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REPORT NO.

9 May 1949 25X1A2g

CD NO.

COUNTRY China

PLACE

ACQUIRED DATE OF IN

Military Situation in China letter of 16 SUBJECT

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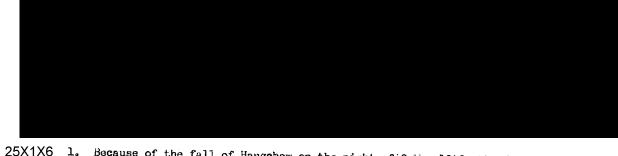
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SUPPLEMENT TO REPORT NO.



- Because of the fall of Hangchow on the night of 3 May 1949, the Nationalist 25X1X6 1. line on 4 Lay reached from Chiahsing (120-45, 30-46) to Kunshan (120-57, 31-24). The Nationalists will attempt to hold this line for five days, then will fall back to a specified line which they will attempt to hold for twenty days.
 - 2. Elements of Chinese Communist General CHUNG Keng's* 29 Army are now at Kunshan. Elements of the Communist 38 army are in the Soochow area, and elements of the 23 Army are in the Chiahsing area.
 - 3. The Communist Hangchow-Kunshan forces plan to converge on Shanghai, while 30 percent of the Communist forces in the Hangchow will proceed to Canton. Another Communist force will advance along the Chekiang-Kiangsi railway to attack Hanchang (115-53, 28-40) and start attacks to the south.
 - 4. Nationalist military leaders now feel that they must make a definite show of resistance in order to gain respect from nations that might support them, but they also feel that they are being forced to handle alone what is an international problem.
 - 5. Contrary to press reports, Generalissimo CHIANG Kai-shek is still in Shanghai. In the morning of 5 May he conferred with Shanghai Police Commissioner FAO Sen, and approved the formation of an "Anti-Communist Chinese People's Salvation Army."* This underground army, headed by MAO and responsible to TANG En-po, will concentrate on guerrilla warfare.
 - 6. At present the Nationalists plan to evacuate all government offices, universities and students to Taiwan, Canton and Amoy, but no transportation is available.
 - 7. There is a noticeable influx of armed Communist saboteurs into Shanghai, who are attempting to cause fires and riots, and to organize dissident elements. Several have been arrested and immediately executed.
 - 8. The Communists will definitely take Shanghai, although many of the local populace feel that they will bypass the city completely.

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- 9. Fuel and rice problems are very serious. The Shanghai rice supply will last until the end of June, and possibly to the middle of July. Shanghai now has 350,000 tons of coal, and a monthly consumption of 120,000 tons. The economic problem is the determining factor in the defense of the city.***
- 10. Officials of the Chang Hua printing plant have moved 50 percent of the currency-printing equipment and personnel from Shanghai to Taiwan, and the rest are alerted to leave at a moment's notice.

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According to information available to this office, the 29 Army is subordinate to CHEN Yi's command.

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According to the announcement of ECA officials, Shanghai now has 14 days of fuel supplies and, unless ECA replenishes the stocks, the utilities will be forced to close.