are reports that, failing to prevent Quirino's inauguration by legal means, the Nacionalistas are planning an armed uprising.

S. E. A. NEWS NOTE

The stabbing of Duncan Stewart, Governor of Sarawak, on 3 December, brings into sharper relief a situation which has been smoldering since that Bornean principality became a Crown Colony on 1 July 1946. On that date, the last "white Rajah," a member of the Brooke family which had ruled paternalistically since 1840, ceded Sarawak to the British Crown over protests both from his heirs and from a relatively small but active portion of the population. Thus, while it is remotely possible that the stabbing of Stewart, the first outbreak of violence in Sarawak in recent times, may have been inspired by the traditional Communist agent or by extremists who desire the Colony's inclusion in the United States of Indonesia, it is far more likely that the assassin was a fanatical Malay member of the relatively orderly anti-cession movement, whose real or imagined grievances include the loss of privileged positions in the internal political structure. There is a belief by this same group that a general misunderstanding of the indigenous population's problems has been exhibited by colonial administrators recently transferred to Sarawak from other British territories.

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