

PART I
SOUTH KOREA

: Secret

From: 121200/I Mar. 48
To : 191200/I Mar. 48

Headquarters, USAFIK
Seoul, Korea
19 March 1948

No. 131
Maps: KOREA 1/250,000
East ASIA, 1/1,000,000

A. ARMED FORCES

1. Strength (Secret)

Police:	No change
Constabulary:	No change
Coast Guard:	No change

2. Operational Activity (Confidential)

Border Incidents

Two incidents, both involving Soviet personnel, were reported during the period. Neither incident directly involved the armed Korean forces.

On 08 March three Soviet soldiers enticed three South Koreans across the parallel. The Koreans were questioned for three days by North Korean Constabularymen and released.

On 17 March one Soviet soldier was observed in each of the villages of OLABONG (953.9-1697.2) and NURKTONG (953.3-1695.6). It is not yet clear whether one or two Soviets were seen. It appears likely that a soldier unfamiliar with the neighborhood became lost.

One of the first tasks of the Highest Committee was to examine the qualifications of the 33-member "representative" group from which they were selected (W/S #130, B, b, 1).

All appointees were approved.

RHEE dispatched Professor PYONG Yong Tai, also of the 33-member group, and HWANG Hyun Sook to Dr. MENON, UNCOOK Chairman, for the purpose of formally informing him of the existence of the National Representatives Group, and that the group is ready to assist the UN Commission in solving election problems.

d. HANKOOKS And The Elections

Since the announcement of the resolution authorizing elections in South KOREA, speculation as to what individuals would occupy the more important posts in the future government has increased.

Such speculations have emanated largely from the moderates, who have announced that they would not participate in the South Korean elections which, they assert, will result in the permanent ideological and geographical division of KOREA.

It is conceded that the elections in South KOREA will be dominated by the right wing, since this major political division alone wields significant popular influence throughout the provinces. Rightist predominance in the elections is further assured by the absence of political competition in South KOREA. The communists are underground and can be expected to remain there during balloting time except to covertly or openly harass electoral processes. The moderates, even if they did decide to participate (W/S #130, B, 1, c), would make a poor showing in the elections because they are numerically weak, particularly outside SEOUL. Rightist organization is not well-knit, however, and there is danger that electees will not emerge with the pluralities typical of communist "elections" because, in many instances, there might be an excessive number of rightist candidates competing for a seat in the future assembly.

Moderate spokesmen contend that the decisions as to who should receive the richer morsels, i.e., top government posts, have already been reached. By Moderate prognostications, the HANKOOK DEMOCRATIC PARTY will control the cabinet in the future government, although RHEE Syng Man, who is not a HANKOOK, will become the titular executive. Posts in the government erected following the elections, the moderates speculate, will include the following persons:

(SOUTH) KOREAN GOVERNMENT

PRESIDENT.....	RHEE Syng Man
VICE-PRESIDENT.....	CHO Man Sik
PREMIER.....	KIM Sung Soo*
MINISTER OF THE INTERIOR.....	CHO Byung Ok*
MINISTER OF FINANCE.....	YOON Chi Yong*
MINISTER OF FOREIGN AFFAIRS.....	SHIN Ik Hi
MINISTER OF HEALTH.....	LEE Yong Sul (incumbent)
MINISTER OF DEFENSE.....	LEE Chong Chun
CHIEF OF STAFF.....	LEE Bum Suk
CHIEF OF POLICE.....	CHANG Taik Sang*

Others probably being considered for important posts include:

KIM Choon Yun*
PAIK Nam Hoon*
PAIK Kwan Soo*

KIM Yong Moo*
LEE Yoon Yong

* member of HANKOOK DEMOCRATIC PARTY

ANALYSIS:

RHEE Syng Man - Has greater popular appeal than any other candidate. It is not likely that as the acknowledged top vote-getter RHEE would consider, or be considered for, any post other than president.

CHO Man Sik - As vice-president he would probably occupy a relatively unimportant post. Still the spiritual leader of the CHOSUN DEMOCRATIC PARTY (see B, 1, d; (2)), his name may have some attraction to those rightists who will continue to look for signs that efforts to unify the country have not been abandoned by the rightists. CHO remains in house arrest in North KOREA.

KIM Sung Soo - Here is where HANKOOK controls begin. By patterning the cabinet system after that of the French government, the HANKOOKS may seek to dominate the future state by vesting real powers in the premier at the expense of the president and insert their wealthy chairman into the premiership.

CHO Byung Ok - As director of the Korean police CHO has effectively controlled the restless South Korean population at the same time -- willfully or not -- serving the rightist cause. An outspoken anti-Communist, CHO appears to be the logical person to head the ministry of the interior, which would include the police.

YOON Chi Yong - Formerly personal secretary to RHEE Syng Man, he is now a prominent HANKOOK and reportedly a close associate of police chiefs CHO and CHANG.

SHIN Ik Hi - With CHO So Ang, SHIN Ik Hi formed the Diplomatic Representative Association to support Dr. RHEE's mission to the U.S. in December 1946. Articulate, rotarian SHIN is RHEE's most effective spokesman in KILA.

LEE Yong Sul - Present director of the SKIG Department of Public Health and Welfare, he is one of KOREA's foremost surgeons. He is described as "pro-American." His professional qualifications more than political position appear to have decided this assignment.

LEE Chong Chun - Leader of the UNITED YOUNG MEN'S PARTY, an amalgamation of rightist youth groups, he has promised RHEE support in the coming elections. It is considered almost certain that RHEE will reward him with the top defense post (see W/S #130, par B,1,c).

LEE Bum Suk - Leader of the SKIG-sponsored KOREAN NATIONAL YOUTH CORPS, he is still considered by moderates as LEE Chong Chun's runner-up.

CHANG Taik Sang - Chief of SEOUL police, he is wealthy, aristocratic and privately contemptuous of most South Korean politicians, including his official superior, CHO Byung Ok. Rightist leadership, realizing this, may not permit this assignment. There is no stronger contender for the post at present, however.

e. Non-Communist Opposition

(1) Seven Leaders Announce Non-Participation:

KIM Koo, KIM Kyu Sik and five other Korean leaders publicly announced that they would not participate in the coming elections because

such elections, they asserted, will complicate rather than simplify the problem of unification. The seven leaders who made the announcement are:

Political Tendency

KIM Koo*	Rightist
KIM Kyu Sik*	Moderate
CHO So Ang*	Rightist
CHO Wan Kun*	Rightist
CHO Song Whan*	Rightist
KIM Chang Suk	Rightist
HONG Myong Hi	Moderate

* Member of the KOREAN PROVISIONAL GOVERNMENT

The announcement stated in effect:

Unification and independence are the greatest desires of the Korean people, and if the solution of the Korean problem were left to them (the people) they would proceed to establish a government based only on a unified status.

The key to the solution of the problem is not in Korean hands, however. Failure of agreement between the two great powers, the UNITED STATES and the SOVIET UNION, is the reason for the continued division of KOREA at the 38th parallel. In KOREA, as well as in other areas of the world, people are suffering as a consequence of Soviet-AMERICAN policies. But no other country is so tragically divided as is KOREA.

If separate governments are established in the north and in the south, the troops of both the UNITED STATES and the SOVIET UNION will remain to preserve law and order, thus rendering the 38th parallel as a permanent frontier between the northern and southern halves of the Korean peninsula. Probable concurrent economic aid in the form of dollars will result largely in the enrichment of a few and not the majority of the people.

The establishment of a government in South KOREA offers no hope for the unification of KOREA. The only solution lies in reaching an agreement between the UNITED STATES and the SOVIET UNION.

Our consciences will not permit us to aggravate our national tragedy. Therefore we will not participate in the election to be held in South KOREA.

COMMENT: This statement came on the heels of the announcement of the formation of RHEE's NATIONAL REPRESENTATIVES GROUP. Of these seven persons, all except the two moderates, KIM Kyu Sik and HONG Myong Hi, were reportedly proposed as members of RHEE's group. Their attitude toward the "representatives" group can be deduced from the above statement.

(2) CHOSUN DEMOCRATIC PARTY

The CHOSUN DEMOCRATIC PARTY, a right-wing party which claims to speak for 4,600,000 South Koreans who came originally from North KOREA, announced that it would not support the South Korean elections unless a special electoral district ensuring just representation for North Korean-born residents (20% of the population) is created.

Communications were dispatched to the UN Commission setting forth a justification for such a district. A letter to Dr. LUNA, PHILIPPINE Representative on UNTOCK, and signed by RHEE, KIM Sung Soo, OH Sel Chang, Lee Yoon Yong and two others stated that it is necessary that a special electoral district be established for those residents of South KOREA who migrated from the north. The persons to be affected by such a measure number "more than 4,600,000," and, by virtue of "their personality, influence and social standing actually constitute the backbone of the nation."

branches of the UNITED YOUNG MEN'S PARTY have announced continued loyalty to KIM Koo, others have indicated that RHEE Syng Man will receive their wholehearted backing, and an occasional group adheres to a now impossible straddling of both. Other reports indicate that KIP branches in at least two provinces will support the coming elections. These are indications that a number of provincial government officials belonging to the KIP and other non-communist opposition parties will support and participate in the elections, with a disregard for the exhortations of their SEOUL leaders, whose primary motivations have always been desire for personal power and whose opposition to the elections is due to their unwillingness to take part in a contest they probably could not win.

f. Communist Activity

Communist Activities in South KOREA During Week 121200-191200 March International Interest in South KOREA

An increase in South KOREA communist activity is indicated in intercepted directions to communists that the attention of the UNITED STATES must be diverted from EUROPE to the FAR EAST.

Documents entitled "International Situations" and "Fundamental Elements of Propaganda and Instigations", which were discovered during an investigation of SOUTH KOREA LABOR PARTY activities, indicate clearly — by their scope and language — how control and inspiration of communist activity throughout the world is centralized. Translations have been reproduced and widely distributed throughout the command.

Communist Anti-Election Stand Strengthened

In South KOREA it became more apparent this week that communist forces, following policy already established in EUROPE, would not only boycott the general election, but were effectively encouraging non-communist factions in an anti-election front. A divided UNTOOK policy lent support to the communist stand. Fence-sitters slid off to the left while the UN lost what the West calls "power and prestige" and the East calls "face." At the close of the week communists could point to two powerful right-wing parties, protestant church factions, all non-communist leftists, nearly all middle-roads and the solar system itself (the 09 May eclipse which comes on the date set for the election) as supporters of the anti-election stand. (See part I, section B, par 1/e/(2).)

Anti-Election Support From The Outside

MOSCOW indicated an increased concern over the approaching election in South KOREA as extensive press and radio anti-election comment poured from the red capitol in support of South Korean communists. Communist propaganda from MOSCOW made maximum use of quoted material from the South Korean communist press as STALIN's "democratic line" renewed efforts to undermine UNTOOK preparatory to a planned "unification" of North and South KOREA under Soviet domination.

Radio PYONGYANG continued support for the South Korean communist cause with lengthy programs and announcements of mass protest meetings against separate elections. Advertising-like plugs inserted between broadcasts went: "Dear countrymen! The Americans are planning to create a separate government in South KOREA. They are trying to enslave the Koreans again. Let us do our best to smash their atrocious scheme designed to divide our fatherland."

North Korean monetary support for South Korean communists was initially admitted by NK officials over Radio PYONGYANG last week. "... contributions sent to the North Korean PEOPLE'S COMMITTEE...from all parts of North KOREA...are the demonstrations...of blood-boiling brotherly sympathy of the people of North KOREA to the people of South KOREA..." announced the communist spokesman. (See Part II (North KOREA), Item D, par 3.)

g. Korean Interim Legislative Assembly

KILA, during its 18 March session, "dismissed and expelled" 19 members and accepted the resignations of 11 others in taking action upon the 30 resignations submitted within the past three weeks.

The 17 dismissed members, who opposed petitioning UNTOOK for separate elections (see W/S #128), included: SIN Sook; KANG Soon; HAW Kyoo; LYUH Woon Hong; CHAWNG I Hyang; CHANG Cha Yil; KIM Don; WON Sei Hoon; TAK Tchang Hyawk; O Ha Yawng; KIM Chi Kan; KIM Noong Choon; PAK Kun Woong; SIN Ki Am; Moon Moo Sool; LEE Kwan Koo; and SIN I Kyawng. The four who opposed elections and whose resignations were accepted included: OH Woo Yong; WHANG Chin Nam; KIM Hak Bai and CHAWNG Chin Koo.

Two members, CHAWNG Kwang Who and KIM Yak Soo who submitted resignations for personal reasons were dismissed, while resignations of the remaining seven were accepted. Those members included: KO Tchang Il; KIM Wern Bong; HAW Kan Yong; LEE Kab Sawng; PAK Yong Hi; YOON Sawk Koo and NA Kyung Duk.

COMMENT: No great political significance is attached to this, an apparent attempt by KILA to maintain prestige, an obvious rightist slap at the moderates.

2. Civil Unrest (Confidential)

At least 12 were killed and 18 injured in riots during the period. Incidents took place in both KYONGSANGS, CHUNGCHONG NAMDO, KANGWON DO, CHOLLA NAMDO and SEOUL.

Minor disturbances occurred in KANGWON DO.

On 11-12 March rioters struck in KYONGSANG NAMDO, killing one policeman and injuring four others. Three rioters were killed in attacking police boxes, severing telephone lines and holding demonstrations.

On 13-14 March the communists struck at CHOLLA NAMDO, attacking police and rightists. One member of the UNITED YOUNG MEN'S PARTY was killed and three injured. Two policemen were injured to one rioter killed.

CHUNGCHONG NAMDO authorities were hit on 15 March between the hours of 0200 and 0440. At least 14 police stations or boxes were attacked. One policeman was killed and four injured in this province. One communist was wounded and six arrested.

On 19 March rioters struck in KYONGSANG PUKTO, making five attacks on police sub-stations in that province. Two rioters were killed, one policeman was injured and three civilians who came to the aid of police were also injured. Two of the communists were killed.

COMMENT: The attacks of this week are a further delineation of the pattern earlier established; that is, they were provincial or less in scope, were conducted by small groups operating by stealth in the early hours of the morning, and were marked by increased use of firearms and grenades. The range of attacks has been: CHOLLA PUKTO 25 - 28 February; CHOLLA NAMDO 01 - 02 March; KYONGSANG NAMDO 08-10 March; CHUNGCHON NAMDO 15 March; KYONGSANG PUKTO 19 March.

Unquestionably there is more training evident in these tactics than in the mob-scene demonstrations in February.

C. WAR POTENTIAL1. Economic

The following information was extracted from a report on the South Korean economic situation by the Economic Advisor to the Commanding General: (Radio ZPCW 315, dated 18 March 1948)

a. General

There is now less of the uncertainty and pessimism which characterized outlook of the Korean business, finance and industrial circles toward the end of 1947. This change in outlook, which probably prompted more by political and psychological than economic factors, is partly seasonal.

The event of Spring in a country as short of fuel as South KOREA is welcomed by all. Other factors responsible include the United Nations decision to set up a new Korean government, press reports from WASHINGTON concerning possibility of an economic rehabilitation program for South KOREA, success of the rice collection program, increased availability of electric power, and a trend toward closer balance between government revenues and expenditures. Bank deposits in eight major banks increased almost four million won in January (as compared to an increase of a total of about 10 billion in all of 1947) and totalled about 24.3 billion won on 31 January. Bank loans, which increased 21.8 billion won during 1947, declined about 1.3 billion won in January and totalled about 3.6 billion won on 31 January. During February and March the trend of deposits has continued upward, while total bank loans have declined, but detailed statistics not yet available.

Bank of Chosun currency issue continue to decline, and on 09 March was 30.3 billion won, about 3.3 billion below the peak reached in early January 1948. In 1947 currency declined slightly over one billion won from January until April, when it resumed its upward trend, passing the 1947 January peak in July. An important factor in the sharper 1947 decline of currency issue is the fact that SKIG revenues almost equalled expenditures during the first ten weeks of 1948. The SKIG overdraft at the Bank of Chosun, which represents the deficit for government operations, rose steadily from September 1945 until January 1948 when it totalled 21.6 billion won. However the overdraft, which increased over 10 billion won in 1947, has declined in recent weeks, and on 10 March was only 100 million won higher than on 01 January, 1948. Prices continue generally steady, with the over-all price level declining slightly during the first ten days of March.

Government Finance -- Government revenues for January and February averaged over 1.4 billion won monthly, a new all time peak, despite the fact that the slash in rail passenger service resulted in a decline of almost 50 per cent below the income level attained by railroads during the latter part of 1947. Railroads contributed 28 per cent of the government income for the first nine months of the current fiscal year. The increased revenue stems from mounting income from the Monopoly Bureau, largely as a result of the increase in tobacco prices in December 1947, and from tax collections which reached an all-time high of over one half billion won in February. Increased tax revenue in February was partly due to heavy payment of annual income and land taxes during the month and partly because of steady increases in tax revenues from almost all sources. Earlier estimates of the deficit for the current fiscal year of almost eight billion won "with expenditures of 22 billion won compared to income of 14 billion" may prove to be over pessimistic, with the final report showing a deficit closer to six than eight billion won. Earlier efforts to present a balanced budget for the fiscal year beginning 01 April, 1948 appear likely to fall short of their objective. It appears likely that the budget of the next fiscal year, which includes present

planned increases for internal security forces, will total about 29 billion won, while conservative estimates indicate that revenues "based on present government program" probably will not exceed 22 billion. This estimated revenue includes 10 billion won from the Monopoly Bureau, 5.5 billion from Transportation, and the remainder from taxes and miscellaneous government agencies. Plans for reduction of government personnel by about 30 per cent are being slowly put into effect, but the resulting savings will be more than offset by long-overdue wage increases for government workers.

Foreign Trade - South KOREA's foreign trade is undergoing slow but steady expansion but the total value of exports is still negligible compared to imports from all sources, including civilian supply. Foreign commercial companies now provide regular freight service in and out of South KOREA. The first ship chartered by a private Korean trader for a round trip to HONGKONG plans to depart late this month with a cargo of marine and mineral products for barter in HONGKONG. South KOREA's private trade in 1947, not including government transactions, civilian supply or military surplus shipments, was valued at 3.2 billion won, including 2.1 billion won in imports and 1.1 billion in exports. Private trade in 1946 totaled 678 million won, imports being 428 and exports 250. This disparity between won value of exports and imports is due in part to the fact that most transactions involve barter of imported goods in short supply in KOREA for other products generally surplus to Korean urgent needs. Illustrating the growth of private trade during 1947, about 75 per cent of the total was transacted during the last half of the year. About 60 per cent of 1947 private trade imports came from ASIA, mainly CHINA and HONGKONG, 22 per cent from EUROPE via HONGKONG, 25 per cent to CHINA, 13 per cent from the UNITED STATES, and five percent from other areas. About 40 per cent of private exports went to HONGKONG, 25 per cent to CHINA and 30 per cent to EUROPE via HONGKONG, and five per cent to the UNITED STATES. The breakdown of private exports in 1947 was about 40 per cent marine products, 40 per cent manufactured goods and 20 per cent mineral. Private imports were about 80 per cent semi and finished manufactured products, including foodstuffs, and 20 per cent raw materials. Exports from South KOREA on a government to government basis during 1947 have been valued at about 5.5 million UNITED STATES dollars, of which about 47 per cent was to the UNITED STATES, 45 per cent to JAPAN, and the remainder to HONGKONG.

The bulk of government exports in 1947 were minerals and marine products. Government exports to JAPAN during January and February 1948 are valued at about 3.1 million UNITED STATES dollars, with the increased derived chiefly from heavy seasonal shipments of laver. Imports financed directly or indirectly by American funds in 1947 have been recently estimated by the National Economic Board to total about 107 million UNITED STATES Dollars including about 70 million from the Zone of the Interior, 21 from JAPAN, and 16 from military surpluses. Civilian supply imports were mainly cereals, fertilizer and coal.

Food and Rationing - Despite the fact that both indigenous grain collections and cereal imports are expected to be available for rationing approximately as anticipated, at least a temporary reduction of staple cereals rations from 2.5 hop (375 grams and 1312 calories) to 2.2 or two hops per person per day in South KOREA this Spring is being put into effect. Factors responsible for this situation include greater than anticipated expansion of ration rolls, which provincial reports indicate now include about 9.5 million non-self-suppliers, and temporary rationing to an additional partial self-suppliers (cultivators of small farms whose cereal supply is reported exhausted). The National Food Administration has decided to try to meet this situation by reducing individual rations rather than by using available stocks of rice at an accelerated rate. At the same time vigorous efforts are being made to eliminate the "ghost" population which is believed to have crept into ration rolls during the past year. Ordinance 168, issued 21 February, 1948, provided severe penalties, including heavy fines and imprisonment, for misuse of ration privileges and provides for quarterly check of ration rolls by local government officials, who are also made to share the responsibility for any irregularities within their respective districts. Since the City of SEOUL switched from family to individual

ration cards in April 1947, the number of ration cards has increased from about 1,400,000 to over 1,700,000, which increase is believed to be substantially in excess of the actual population increase. Therefore, the City of SEOUL is returning to the use of family ration books this month, and is requiring individual households to provide proof of existence of each member of the household listed upon their family cards. Rice and other cereals are available in limited quantities on the black market, but prices are high (Rice, 45 won per pound) and the reduction of the cereal ration will materially increase the cost of living of already hard pressed manual and white collar workers and their families.

Industrial Production - The largest paper mill in South KOREA, the HOKUSEN Mill in KUNSAN, has been closed since April, 1947 because of a lack of sulphite pulp. However, several hundred tons of pulp was secured in various trade deals with North KOREA last Fall; and the management of the KUNSAN mill was supplied necessary pulp and electric power in February, and told to produce paper for use in the coming elections. About 295 tons were produced in 22 days of operation in February and on four separate days the mill surpassed reported maximum daily production record of the same mill under Japanese management. Although this mill will probably be closed again within a few weeks because of the exhaustion of the pulp supply, this incident does illustrate how continued shortages of raw materials, power, and fuel severely hamper realization of South KOREA's industrial production potential.

b. Electric Power

The acute power shortage of the winter months has eased somewhat. The Navy's electric power boat, JACONA, is now in operation in PUSAN; the YOUNGWOL steam thermal plant is now operating at a post-war high of 20,000 KW; and the CHUNG PYUNG hydroelectric plant has lifted its output to 18,000 KW as a result of increased water availability. An additional 20,000 KW will become available by June, when a second generator at CHUNG PYUNG resumes operation.

The chart presented herewith depicts the total power utilized in South KOREA since January 1946.

c. Rice Prices

Unit: 1 mal (2.38 gals., polished rice)
Official Price 140 Won

<u>AREA</u>	<u>PRICE (Won)</u>			
	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>19 Mar.</u>
<u>SEOUL</u>	750	743	746	700
<u>KANGWON DO</u>	632	791	860	
<u>CHUNGCHONG PUKTO</u>	600	586	*	
<u>CHONGCHONG NAMDO</u>	650	630	662	
<u>KYONGSANG PUKTO</u>	534	541	550	
<u>KYONGSANG NAMDO</u>	575	650	707	
<u>CHOLLA PUKTO</u>	634	608	608	
<u>CHOLLA NAMDO</u>	575	558	575	
<u>CHEJU DO</u>	729	733	680	
<u>AVERAGE</u>	631	648	676	

Source - National Price Administration