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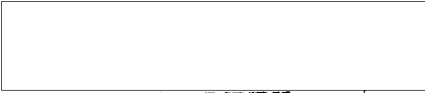
CENTRAL INTELLIGENCE AGENCY

24 May 1956

MEMORANDUM FOR: Mr. Allan Evans (OIR)  
Colonel H. J. Lemley, Jr., USA (AC/SI)  
Captain W. S. Howell, USN (ONI)  
Colonel W. B. Sawyer, USAF (AFOIN-2B2)  
Colonel C. H. Dayhuff, Jr., USA (JIG)

SUBJECT: NIE 43-56: THE PROSPECTS OF THE CHINESE NATIONALIST  
GOVERNMENT - Terms of Reference

1. The attached terms of reference were agreed on at the meeting of the IAC representatives on Thursday, 24 May.
2. All agencies are invited to contribute to any section within their competence to do so.
3. It is requested that contributions be received in this office by the close of business on Monday, 6 August 1956.

  
WILLIAM P. BUNDY  
Deputy Assistant Director  
National Estimates

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CENTRAL INTELLIGENCE AGENCY

24 May 1956

SUBJECT: TERMS OF REFERENCE: NIE 43-56: THE PROSPECTS OF THE CHINESE  
NATIONALIST GOVERNMENT

THE PROBLEM

To estimate the present strengths and weaknesses of the Chinese Nationalist government and its short and long term prospects.

INTRODUCTORY NOTE

The contributions to NIE 43-54 and NIE 43-55 examined in some detail the basic political, economic, and military situation on Taiwan. We see no requirement at this time to re-work this material except to the extent necessary to take account of recent developments and to test the validity of statements made in NIE 43-55. Aside from the general review and updating of NIE 43-55, we should concentrate in this paper on the problem of the staying power of the Nationalist regime in the light of the new Communist tactics, and the growing acceptance of the Chinese Communist regime in the international community.

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I. THE POLITICAL SITUATION

A. Political

1. Have the objectives of Nationalist China as defined in NIE 43-55 been altered over the past year?
2. Has the nature of the Nationalist Government changed in any significant ways? Have the relative positions of the leaders been altered? Have the character and the conduct of its officials changed significantly? Have opportunities for Taiwanese participation in the government improved? Has there been any further evidence of a revival of discrimination against officials with close American associations?
3. Have there been any significant developments during the past year in the support of the mainlanders and the Taiwanese for the Nationalist government?
  - a. Has significant disaffection developed among the Taiwanese? Among the mainlanders on the island? To what extent has such disaffection been provoked by policies and actions of the Nationalist government? Been inspired by Communist propaganda and subversion?

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- 1) What are the principal themes of Communist propaganda directed at Taiwan? What groups and what portion of the population and armed forces are reached by Communist propaganda?
  - 2) Is there evidence of increased Communist subversive activity on Taiwan? On what groups do Communist subversive efforts concentrate?
- b. To what extent has disaffection developed into active covert or overt opposition to the government? To what extent have the Communists been successful in developing an underground organization on Taiwan? To what extent has disaffection resulted in defections to the mainland of government personnel, of military personnel, of civilian mainlanders?
- c. What measures has the Nationalist government taken to increase popular support among the mainlanders? Among the Taiwanese?

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4. Has the Nationalist government's ability to control Taiwan changed significantly? What trends are evident in government security measures? In their effectiveness?

B. Economic

1. Project the "Economic Indicators" chart on page 6 of NIE 43-55 through 1957.
2. Has the Nationalist government made any change in its policy of subordinating the long term investment needs of the economy of the island to military expansion and social welfare? Do the economic policies of the Nationalists continue to reflect their concentration on the objectives of an early return to the mainland?

C. Military

Have there been any significant changes in the military capabilities of the Nationalist Chinese? Have there been any apparent changes in the morale of the military? What is the ratio of Taiwanese to mainlanders in the various military services? What have been the effects of increased numbers of Taiwanese in the military service.

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D. International Position

What changes have taken place in the international position and stature of the Chinese Nationalists since the publication of NIE 43-55, especially with respect to:

1. Recognition by other governments?
2. Position in the UN and its affiliated agencies?
3. Acceptance of its attempts to interdict the foreign trade of Communist China?
4. Influence over and support from Overseas Chinese?
5. Relations with and support from the US?
6. Relations with Japan and the Philippines?

To what extent has the position of the Chinese Nationalist in third countries been affected by Chinese Communist diplomatic, propaganda and subversive activities?

II. FUTURE DEVELOPMENTS

- A. What trends are probable in the nature of the Nationalist government in the short term? In the longer run? What changes in the relative positions of power and influence among the leaders are likely to take place? What effect would the death of Chiang Kai-shek have on the power and local support of the Nationalist government on Taiwan? In international circles? Who would be likely to succeed Chiang?

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- B. What trends are probable in popular support for the Nationalist government among the Taiwanese and the mainlanders in the short run? in the longer run? What are the prospects for an increase in the number of defections to the mainland?
- C. What trends are probable in the ability of the Nationalist government to maintain internal security? To minimize Communist covert activities? To counter effectively Communist propaganda?
- D. What are the prospects for the development of a viable economy on Taiwan?
- E. What trends are likely in Chinese Nationalist military capabilities in the short-term and in the longer run? Under what circumstances might the Chinese Nationalist capability and will to defend the Offshore Islands or Taiwan be significantly changed?
- F. What trends are likely with respect to the willingness of Chinese Nationalist leadership to accept US advice?
- G. In what manner would the morale of the various segments of the population on Taiwan, the policies of the Nationalist government, and the international position of the Chinese

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Nationalists be affected by such contingent developments as the following:

1. A growing trend towards general recognition of Communist China and the seating of the Communist Chinese in the UN as the government of China, despite the US efforts to prevent such developments?
2. A growing trend in non-Communist Asia toward closer political and economic ties with Communist China?
3. General support of non-Communist countries for a settlement of the Taiwan issue on a basis of "two Chinas"? What further effects would result if this solution were to be accepted by the Communist Chinese or if the latter continued to flatly reject such a solution? To what extent would the Taiwanese support such a solution? Support Taiwan becoming a trusteeship under the UN?
4. A Chinese Communist seizure of one or more of the lightly held Offshore Islands? To what extent would the reactions to this development be modified if the US did not participate in the defense of these

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islands? If the US assisted but unsuccessfully?

If the US subsequently committed itself to the defense of the principal Offshore Islands? If it remained silent? If it sought to encourage the Nationalists to withdraw from the Offshore Islands then remaining in their hands?

5. A Chinese Communist attack against one or more of the principal Offshore Islands which: (a) succeeded in the absence of US participation in their defense; or (b) failed because of US military intervention.
- H. Is there any possibility that the Chinese Nationalists leaders might give up their objective of regaining control of the mainland? Under what circumstances?
- I. In general what are the prospects of the Chinese Nationalist government in the next few years? Over a longer period?

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