

SECTION 2

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Prospects for a Negotiated
Peace in China

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PROSPECTS FOR A NEGOTIATED PEACE IN CHINA

SUMMARY

The prospects for a negotiated peace in the near future between the Chinese National Government under its present leadership and the Chinese Communists appear remote. This does not preclude, however, an early cessation of hostilities in some of the presently active military theaters as a result of regional arrangements between opposing commanders.

War-weariness and defeatism are widespread throughout Nationalist China, and although these sentiments have not yet been crystallized into a strong political force, no Nationalist leader can afford to ignore them. So long as Chiang Kai-shek remains in office, however, compromise between the National Government and the Communists appears virtually impossible, Chiang being opposed to negotiations with the Communists and they with him.

Chiang's position is steadily deteriorating, and his Government is in such a precarious situation that its collapse or overthrow could occur at any time. His ultimate fall is apparently inevitable, but the prospects of any single leader succeeding to a position with power comparable to that which Chiang now holds are remote. Any successor to Chiang, in order to secure peace, would have to be willing to negotiate on the terms the Communists would demand, and would have to possess the leadership and military support to hold the central government together while promoting such a policy. At the present time, although Li Chi-shen has been attempting to ride into power on the strength of a professed determination to seek an accommodation with the Communists, no such leader has appeared. Assuming that Chiang will not be replaced by any effective successor, and assuming further deterioration of the National Government's position, the probability is that before any peace negotiations can be undertaken, the Government will split into regional factions which will be forced to capitulate separately to the Communists.

While the bulk of the people in Nationalist China feel that continued resistance against the Communists is hopeless and therefore pointless, to Chiang and his immediate followers, the fortunes of the Government may appear in a different light. It may be a matter of years before the Communists can achieve total military victory, and before that time comes, Chiang probably feels that he can count on the incentive of presently guaranteed US aid, possible increased aid that might come from a new US administration, and an "inevitable" US-Soviet war in which the US would become his active ally.

The Soviet Ambassador has already made some overtures concerning a peace settlement to certain National Government officials. Given an opportune moment, the USSR would undoubtedly extend its good offices and attempt to exploit the dual

Note: The information in this report is as of 12 July 1948.

The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report.

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advantages of a peacefully communized China, and the propaganda value accruing from apparent advocacy of world peace.

A negotiated peace would have real advantages for the Communists, but since they hold the military initiative and feel sure of final victory, they would probably insist on terms that would ensure their ultimate control of China.

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PROSPECTS FOR A NEGOTIATED PEACE IN CHINA

1. WAR-WEARINESS IN NATIONALIST CHINA.

Large numbers of people throughout Nationalist China blame the civil conflict for their present misfortunes. The internal struggle has already dashed the hope of peace and stability which the end of the war with Japan held out. The apparent hopelessness of ultimate victory for the Nationalists contributes heavily to the low morale of the common soldier, the civil servant, and the peasantry; and makes continued military operations against the Communists seem pointless. (See ORE 45-48.)

The bulk of the common people in Nationalist areas have become apathetic; their aspirations and hopes for a brighter future under either a Nationalist or Communist regime have been dissipated. The peasants are told that the Government is in favor of agrarian reform, but except in certain Communist areas little substantial reform has been carried out. The students and intellectual groups have been pauperized by the inflation, and this has intensified their bitterness, frustration, and despair. Some students, in the face of severe and arbitrary police measures, are championing the Communist cause in Nationalist universities. Even many businessmen of Nationalist China are resigned to the prospects of living under Communist domination if that is prerequisite to the restoration of peace. Inflation, the complex and discriminatory Government controls, and the feeling of uncertainty have brought much of China's private enterprise to a standstill. It is significant to note that many foreign businessmen, including Americans, are reported to favor peace now under the Chinese Communists rather than continued and inconclusive fighting. These groups would probably support any program holding out hope for their continued existence and economic betterment, and they would be indifferent as to whether such a program would be to the advantage of the National Government as a political entity.

This widespread feeling of war-weariness has also penetrated the ranks of Government civil and military officials, a number of whom are believed to favor an immediate settlement with the Communists. This desire, however, is and will continue to be largely ineffectual until it finds expression through a strong political organization with effective military support.

2. NATIONAL GOVERNMENT ATTITUDE TOWARD PEACE.

a. *Chiang Kai-shek's Opposition to Negotiations.*

Chiang Kai-shek and his closest personal adherents in the inner circle of powerful military and political figures are the key to the Nationalist position, and they remain adamant in their opposition to a compromise peace. The conservative CC Clique and the Whampoa Military Clique, in particular, so long as they see any hope in the continuation of the military struggle, will give the Generalissimo staunch support in his refusal to consider a political accommodation with the Communists.

The National Government under Chiang has reasons for holding out as long as possible. The US aid program alone is a strong inducement and there is further hope that a new administration may increase the program. Since it may well be years before the Communists can achieve total military victory, the National Government may be able to maintain itself as a significant political entity longer by continu-

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ing its present course than by engaging in peace negotiations with them. The long-range hopes of many Nationalist officials, furthermore, hinge upon their expectation of an inevitable war between the US and the USSR, in which the US would be an active war ally of the National Government in a struggle against international Communism.

In order that the National Government may continue to exist as now constituted it might withdraw to South China where its prospects for continued resistance, however, are not bright (see ORE 30-48).

b. Forces Working for Chiang's Removal.

Defeatism has to some extent penetrated those groups close to the Generalissimo, and, while this may not result in peace overtures to the Communists, it may provide tacit approval, in high circles, of such a move. Even certain high military figures feel that the Nationalist military position is almost hopeless.

There has not yet emerged any leader capable of directly challenging Chiang as head of the state but there are some who are working for his removal. Li Tsung-jen, the new Vice-President, is a potential threat to Chiang and reportedly hopes to induce him to accept a far-reaching reform program, failing which Li might try to force Chiang into the background and assume the presidential powers. Since his election in April, however, Li has had little opportunity to influence the political scene. In assessing the elements relating to Li which will influence the prospects for peace, it is important to note that he may be as unacceptable to the Communists as Chiang, inasmuch as their propaganda has recently classed him with the Generalissimo as an enemy of the Chinese people and a tool of US imperialism. In addition Li has publicly professed his opposition to peace talks with the Communists.

Li Chi-shen and his Kuomintang Revolutionary Committee in Hong Kong are openly attempting to displace Chiang, and plan to establish soon a new "provisional government", probably somewhere in Southwest China. In addition to the fact that he believes peace is necessary to a stable National Government, Li Chi-shen feels that the faction which brings peace to China will gain immense popular support. He has been cooperating with Communists in Hong Kong with the hope that such cooperation will place him in a key position for any future peace negotiations and the establishment of a coalition government. At the same time, however, he maintains that he is anti-Communist and that he intends to retain the upper hand over the Communists in such a government. Li Chi-shen is essentially an opportunist and will probably accept any offer from any source that would assist him in attaining a position of power. While Li may have considerable popular support, the extent of his organized political and military backing is probably small.

3. CHINESE COMMUNIST POSITION.

The Communists, since the collapse of negotiations in early 1947, have reiterated their refusal to deal with the Generalissimo and his followers. Any discussion of peace on the part of the Communists, therefore, presupposes the removal of Chiang. They continue to stress in their propaganda that they favor the establishment of a coalition government of all democratic elements, under firm Communist leadership.

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Despite their favorable military position, the object of the Chinese Communists, which is the control of all China, could probably be achieved sooner and more easily through peaceful channels than by continuance of the war. The Communists could demand that they be given legal status in the government of China, and such status would probably facilitate the extension of their control over all China. By taking over the remainder of the country before it is further disorganized or damaged by fighting, they would have fewer problems in creating a stable China.

4. SOVIET POSITION IN PEACE OVERTURES.

The USSR is the most likely external medium through which the two sides can be brought together because it is in the unique position of maintaining treaty relationships with the National Government while giving ideological, if not material support to the Chinese Communists.

Roshchin, Soviet Military Attache, gave added impetus to the movement toward a compromise peace by his unofficial overture to certain National Government officials several months ago. He was subsequently recalled to Moscow (in January 1948) and was appointed in late February 1948 as Soviet Ambassador to China. In mid-July Roshchin reopened the discussion when he approached another Nationalist official. This has added strength to the opinion that the USSR may offer a specific mediation proposal at a time judged propitious by Moscow.

A peace settlement mediated by the Soviets would be advantageous to them since it would present an opportunity to counteract US influence in Nationalist China. In addition, by shifting the Communist revolt from a military to a political sphere, the USSR could vitiate the influence of the present Chinese Communist leadership which the USSR may distrust. A Communist China would be an immense advantage to the USSR and would be important in spreading Soviet influence over the entire Far East. Even if Soviet efforts to bring about an end to the war were unsuccessful, the USSR would gain prestige, and the propaganda value of having attempted to bring peace to China. The USSR has already exploited and aggravated the current disunity in the National Government by bringing up the question of mediation.

5. NEGOTIATIONS FOR PEACE.

The 1945-46 peace negotiations between the Kuomintang and the Chinese Communist Party were broken off because of failure to reach agreement on (1) the reorganization and disposition of the armed forces, (2) local government and territorial control, (3) representation in a coalition government, and (4) problems relating to the calling of a National Assembly for the adoption of a Constitution. These questions would necessarily constitute the basis for any future negotiations.

Because the Communists are now in a position to resume the military offensive at any time, they can insist on much more extreme terms. These demands, which would undoubtedly include the removal of Chiang, would be in excess of the maximum concessions that the Nationalists would be prepared to make at this time.

In the event of Chiang's fall, there may be no single leader in Nationalist China, with the possible exception of Li Tsung-jen, with sufficient support to form an effective successor Government. If no qualified successor to Chiang should emerge, several

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more or less independent regional regimes would come into existence. The Communists could enter into separate negotiations with the leaders of these local regimes who would be forced to deal with them in order to preserve, if only temporarily, some vestige of their personal power.

If, upon the removal of Chiang, a leader or group should emerge with sufficient political and military backing to unite the diverse elements of the Kuomintang into an effective successor Government, negotiations for peace might follow. Such negotiations would be colored by the fact that the new National Government would probably be in an even weaker bargaining position than the present Government under Chiang. In the negotiations, the Communists might satisfy themselves initially with either a territorial settlement or a controlling position in a "coalition" government. Although the former type of settlement would afford the Communists legal recognition of the areas they now occupy and permit them to consolidate their administration and reconstruct these areas, it would by no means satisfy the ultimate aspirations of the Chinese Communist Party. A territorial settlement would, therefore, be honored by the Communists only so long as it was to their advantage.

The ultimate goal of the Communists would be better served through the inclusion of that Party within a "liberal front" coalition government. In such a government the Communists would obviously have a powerful, if not a dominating, voice. They could force through a new National Assembly a new or revised Constitution and a new election, all of which would aid them in seizing virtual control of China.

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