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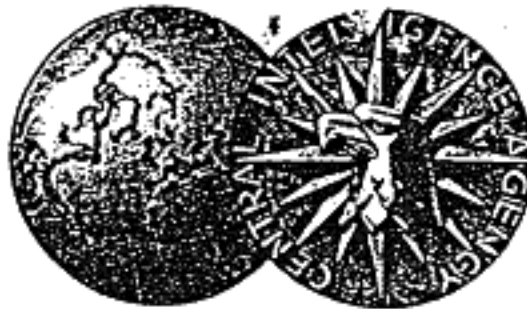
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PROSPECTS FOR SURVIVAL OF THE REPUBLIC OF KOREA

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL



ORE 44-48

Published 28 October 1948

Document No. 001
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 Class. CHANGED TO: TS S C
 DDA Form 4 Apr 77
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PROSPECTS FOR SURVIVAL OF THE REPUBLIC OF KOREA

SUMMARY

The Republic of Korea, inaugurated on 15 August 1948 under UN observation, is faced with numerous pressing problems in the political, military, and economic spheres. Its prospects for survival may be considered favorable as long as it can continue to receive large-scale aid from the US.

The new government has been organized with widespread popular support, and despite Korean inexperience with parliamentary institutions and the tendency of the present constitution to concentrate excessive power in the hands of the President, the present administration is apparently making good initial progress in the development of responsible government. Furthermore, the Republic has good prospects for securing *de jure* international recognition, a development which will further strengthen its domestic position.

Following the withdrawal of US occupation forces the Republic of Korea will be faced with the threat of aggression from the north by the Soviet puppet "Democratic People's Republic of Korea." It is believed, however, that prior to US withdrawal a South Korean army can be trained and equipped which will act as an effective deterrent to such Soviet-inspired aggression. This army would, however, require continuing US material aid and technical advice if it were to retain its effectiveness.

Although the economy of the Republic is afflicted with certain critical shortages and problems at the present time, some degree of economic recovery can be achieved if US assistance is made available and if US advice is accepted and properly implemented. Thus far the new government has demonstrated a willingness to accept US guidance in economic affairs, provided this advice is offered in such a way that Korean nationalist sensitivities are not offended. The Republic of Korea can permanently overcome its present deficit economic position only on the basis of multilateral trade with other Far Eastern countries and with the northern zone of Korea. Until such time as this development is politically feasible, the political stability of the new government will rest on a deficient economic base, and its political survival will therefore depend in large part on continued US subsidization.

Note: The information in this report is as of 27 September 1948.

Substantial contributions were furnished by the intelligence organizations of the Departments of State and of the Army. Those of the Navy and the Air Force also furnished data. The intelligence organizations of the Departments of State, Army, and the Air Force have concurred in this report; for a dissent by the Office of Naval Intelligence, see Enclosure A, p. 17.

PROSPECTS FOR SURVIVAL OF THE REPUBLIC OF KOREA

I. GENESIS OF THE NEW GOVERNMENT.

The Republic of Korea, inaugurated in Seoul on 15 August 1948, was formed by the National Assembly which was elected in South Korea on 10 May under the observation of the United Nations Temporary Commission on Korea (UNTCOK) and in fulfillment of the UN General Assembly resolutions of 14 November 1947. These resolutions were intended to establish a provisional government for all Korea, but a complete Soviet boycott restricted the program to the southern zone only, making the relationship of the new government to the original UNGA resolutions uncertain. Thus the exact status of the regime will be determined largely through the actions of the 1948 session of UNGA. Meanwhile the US and the Philippines have accorded what may be considered *de facto* recognition to the new government, while China has granted it provisional recognition.

a. Political Composition.

Although the 10 May South Korean elections had strong popular support, they were boycotted by almost all organized parties except two of the large extreme rightist groups—the National Society for the Acceleration of Korean Independence (NSAKI) and the Hankook Democratic Party—plus their affiliates. The Communists in South Korea, constituting a very small minority of the electorate and acting as a political instrument of the Soviet puppet North Korean regime, took an early stand against the election and even attempted to defeat it through revolution. The moderate factions under the leadership of Kimm Kyusik, and an element of the extreme right under Kim Koo joined with the Communists in boycotting the election on the ostensible grounds that the election would tend to perpetuate the artificial division of Korea. However, there is good reason to believe that they were actually motivated by the realization that participation in the election would be politically disadvantageous because of their small popular following.

The one-sided political composition of the government is more apparent than real. The two extreme rightist factions which fully participated in the elections are the only two parties that are strong and well organized throughout the southern zone, and they appear to represent the political leadership of the vast majority of the people of that zone. Moreover, there is good indication that a group of "independents", unaffiliated with either of the two major parties, will play a strong hand in the future conduct of affairs. This group consists largely of Kim Koo adherents who broke party discipline to participate in the election, and of unaffiliated individuals of varying shades of political conviction who successfully overcame major-party competition in the elections. As a result of the nearly equivalent strength of the NSAKI and the Hankooks in the elections, this group now finds itself in a "balance of power" position in the National Assembly.

Korean inexperience in parliamentary procedures and a motley political complexion have combined to prevent the development of the "independent" bloc into an organized minority opposition to the social and economic philosophies of the two major parties. Thus far this group has restricted itself to taking advantage of the NSAKI - Hankook conflict in order to jockey for narrow factional, and even individual advantage. This lack of a healthy minority opposition based on a real divergence of political outlook, constitutes a real but understandable weakness of the new government.

b. *Institutional Structure.*

Although the greater internal discipline and financial resources of the Hankooks gave them an actual plurality in the Assembly, the unpopularity of the party, originating in its association with the landholding class, frustrated its hopes of gaining sufficient moderate "independent" support to secure control. The first test of strength involved the issue of the form and organization of the government, and the Hankooks suffered a major reverse.

The original draft of the constitution was written by men close to the Hankook Democratic Party and provided for a parliamentary form of government. Rhee Syng-man * and his followers in the NSAKI objected strenuously to this draft, however, and advocated a strong executive system modeled after that of the US. Rhee's adherents, conscious of the inevitability of his election to the Presidency, and the Hankooks, anxious to curb his power, each advocated that form of government that would best insure their own control of the state apparatus. In this struggle, Rhee was able to secure the support of the strategically placed "independents" and to force a revision of the draft which favored his position. This conflict, and the face-saving concessions made to the Hankooks in the course of Rhee's victory, serve to explain the unusual governmental structure established in the constitution and organic law—a strong executive government in essence, but with certain superficial features of a parliamentary system.

The President possesses considerable power and freedom of action. He appoints the Prime Minister with the approval of the Assembly, but the Prime Minister has no policy-making powers since his function is merely to assist the President. The President also appoints the Ministers of the various executive departments. These, together with a variable number of Ministers without Portfolio, constitute the State Council. None of these appointments requires Assembly approval. Technically, executive policy is formulated by a majority vote of the State Council, but since the President's power to appoint the State Council is unqualified, except in the case of the Prime Minister, the President has, in fact, complete control of the executive branch.

The present National Assembly of 200 seats is to continue as the legislature for a period of two years; after that, there is to be a unicameral National Assembly elected for a fixed term of four years. The Assembly is capable of exercising considerable influence on the executive branch since its members may introduce legislation as well as approve or reject bills introduced by the members of the State Council. The

* See Appendix A.

Assembly's eventual role in the government will largely depend, however, on how it chooses to exercise its prerogatives in the next few months. There is sufficient ambiguity in the Constitution to permit a strong President to reduce the Assembly to the status of a "rubber-stamp" organization and unless the Assembly reacts promptly and vigorously to any threatened infringement of its rights this development may occur.

To date, the new Republic of Korea has given evidence of a successful start in the direction of responsible government. President Rhee, in his appointments to the State Council, attempted to reverse the initial trend toward narrow factionalism; four of the eleven posts were given to members of the Hankook Democratic Party and two posts went to "independents," one of them a former Communist. Considering the human material available in Korea after forty years of Japanese oppression, most of the members of the State Council would appear to be relatively competent. Moreover, there is reason to believe that the President, despite his theoretically unqualified power of appointment, will shortly force the resignation of the one conspicuously incompetent Minister whose appointment aroused a storm of protest in the Assembly and in the press.

2. PROBLEMS CONFRONTING THE NEW GOVERNMENT.

a. *Political.*

The internal and external political problems are virtually one. Because the government is of international origin, it requires reasonably widespread international recognition; because Korean nationalism requires true unity, a "separate" government of only half the country, supported by only a small number of nations cannot hope to endure. Hence, the decisions of the 1948 UN meeting on Korea will be all-important in determining both the international and domestic moral and legal foundations of the new government.

Soviet strategy at the UN will include furtherance of the North Korean government, attacks on the South Korean elections, and emphasis on portions of the UNTCOK report unfavorable to the US, all with an aim to delay decision on the problem. Although it appears probable that the UN decision will be favorable, any repudiation of the South Korean government, or even weak international support of it would seriously undermine its chances of success.

b. *Military.*

The USSR and the North Korean government are capable of using force to implement their present intention of insuring the downfall of the Republic of Korea. While it is considered very unlikely that the Kremlin will authorize aggressive action against the southern zone as long as US forces remain in occupation, it is probable that current Soviet plans call for an attempt to overthrow the South Korean regime immediately following US withdrawal.

Current information indicates that any such attempt would be initiated by major civil disturbances provoked by local Communists. Such disturbances, based on real social and economic grievances aggravated by Communist agitation, would be

aimed either at the direct overthrow of the government or at coercion of its leaders into some form of negotiation for Korean unity with the Democratic People's Republic in North Korea. These disturbances would probably be accompanied by the infiltration of People's Army troops or personnel of the North Korean Department of Internal Affairs, either as units in civilian clothes or as individuals, for the purpose of reinforcing local elements. The resultant civil warfare in South Korea would tax to the utmost the combined forces of the South Korean National Police and Constabulary in their attempt to restore order. These forces might moreover be seriously handicapped in their endeavors by their long-standing political rivalry. The Police, staunch defenders of the present regime, have frequently clashed with the Constabulary, an organization which has been a prime target of Communist infiltration. Attempts are being made to screen existing personnel and new recruits in the Constabulary, but this is a difficult process, and the loyalty of at least certain elements will probably remain questionable for some time to come.

Thus, even though Communist disorders might eventually be suppressed, the South Korean security forces would be seriously weakened. In this event, the North Korean People's Army might consider an invasion, probably in response to a request from South Korean Communists to restore order. Such a request would become almost a certainty if the President were assassinated in the course of the insurrection, since a severe government crisis would inevitably result. Although a move is already on foot in the Assembly to amend the Constitution, not only does the present form of government concentrate power in the President's hands; but there is at present, no political leader who could serve as an adequate replacement for Rhee Syngman.

The existence of an adequate native security force in South Korea would serve as the only real deterrent to Soviet-inspired aggression. The problems involved in the creation of such a force would be considerable.* It is believed, nevertheless, that in the period prior to the withdrawal of US forces, a South Korean Army and small air component could be trained and equipped which would be competent to deal with any external threat short of open invasion by the Red Army proper. Since, however, the North Korean People's Army has the capability of augmenting its strength continuously, the initial efforts in the organization of a South Korean Army would have to be indefinitely supplemented by the work of a US military mission following the withdrawal of US occupation forces. Such a mission might well serve, by its very presence, as a deterrent to North Korean aggression.

In the light of these considerations, it is believed that a formal invasion by the People's Army, while not a probability, will remain a menacing possibility.

c. *Economic.*

The major economic problems confronting the new Korean government result from the artificial division of the country into two zones of occupation and from the loss of Japanese trade on which Korean economy was formerly dependent. Moreover, the postwar influx of repatriates and of refugees from North Korea has resulted in a

* See Appendix B.

rapid population increase which is exerting a severe strain on the diminished economic resources of South Korea. To attain economic independence, Korea must rehabilitate and expand its present production facilities and its agricultural and mining resources. US aid will be prerequisite for the accomplishment of these tasks.*

The chances for stability and survival will, within the coming twelve months, hinge more on the question of food supplies than on any other single question of an economic nature. Solution of this problem will largely depend on the ability of the government to maintain an efficient grain collection and distribution program and to supplement domestic grain supplies by imports from the United States and from other areas.

Low yield per acre, one cause of the shortage, can be raised through importation of fertilizers. Korea's fishing industry can be utilized as a rich source of food-stuffs for local consumption and for exports if its equipment is rehabilitated.

The shortage of electric power caused by the shutting off of deliveries from the North is seriously retarding South Korea's industrial recovery. Rehabilitation of existing power plants and increased imports of coal must be depended on to restore a portion of the power requirements. Imports of coal, petroleum products, raw cotton, raw rubber, and salt are needed to maintain operation of the Korean transportation system and industrial facilities.

A lack of skilled administrators and managers will seriously complicate the execution of a program of controls of various kinds, especially controls of prices, rationing, currency, and foreign exchange transactions. It is even more doubtful that the Korean government can find experts to plan and formulate the policies necessary to insure economic stability. This lack is so critical that the survival of the Korean government on economic grounds will inevitably depend as much on outside aid in planning and administration as on outside material assistance.

Although economic recovery will necessarily be dependent on US advice and assistance, the political composition and social outlook of the groups participating in the new government indicate the possibility of resistance to certain US proposals for dealing with urgent economic problems. For example, it is known that the government grain collection and distribution program is vigorously opposed by some of the landowners represented in the Hankook Democratic Party since it promises to curtail profiteering in hoarded rice rents. Similar objections are raised against the increased taxation which must result from any attempt to increase government revenues. Although the various parties represented in the present government have pledged themselves to the re-distribution of the formerly Japanese-owned "vested" lands—a program initiated by US Military Government—they appear unwilling to divide large Korean-held estates. With the distribution of vested lands, a large number of Korean farmers will gain title to land that they formerly cultivated as tenants. The effect on social stratification in Korea cannot be estimated as yet, but it would appear to be of greatest importance to the stability of the government to continue and

* See Appendix C.

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to expand this program of reform as a means of broadening the social base of its popular support, thus counteracting Communist agitation.

Beyond US assistance, the economic problems of the new Korean government can be solved only in close cooperation with other Far Eastern countries. Revival of foreign trade between Korea and China and between Korea and Japan, and the opening of the trade between the northern and southern part of the country are required for any long-range stabilization of the South Korean economy, even though they may not be politically feasible at the present time. This trade will depend largely on the export of marine products, tungsten, and graphite.

3. CONCLUSIONS.

As long as the present Soviet policy in the Far East continues unchanged, it must be assumed that the USSR will not be satisfied with its present hold on North Korea and will exert continuing efforts to establish eventual control over all Korea. Under such circumstances, the Republic of Korea can survive only on the basis of large-scale US military, economic, and technical aid over an indefinite period. The extent of US aid required to maintain the Republic against internal and external threats to its existence will be increased considerably, however, if the present political leadership loses the force of moving toward unified government and insists, against US advice, on acting in its own selfish class interest, thus narrowing its popular base of support and increasing its vulnerability to Soviet-inspired subversion and aggression.

At the present time, the Republic of Korea appears to have good prospects for gaining widespread international recognition and for attaining a measure of responsible government sufficient to secure the loyalty of the South Korean population. Thus, as long as US aid is forthcoming in sufficient quantities to help solve the regime's pressing economic and military problems, the prospects for survival of the Republic can be considered favorable.

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APPENDIX A

PERSONALITY OF RHEE SYNGMAN

Rhee Syngman is a genuine patriot acting in what he regards as the best interests of an independent Korea. He tends, however, to regard the best interests of Korea as synonymous with his own. It is as if he, in his own mind at least, were Korea.

Rhee has devoted his life to the cause of an independent Korea with the ultimate objective of personally controlling that country. In pursuing this end he has shown few scruples about the elements which he has been willing to utilize for his personal advancement, with the important exception that he has always refused to deal with Communists. This accounts for the fact that Rhee has become the symbol of anti-Communism in the Korean mind. He has also been unscrupulous in his attempts to thrust aside any person or group he felt to be in his way. Rhee's vanity has made him highly susceptible to the contrived flattery of self-seeking interests in the US and in Korea. His intellect is a shallow one, and his behavior is often irrational and literally childish. Yet Rhee, in the final analysis, has proved himself to be a remarkably astute politician. Although he has created for himself the combination role of Korean Moses and Messiah, he has very rarely permitted himself to forget the hard political realities of his position.

Rhee has spent most of his life in exile, largely in the US. In 1919, he was elected first President of the Korean Provisional Government, located in China, and later served as its diplomatic representative in the US and at the League of Nations. During World War II he used his position as head of the Provisional Government's Korean Commission in Washington to promote his own interests and to establish a personal lobby which has proved extremely valuable to him.

Rhee returned to Korea in October 1945, apparently expecting that in recognition of his lifelong devotion to Korean independence, and in deference to what he considered his incontestable position as the leading Korean statesman, he would be accorded a pre-eminent role in a Korean state, unhampered by foreign interference. The Moscow Agreement of December 1945 provided instead for continued foreign occupation, the Joint US-Soviet Commission, and eventual four-power trusteeship. Thus it postponed indefinitely the day of united Korean independence.

At once Rhee voiced a bitter protest against trusteeship and demanded some immediate form of Korean self-government. These were the two principal themes of Rhee's political campaign up to the announcement of the general elections of May 1948. Possibly Rhee guessed that the Joint Commission would fail; he certainly distrusted the USSR from the outset. He knew that the very word "trusteeship" was anathema to the Koreans and that a demand for self-rule would be widely favored. During 1946 and 1947 Rhee kept up his campaign, varying its intensity and bitterness according to the current situation. He, personally and through his Washington lobby, bombarded the US government, other sympathetic governments, the UN, and the US press with

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demands for abrogation of the trusteeship agreement and for immediate elections, in South Korea at least. Publicly he demanded the removal of occupation forces; but when the USSR proposed joint withdrawal, Rhee was the first to proclaim it to be the duty of the US to retain its troops in South Korea until that area was able to defend itself. *Sub rosa*, he proposed that the US set up a government in South Korea, granting it military and economic aid and securing UN recognition for it. Further evidence that Rhee counted on US support, despite his talk of government by Korean efforts alone, was his suggestion to General Draper that he would be pleased to see the US have a naval base on Chejudo.

Rhee seems to have felt that the US should at least have continued to accord him the preferential treatment he received in the first few months following his return to Korea, but when it became apparent that he could no longer hope for special status, he evidently concluded that General Hodge, in violation of US policy, was personally responsible. (A partial explanation for this conclusion may be found in messages from Rhee's Washington office, the Korean Commission, which gave the impression that the Department of State was giving high regard and consideration to Rhee's opinions.) Thus Rhee's vindictiveness at the unfavorable turn of events was directed especially against General Hodge. Rhee waged an almost unceasing rumor campaign against the General, capitalizing on any US Military Government errors, charging that Hodge refused to obey directives from Washington and that he was putting Communists in control in South Korea. Rhee's organization spread his accusations outside Korea, to General MacArthur, to the Department of State, and to members of Congress.

Rhee's tactics in the past three years have been based on a remarkably accurate estimate of popular attitudes and prevailing political conditions. Although Rhee once went so far as to threaten a coup against the Interim Government in South Korea, he has usually been astute enough to avoid any absolute stand impossible of achievement. On one occasion only did he really seem in danger of going too far. When he returned from his trip to the US, he stated that the US Government had promised him immediate elections and a large loan. His prestige suffered considerably when his statements were refuted by US authorities, but he managed to extricate himself from the difficulty with minimum adverse effect.

Rhee carefully built up the illusion, inside Korea, that his opinions carried considerable weight with high US officials and that internationally he was regarded as the spokesman for the Korean people. In a short time following his return, Rhee became the only Korean leader with any sort of popular following, and his name was spread throughout Korea as the champion of Korean independence. Rhee has been able to maintain his position of pre-eminence by clever politics and by default; no other leader has appeared to challenge him, save perhaps Lyuh Woon Hyung who was assassinated in 1947. Rhee has succeeded in setting up a political machine, the National Society for the Acceleration of Korean Independence (NSAKI), whose numerous branches extend outward from Seoul as far down as the county level. He is the only political leader in South Korea who has been able to set up such a machine. NSAKI consists of a rather loose amalgam of rightist groups whose allegiance to Rhee has been far from constant. He is not only an avowed enemy of Communists but he has had little

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patience with liberal intellectuals of leftist and moderate persuasion. The latter have neither political influence outside of Seoul nor financial support, a consideration of great importance to Rhee. Many petty rightist politicians have adhered to Rhee in the hope of rising with him to political eminence, but Rhee's mulish insistence on always playing the leading role and his high-handed methods have made it difficult for many leading conservatives, including the wealthy Hankooks, to work with him. They dare not overthrow him but must maintain an uneasy coalition with him since they need his political prestige. At the same time, since he requires their money and ability, he cannot ignore their demands.

Rhee has used diverse methods for obtaining political funds. Dollars have been secured by direct contribution from his Korean following in Hawaii and in the US and by certain dubious exchange manipulations in Korea. His US backers have contributed to his cause in the hope of obtaining economic concessions in Korea upon Rhee's rise to power, or of gaining social prestige through their connection with Rhee, or because of a wish to encourage anti-Communist regimes wherever possible. Many humble Koreans have been persuaded, by one means or another, to contribute *won* to Rhee's cause, and wealthy Koreans have donated large sums on the basis of promises of favors or position on Rhee's coming into control, or because of Rhee's "influence" with the US authorities.

Today Rhee has gained his end. He is the President, with extensive powers, of an independent Korean regime. His government is eligible to receive US military and economic aid, and probably UN recognition. Although he wants as little interference with his plans as possible, he undoubtedly recognizes that his government's very existence depends upon aid from the US and that the US cannot be expected to grant that aid without a considerable voice in how it shall be used. The danger exists, however, that Rhee's inflated ego may lead him to action disastrous or at least highly embarrassing to the new Korean Government and to the interests of the US.

One factor which may, nevertheless, restrain him is the National Assembly. Probably to Rhee's great consternation, he is learning that he cannot ignore or ride rough-shod over the Assembly which has thus far refused to be a "rubber-stamp" institution.

APPENDIX B

THE MILITARY SITUATION IN KOREA

1. SOUTH KOREAN SECURITY FORCES.

Present South Korean security forces include the National Police totaling 35,000, the Constabulary with a strength of 52,765, and the Coast Guard of 2,906.* The Coast Guard is designed to furnish routine off-shore law enforcement, is not trained or equipped for naval or amphibious operations, and is known to be infiltrated by subversive elements. There is no air arm in the South Korean security forces nor has any native air defense system been established.

Because of its rapid expansion from 16,500 in early 1948 to its present 52,765, the South Korean Constabulary requires considerable training and is still short of most of its planned equipment. Modern Korea has had no army and therefore lacks both military tradition and experienced military leaders and administrators. Some Koreans have served in foreign military forces, including those of Japan, China, and the USSR. Virtually none, however, has had experience in handling large units. This shortcoming will delay the development of effective armed forces in South Korea. South Korea lacks the industries necessary to support a modern army and is not expected to develop such industries in the foreseeable future. Because of this deficiency, all weapons, ammunition, and equipment must be supplied by sources outside the country, probably by the US. Either zone of Korea has a sufficiently large manpower pool to supply recruits for armed forces of reasonable size without dislocation of the civilian economy. The generally low level of education, however, and the lack of mechanical experience of the average Korean will hamper training in the technical phases of military instruction. The average Korean is inured to hardship, however, and will respond to forceful leadership by what he regards as duly constituted authority.

2. NORTH KOREAN SECURITY FORCES.

It is estimated that the North Korean People's Army could put into the field, for an operation in the near future against South Korea, a total of approximately 40,000 troops, of which the main combat elements would be two infantry divisions and an independent mixed brigade. These troops would be well armed with obsolete but serviceable Soviet weapons and would be well equipped and well trained on the battalion level. The leadership for this training has been furnished largely by Koreans who have had previous military experience, either with the Chinese Communist forces or with the Red Army itself. In addition, instructors, both officers and enlisted men, have been furnished by the Soviet forces in North Korea to the Peoples' Army. Soviet instructors have been identified down to and including the battalion level, and at latest report these instructors are still serving with the People's Army.

* All strength figures are as of 28 August 1948.

According to western standards, the People's Army would be lacking in medium and heavy artillery support, mechanized forces, and motor transportation. Although leaders and troops would be initially inexperienced in large-unit operations, the People's Army has the capability, as time passes, not only of increasing its present strength but also of training its commanders and units in operations above battalion level.

In addition to troops of the People's Army itself, it is believed that not more than 10,000 troops of the Lee Hong Kwang Detachment in Manchuria would be available for an attack on South Korea. This unit is reported, however, to be presently engaged in active operations against Chinese Nationalist forces. It is therefore probable that the problems involved in disengagement and transport would tend to delay its employment in operations against South Korea.

Backing up the People's Army in the event of an attack on South Korea would be the 58,000 men in the semi-militarized forces of the North Korean Department of Internal Affairs. Although some issue of Soviet weapons has been made, these forces are armed in the main with Japanese weapons. While it is unlikely that these police-type forces would be employed in a combat role, they would be capable of securing rear areas of the People's Army and might furnish a reserve of partially trained personnel.

It is known that an air arm of the People's Army is in process of development. It is believed that this force is designed to furnish air support to People's Army ground forces and that it may consist of as many as 80 fighters, and 40 ground attack, aircraft. These aircraft are reportedly obsolete conventional types of Soviet and Japanese manufacture. The effectiveness of this force assumes significance only when it is considered in relation to the complete absence of any offensive or defensive air capabilities of the Republic of Korea.

Although the North Korean Coast Guard of approximately 6,000 men has increased its armament and equipment in recent months, there is no evidence that it is being trained in other than normal coast guard duties or that it would be capable of taking part in amphibious operations.

APPENDIX C

CRITICAL REQUIREMENTS OF THE SOUTH KOREAN ECONOMY

1. GRAINS.

According to expert estimates, a total of 220,000 metric tons of grain (brown rice equivalent) must be imported for the first half of fiscal year 1949 if the daily food ration for non-self-suppliers is to be maintained. This ration was reduced in July 1948 from 2.5 *hop* (1,316 calories) to 2 *hop* (1,050 calories). Unless scheduled imports of grains can be met in full and an effective system of grain collection can be maintained, a further reduction will shortly be inevitable which will seriously endanger the stability of the government. Importation of fertilizer would raise production sufficiently within one year to supply the required quantity of grains under the present rationing scheme, provided that weather conditions are favorable. On this basis an export surplus of rice would be possible within two or three years.

2. MARINE PRODUCTS.

The Korean fishing industry could provide an important supplement to the Korean diet and also yield an exportable surplus if properly developed but, in order to rehabilitate the fishing industry, fishing boats and equipment, which are at present in short supply and in need of repairs, would have to be imported, and storage and transportation facilities would have to be constructed. Moreover, about 2,000 metric tons of salt would have to be imported for the preservation of the catch for the coming year.

3. ELECTRIC POWER.

With the cutting of power supplies from North Korea on 14 May 1948, South Korea lost 70% of normal sources of supply. A rapid development of additional sources of power and repair of existing facilities is, therefore, necessary for the rehabilitation of the Korean economy. Importation of repair parts and new equipment, and a continuous flow of bituminous coal from Japan are required for maximum utilization of existing power facilities. US technical aid and equipment would be required for any construction of new hydroelectric generators designed to reduce Korean dependence on expensive coal imports. Moreover, if continued operation of the expanded power system is to be assured, Korean personnel would have to be trained.

4. COAL.

South Korean coal requirements for the production of electric power, for transportation, and for industrial purposes amount to about one million tons annually, at the cost of US \$15 million. Korean anthracite production is sufficient for local needs but cannot at present be fully exploited because of the shortage of bituminous coal needed for the means of transportation that must move the anthracite. Various methods have

been studied that will permit the briquetting of anthracite. If the vicious circle in coal production can be broken, it is hoped that imports of bituminous coal, at present obtained from Japan and financed by the US, can be reduced. Additional construction of hydroelectric power facilities will also reduce the need for bituminous coal imports. The biggest problem appears to be the raising of present anthracite production (50,000 tons a month). Improved mining procedures may make available an additional 30,000 tons. To obtain additional tonnage would require capital development of existing mines or the opening of new mines. Both methods necessitate importation of expensive equipment.

5. OTHER RAW MATERIALS.

Next to foodstuffs, coal, and power, Korea needs petroleum products most urgently for the maintenance of its transportation system, raw cotton (a minimum of 50 million pounds annually), and rubber. While the trade balance of South Korea is at present heavily unfavorable because of the wide variety of needed imports, development of South Korea's mining and agricultural production would provide the exportable surpluses needed to balance its trade. This potential could be developed by proper economic policies and careful planning.

ENCLOSURE A

DISSENT OF THE OFFICE OF NAVAL INTELLIGENCE

ONI dissents with ORE 44-48 because it believes that:

a. Survival of the Republic of (South) Korea is discussed almost wholly in terms of continued US aid and thus presents an optimistic view which is not warranted. The problem should be examined in the light of basic conditions without regard to future US aid policies. The probable effects of foreign aid could then be given supplementary consideration, bearing in mind the difficulty in attempting to predict the results of proposed aid, as an example of which the current Greek and Chinese situations can be cited.

b. The Republic of (South) Korea does *not* have good prospects for securing international recognition (see page 1, lines 9 to 11 and page 8, lines 21 to 23). In view of the recognition of the Democratic People's Republic of (North) Korea by the USSR and some of her satellites, the possible clash of two different Korean delegations before the UN General Assembly and probable Russian compromise proposals designed to confuse the UN, prospects for international recognition of the Republic of (South) Korea are very uncertain.

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