

SECRET

# Australia Station Intelligence Summary



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S E C T I O N I.

R.A.N. MONTHLY NOTES - EXTRACTS FROM REPORTS OF  
PROCEEDINGS ETC.

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REVIEW OF PRINCIPAL NAVAL ACTIVITIES.

H.M.A.S. AUSTRALIA.

After completing her midwinter refit AUSTRALIA sailed from Sydney on 30th July for Moreton Bay and the Barrier Reef. She is due to return to Sydney on 19th August.

H.M.A.S. SYDNEY.

During July SYDNEY visited Baltimore (U.S.A.), Kingston (Jamaica), Colon, passed through the Panama Canal, and spent 3 days at Pearl Harbour. On 29th July she sailed for Auckland, where she arrived on 10th August to disembark the New Zealand Coronation Contingent. She is due at Sydney on 14th August.

H.M.A. Ships VENGEANCE and BATAAN.

VENGEANCE spent July carrying out exercises at Hervey Bay in company with BATAAN.

H.M.A.S. ANZAC.

ANZAC is at Williamstown Naval Dockyard undergoing a refit after her Korean service.

H.M.A.S. TOBRUK.

During July TOBRUK carried out the second Korean patrol of her present tour of duty, off the East coast. This was a purely routine patrol and proved uneventful.

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H.M.A.S. ARUNTA.

ARUNTA continued her leave and refit period at Sydney during July.

FIRST FRIGATE SQUADRON.

QUADRANT commissioned at Williamstown Naval Dockyard on 16th July under the command of Captain S.H. Beattie, V.C., R.N. Her commissioning had been postponed from 1st July due to delays in her acceptance trials. She sailed for Sydney on 26th July and arrived there on 28th July. She is at present working up.

SHOALHAVEN, HAWKESBURY and MURCHISON continue their leave and refit periods in Sydney.

After a visit to Hong Kong during the first week in July, CULGOA returned to the West Coast of Korea.

CONDAMINE arrived at Melbourne from Sydney on 8th July and proceeded on a training cruise to Bass Strait and Tasmania, visiting Burnie, King Island, and Three Hummock Island. She returned to Sydney on 3rd August.

MACQUARIE visited many outlying islands in the Arafura Sea during July, including Browse Island and Scott, Ashmore and Cartier Reefs. She is at present on a cruise to the Northern Territory East Coast Mission Stations.

FOURTH SUBMARINE SQUADRON.

During July TELEMACHUS and TACTICIAN carried out A/S training off Sydney. On 8th August TACTICIAN sailed for New Zealand for a 2-months' training cruise which will include exercises with ships of the Royal New Zealand Navy.

TRAINING SHIPS.

GLADSTONE and JUNEE remained at Melbourne during the month for leave and refit.

MILDURA sailed from Fremantle for Melbourne on 15th July, arriving on the 27th. She is now at Williamstown Naval Dockyard preparing to pay off into reserve.

WAGGA and COOTAMUNDRA carried out training off Sydney during July. COOTAMUNDRA is at present giving leave during her refit period.

SURVEY SHIPS.

WARREGO will complete her mid-winter refit in mid-August, when she will sail for Gladstone.

BARCOO sailed from Sydney on 29th June for Exmouth Gulf via Gladstone and Darwin. The detailed survey she is to make at Exmouth Gulf is to enable merchant ships to call and unload oil-boring equipment for oil exploration by Ampol-Caltex Ltd.

On completion, a survey of Norwegian Bay is to be made, and various shoal patches, including one at the Monte Bellos, are to be investigated before BARCOO's return to Sydney.

Appointments.

Acting-Captain C. H. Brooks, O.B.E., R.A.N., has been appointed to H.M.A.S. PENGUIN in command, to date 14/12/53.

Commander J. K. Walton, R.A.N., has been appointed Chief Staff Officer to F.O.I.C., E.A., vice Brooks, to date 30/11/53.

Commander W. S. Bracegirdle, D.S.C.\*\* R.A.N. has been appointed from BATAAN in command to Navy Office as Director of Training and Staff Requirements, to date 28/12/53.

Commander R. W. Briggs, R.N., has been appointed to Navy Office as Director of Naval Communications, to date October, 1953.

Commander G. L. Fowle, D.S.C., R.A.N., has been appointed to BATAAN in command, to date 7/12/53.

Commander I. K. Purvis, R.A.N., has been appointed to Navy Office as Director of Manning, vice Fowle, to date 9/11/53.

Commander D.C. Wells, R.A.N., has been appointed to QUEENBOROUGH in command on commissioning.

Commander (E) J. F. Bell, R.A.N., has been appointed to Navy Office as Director of Naval Construction, to date 15/9/53.

Commander E. J. D. Turner, D.S.O., D.S.C., R.N., assumed command of the 4th Submarine Squadron on 25th July.

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EXTRACTS FROM OR SUMMARIES OF REPORTS OF PROCEEDINGS.

June on the West Coast.

During June ANZAC and CULGOA continued to serve with Task Units on the West Korean coast.

Early in the month, in co-operation with U.S. officers, CULGOA made an attempt to verify the population totals on the islands in the Haeju Gulf. The troglodytic housing conditions of the Koreans made this a difficult job, however, and it was suggested that a sheep race on the Australian

pattern with a dip attached would facilitate the census!

In the last issue of A.S.I.S. mention was made of the activities of the South Korean fishing fleet on the West Coast and their hampering of U.N. warship operations. CULGOA reported that they had practically all dispersed by the end of June. At their peak of 700 vessels they formed a considerable navigational hazard.

ANZAC left the Korean theatre on 13th June for Australia and CULGOA commenced her second June patrol at a time when events were taking an interesting turn. In anticipation of the signing of a truce, the F.O. 2-i-C. F.E.S. had arrived in H.M.S. TYNE to take personal command of the units on the West Coast and of the evacuation of the islands. All available ships from Japan were proceeding to the scene as there were 600 U.S. personnel, 1500 R.O.K. Marines, 14,450 R.O.K. Partisan troops, 11,000 inhabitants, 24,000 refugees and 500 tons of equipment to be evacuated from thirteen small islands to Paengyong Do and Yongpyong Do.

After this stage, another lift, including the additional personnel and equipment from these two main islands, was to be repeated to ports in South Korea - no mean task, and one to test the ingenuity and patience of all.

CULGOA took over the routine and unspectacular task of protecting the islands of Taeyonpyong Do and Yongmae Do from invasion. Most of the outlying islands had been evacuated by this time and the R.O.K. Army patrols remaining were not large enough to repel any sizeable invasion. Such an invasion did take place on Yongmae Do on the 22nd June by a battalion of C.C.F. troops, who were bombarded with 37 rounds by CULGOA.

On 21st June CULGOA's medical officer commenced a three-days' task amongst the refugees on Taeyonpyong Do of inoculating against typhus, dusting with D.D.T. and issuing certificates. Over 5,000 Koreans were treated.

U.S.S. LENAWEE, a transport, arrived at this island on the 22nd June to begin the evacuation of refugees, but about this time suspicions were expressed that co-operation from the Koreans might not be forthcoming. These fears were justified when next day only 692 of the 7,000 due for evacuation boarded LENAWEE. Later events strengthened the suspicion that the attempts to carry out a humane and necessary evacuation were being defeated by "go-slow" orders, presumably from Seoul.

#### ANZAC's Return from Korea.

On her arrival in Sydney on 3rd July ANZAC had been away for 305 days. Of these 208 were at sea, while 140 were on patrol in the combat area. She had steamed 57,865 miles. Not once during the time ANZAC was away was her programme changed due to defects or breakdowns - a fact which reflects greatly to the credit of the Engineerroom and Maintenance Departments. This reliability enabled the ship to top the list of all Commonwealth ships in Korea in the number of days actually on patrol.

#### H.M.A.S. SYDNEY.

##### Atlantic Crossing.

SYDNEY, with the Australian and the majority of the New Zealand Coronation Contingents embarked, sailed from Portsmouth on 17th June for Halifax, in company with the Canadian Coronation Squadron - H.M.C. Ships QUEBEC, MAGNIFICENT, SIOUX, SWANSEA and LA HULLOISE - under the command of Rear-Admiral R.E.S. Bidwell, C.B.E., C.D., flying his flag in QUEBEC.



Gales, high seas, rain and mist accompanied the group most of the way across the Atlantic, and exercises which had been planned had to be cancelled. It would seem that the Coronation Contingents gained the impression, by experience, that the Atlantic was indeed a "Cruel Sea."

However, the four-day stay in Halifax proved to be a very warm and hospitable one, thoroughly enjoyed by all, and one which helped immensely to strengthen the bonds between the Canadian and Australian Navies.

SYDNEY sailed from Halifax on 29th June and proceeded to Baltimore. On the same day a squadron of six Fireflies, with the Executive Officer of SYDNEY embarked flew off the carrier for a two-day good will visit to New York. The aircraft, after flying over the city, landed on the Floyd Bennett Air Station, where the squadron was quartered during its stay. The squadron returned to SYDNEY the day before the ship arrived at Baltimore.

The three day visit to Baltimore aroused much interest amongst the local population and hospitality was freely extended. Officers and men from SYDNEY and the ANZAC Contingent marched in two separate Fourth of July Independence Day parades and were loudly cheered when they were awarded a gold-plated statuette for being the best military unit in the parade at Towson, a suburb of Baltimore.

SYDNEY sailed for Kingston, Jamaica, on 5th July, and on passage the 5,000th catapult launch take-off of an aircraft was made since her commissioning in December, 1948. Almost 10,000 deck landings have been made during this period.

Panama Crossing.

With only inches to spare on either side of the various locks, SYDNEY passed through the Panama Canal on 13th July and re-entered the Pacific after an absence of nearly four months. Two feet of steel from some of the gun sponsons on both sides of the carrier were removed on her way from Kingston, Jamaica, so that she could make a clearance.

Her passage, which took 11 hours, created much interest along the Canal Zone and large numbers of Europeans, principally officials and their families, and Panamanians waited at the Gatun, Miguel and Miraflores locks to greet her.

The skilful operation of the locks, through which ships are drawn by electric tractors, and the engineering ingenuity revealed in the planning and construction of the Canal were a source of wonder to the Ship's company and members of the Anzac Contingent.

Many photographs were taken of the beautiful islands of the widespread Lake Gatun, and the richly varied colours of the mountainous jungle scenery lining the canal made many wish they had colour film.

During the time SYDNEY travelled from Lake Gatun to Balboa at the Pacific end of the canal she was lowered by stages for a total of 85 feet.

Shortly after SYDNEY had re-entered the Pacific, six of her Fireflies from 817 Squadron, which had been catapulted off on Friday to fly to the U.S. Base near the colourful city of Colon, landed on her deck again.

SYDNEY had spent the day before the canal crossing at Cristobal which adjoins Colon. The ship's

company and officers and men of the contingent were entertained ashore by members of the U.S. Armed forces and taken on sightseeing tours, during which many souvenirs were bought.

#### VISIT TO PEARL HARBOUR.

SYDNEY arrived at Pearl Harbour from Colon on 26th July and was given a most rousing welcome.

United States naval bands in white tropical uniforms and Hawaiian singers in vivid shirts and hibiscus-decked hair, took part in a greeting from the wharf at which the carrier berthed, while naval officers, ratings and civilians watched the proceedings.

As soon as SYDNEY had secured, an American naval rating stepped forward to a microphone and welcomed her, expressing the hope that all those on board would spend a happy time ashore during the visit. He then introduced the singers and dancers, who were loudly cheered from the deck and sponsors of the carrier after each item. After this programme was finished SYDNEY's band played on the flight deck.

In the afternoon the famous Waikiki beach and other places of interest were crowded with Australians and New Zealanders. The next three days were a round of bus tours, parties, dances and sporting events for the ship's company and Contingent.

They were shown the warmest hospitality and were generously entertained by residents of Pearl Harbour and Honolulu. They were taken on tours round the island of Oahu on which Pearl Harbour and Honolulu are situated, and were initiated into the arts of outrigger canoeing and surf riding on Waikiki beach beneath the no less famous Diamond Head.

On 31st July, as SYDNEY was about to sail, a large crowd assembled on the wharf to wave her goodbye, and a U.S. naval band played farewell songs.

SYDNEY's band, stationed on the flight deck, replied by playing "Waltzing Matilda", "The Girl I Left Behind Me", and other tunes.

As SYDNEY proceeded down the channel she saluted the wreckage of the U.S. Battleship ARIZONA, one of the eighteen ships sunk or damaged in the Japanese raids on December 7th, 1941. ARIZONA was sunk with the loss of 1,102 officers and men and portion of her structure is still visible above the water. It bears a plaque commemorating the loss.

Further along the channel the ship's company, dressed in whites, formed the word "Aloha" on the flight deck, while members of the Contingent formed outlines of a Kangaroo and a Kiwi fore and aft respectively.

A U.S. helicopter escorted SYDNEY out to sea and gave a spectacular display of flying. It also photographed members of the ship's company and Contingent throwing leis, which had been presented to them, out to sea. According to Hawaiian legend, if a lei drifts ashore the person who dropped it overboard will return to the islands,

### Spots for Picnics.

H.M.A. ships based on Melbourne and Westernport for Reserve and National Service training make periodical visits to Tasmania and sometimes to islands in Bass Strait. These visits are enjoyed by the ships and the local populace alike. The small communities are very hospitable and make up for their lack of numbers by their enthusiasm to entertain.

Beauty Point, on the Tamar River in North Tasmania, illustrates this point. It has proved to be an ideal place for a week-end recreational visit for a frigate or minesweeper with its small population, cricket, football grounds and tennis courts.

Furthermore the large expanse of sheltered water there affords excellent conditions for sailing.

One of the picturesque islands in Bass Strait where H.M.A. training ships occasionally call is Hummock Island, the western-most of the Flinders Group off the north east point of Tasmania.

Hummock Island, the place for a very quiet summer holiday, is  $5\frac{1}{2}$  miles long and  $\frac{3}{4}$  mile wide, and has the advantage of a very secure anchorage. The island is well grassed and is divided into two cattle holdings of about 150 head each by a stout fence across the middle. It is not permanently inhabited; the owners of the cattle stay at a small cottage abreast of the anchorage at mustering time.

The island is a naturalist's and sportsman's paradise; wallabies, hawks, crows, fairy penguins, pelicans and smaller birds abound. Fishing in the anchorage is very good, the local fish called "Parrot fish" making good eating.

Another delightful island, Three Hummock Island, off the north-west tip of Tasmania, is also a stopping place for training ships. The island, so-called because of three hills rising from a coastal ridge, is much larger than Hummock Island. It also has a good anchorage and a small jetty. An R.A.N. coastwatcher, Commander Alliston R.N.(Retired) runs a considerable number of cattle and sheep on the island. He has been very hospitable to ships visiting Three Hummock, and to repay his generosity, SHOALHAVEN's Chaplain, during a visit in May, carried out a Baptism ceremony for Commander Alliston's youngest child.

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S E C T I O N II.EXTERNAL INTELLIGENCE.KOREA.

An agreement for a truce in Korea has been signed after a period of negotiation extending over two years. The fighting has stopped but the war is not yet ended. There are still difficulties in the way of a final peaceful solution to the Korean problem. Not the least of these is the attitude of the President of the Republic of Korea, Dr. Syngman Rhee, who, while he has promised not to violate the truce, is strongly opposed to its terms and has stated that South Korea will not be satisfied with anything less than the unification of Korea.

A Political Conference is to follow within 90 days of the cease-fire and this conference is limited to 90 days. It is not yet known whether this Conference will be confined to the Korean problem or whether its scope will be broadened to include other Far Eastern issues such as the status of Communist China.

Past experience of negotiations with the Communists inspires little confidence that the outstanding issues on Korea alone can be handled and agreement attained within the 90 days allowed for negotiations. If, as appears likely at present, the conference is broadened to include other Far Eastern problems the prospect of attaining agreement within the time limit is very poor indeed.

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CHINA.

The Chinese Communist domestic scene seems to be calm at present. Work on agrarian reform continues

and the current industrialization programme is being developed. Current events in Korea provide the Chinese Communist Government with a wealth of propaganda opportunities, which, no doubt, will be made the best possible use of internally.

China's attitude towards the United States does not appear to have undergone any change for the better but her attitude towards the United Kingdom has shown an appreciable improvement during recent months. Sir Lionel Lamb, who was until recently British Representative in Peking, reports a considerable speeding-up of the handling and granting of entry permits for staff members. Also, a large number of officials of the Chinese Ministry of Foreign Affairs attended the reception given in honour of the Coronation. Chou En-Lai sent a message of greeting to Sir Winston Churchill on that occasion, which, while not very warm, was at least in accord with proper procedure.

Sir Lionel added that he had been treated with every courtesy on his departure from China. He commented that despite this more favourable trend in Sino-British relations, there was as yet no indication that the Chinese were willing to exchange diplomatic representatives.

#### Nationalist-held Islands off the Chekiang Coast.

It is possible that the Chinese Communists might make a determined effort to gain control of Nationalist-held islands off the Chekiang coast in the near future. Recent reports of the regular movement of motorised junks between Shanghai and Wenchow carrying troops and probably supplies - this appears to be a well organised operation not simply routine movements - tend to support this view. Also groups of up to 30 motorised troops-carrying junks sighted at several points in the vicinity of Foochow, between December, 1952, and February, 1953, may be connected with recent activity.

Cruiser "CHUNGKING".

It has been accepted from various reports that a fair sized Naval vessel has been refitted in Dairen. These reports have led to rumours that the Cruiser CHUNGKING (Ex H.M.S. AURORA), which was sunk by Chinese Nationalist bombing at Hulutao in 1949 after she had defected to the Communists, has been raised and refitted.

On the other hand, the vessel may possibly have been a Japanese HARUTSUKI class.

Closure of Burma Road.

A report states that the Burma road west of Kumming has been closed by severe landslides. This part of the road is particularly vulnerable to landslides during the period July to September.

Should this report be true it is possible that the Chinese Communists will experience some difficulty in maintaining their garrisons along the Yunnan/Burma frontier in the vicinity of the Burma Road.

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FORMOSA.Incidents Involving British Ships.

Several incidents in which Chinese Nationalist vessels have attacked British merchant ships have occurred in the Formosa Straits in the last few weeks, including five between 25th and 28th July. While most vessels have been released or have escaped, (in one instance with the assistance of H.M.S. UNICORN), S.S. "ADMIRAL HARDY" is believed to have been taken to White Dog Island, where she is being relieved of her cargo of 3,000 tons of timber by Nationalist guerrillas.

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While these attacks do not indicate a definite change in the policy of the Chinese Nationalists, it is of interest that such interference with lawful voyaging should have increased just before the Korean cease-fire agreement with its attendant speculations on U.N. recognition of Communist China, was signed.

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JAPAN.

Intelligence Organisation.

The Japanese Government has been making very thorough interrogations of Japanese fishermen and repatriates returning from China, and it is believed that these interrogations are being carried out by an embryo Intelligence Organisation. This is borne out by a report that one (Captain) Kuzuma Kuratomi has claimed that he is Head of the Investigation Section, Second Staff Office of the Japanese National Safety Agency (Navy) and has been charged with the duty of setting up an Intelligence Organisation.

This Officer has been enquiring about the organisation of British Naval Intelligence and has stated that it is intended to detail Staff Officers (Intelligence) to the existing Frigate and L.C.S.L. Squadrons of the Coastal Safety Force.

Naval Air Arm for Coastal Safety Force.

Progress is being made toward the establishment of a Naval Air Arm for the Coast Safety Force (Navy). A nucleus of Flying Instructors is being trained at the National Safety Force (Army) Flying School at Hamamatsu ready for training future pilots. Helicopter pilots and technicians are being provided by the Civil Aeronautics Agency.

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Coastal Safety Force Exercises.

The 1st Frigate Squadron of the Coastal Safety Force under the command of Senior Officer 1st Class (Rear Admiral) Eizo Yoshida is carrying out its first sizeable manoeuvres since its formation in August 1952. The purpose of these exercises is to provide experience in tactical manoeuvring, utilization of strange bases and to assess the adequacy or otherwise of the facilities at the various places visited.

Observers of the arrival at Kure of the Squadron which consisted of 5 ex-U.S. Frigates were impressed by the smartness of the ships and the efficient handling of them.

The present strength of the C.S.F is 10 Frigates (Tecoma Class) and 25 L.S.S.L's.

Measures to Assist Shipbuilding.

The Japanese Transportation Ministry has stated that if, as the result of changes in the international situation, freight business arising out of the Korean war diminished considerably, the development of normal trade would become more important and it would be necessary to reduce shipping costs.

Shipbuilding costs might be involved in the reduction and while the building target of 300,000 tons a year would be maintained it might be necessary to consider a subsidy on steel.

Repair and Building of Soviet Vessels in Japanese Shipyards.

The Hitachi Shipbuilding Company is making preparations for the repairing and building of ships for the Russians in exchange for coal. The Company will start by repairing two 4,000-ton freighters and will build three tuna fishing boats at the Mukojima Dockyard in exchange for 100,000 tons of Sakhalin coal. The first of these Russian vessels arrived in Kobe on 3rd June to undergo repairs.

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INDO-CHINA.Internal Situation.

The situation in Indo-China has been influenced by three factors during recent weeks - the drive and initiative of General Navarre, the demands by the King of Cambodia for independence and the signing of an Armistice in Korea.

General Navarre has reorganised French defences in the Delta with a view to adopting a more offensive role and has followed this up with an attack by 5,000 paratroops on Longsan, a Vietminh supply depot in the vicinity of the border of China and Indo-China. The General has requested 20,000 reinforcements from France but the result of his request remains to be determined.

The King of Cambodia has made demands on the French for Independence for his country and even went to the length of visiting Thailand without invitation, to seek Thai support and to present his case to the outside world. Having failed to enlist support from either quarter he returned to Cambodia.

However, the King's demands, together with the Armistice in Korea and the consequent threat that China may now be in a position to increase her supplies to the Vietminh, have apparently influenced the French to offer a greater measure of independence to the Associated States of Indo-China, and the French Cabinet is now considering a proposal to invite representatives of Vietnam, Laos and Cambodia to a conference in Paris. The French feel that such a move would rally the Associated States behind the French cause for a greater all-out effort against the Vietminh.

Chinese Aid to Vietminh.

A report from French sources states that Chinese Communist aid to the Vietminh has increased consider-

ably since January, 1952. The figures are :-

At beginning of 1952	200 tons monthly
During winter campaign	400 "
During spring campaign	800 "
At present time	1,720 " (This figure includes 550 tons of ammunition and 490,000 litres of P.O.L.)

It is believed that there have also been supplied 103 trucks (63 of which were Russian Molotova trucks), 40 diesel engines, some 1939 Russian 37 mm A.A. guns and numerous uniforms and accessories.

Having regard to the number of reports being received of this Chinese assistance it would appear that the Vietminh are building up during the uneasy lull in the fighting in preparation for their spring offensive.

#### Vietminh Communications.

A French report states that the Vietminh used 50,000 coolies on their lines of communication during their campaign in Laos.

During the Black River operations last year the Vietminh found it impossible to keep any large coolie force away from their own rice-fields for any length of time and this fact, and the large number of coolies employed, may have had some bearing on the unexplained withdrawal northward of the Vietminh forces after over-running the greater part of Laos without significant opposition.

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THAILAND.Radar-equipped Minesweepers.

Four minesweepers of the Thai Navy are reported to have arrived at the U.S. Naval Station, Subic Bay, in the Philippines for the installation of Radar and Sonar equipment under the M.A.A.G. (Military Assistance Advisory Group) Aid programme.

Salvage of Flagship begins.

Salvage work on the former Royal Thai Navy Flagship SRI AYUDTHYA, sunk in the Chao Phya river during the suppression of the Naval revolt of June 29th 1951, has begun.

A Japanese firm, the Kawaminimi Salvage Company, has undertaken the work for 220,000 U.S. dollars. The salvage vessel "YUMIHARA MARU" with floating tanks and 70 engineers is engaged in the operation.

This Company carried out extensive salvage work in the Yangtse River, and off Malaya, Borneo and the Philippines during the war.

Thai Naval Patrol.

Due to the many reports of unidentified ships the Government has issued orders to the Royal Thai Navy to tighten the check on movements of shipping in Thai waters.

The Navy has been ordered to patrol the Gulf of Siam to maintain the security of their territorial waters whilst it is carrying out training in this area. Training consists of the use of surface and underwater weapons and a warning has been issued that "unidentified ships may be endangered, particularly from underwater weapons, unless the national flag of the ship concerned is clearly displayed".

Advance notice of intention to navigate Thai waters is also requested in accordance with International Law.

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MALAYA.

Malaya and Singapore Joint Co-Ordination Committee.

The Singapore and Federation Governments have, with the concurrence of the rulers of the Malay States decided to set up a Joint Co-ordination Committee with the Commissioner-General, Mr. MacDonald, as chairman of the Committee which will comprise nine Federation and eight Singapore representatives.

There have recently been several cases of lack of co-ordination which have caused difficulties for one or the other government and this problem requires the immediate consideration of both governments. But a more important factor is that this Committee may be the first step towards an attempt to unite the Federation and Singapore under one government. Any attempt at amalgamation would meet with strong resistance from commercial interests in Singapore on the one hand and the Malays in the Federation, who fear that Chinese would outnumber them in an amalgamated government, on the other.

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NEPAL.

The political situation in Nepal has been in a state of ferment since November, 1950, when the Nepali Congress Party attempted its first revolt against the military dictatorship of the hereditary Prime Minister, the Maharaja Mohun Shimshere Rana. Although in theory the King was the source of political authority, actual power had been wielded

by the all-powerful Rana family for over a hundred years.

Although the 1950 revolt failed and the King was forced to seek asylum in India, a second revolt in February, 1951, successfully forced the Maharaja to surrender some of his power and preparations were made for a Constituent Assembly which would draw up a democratic constitution. This arrangement proved unsatisfactory to both the Ranas and many members of the Congress Party, and in November, 1951, as a result of a Cabinet crisis, the King dismissed the Rana Prime Minister and directed Koirala, President of the Congress Party, to form a government.

The situation, however, did not improve and continued dissension within the Cabinet forced Koirala to resign in August 1952. During the last nine months all attempts by other leaders to establish a government have failed and Koirala has finally agreed to form a new government. But the prospects of its success are extremely doubtful.

Under these conditions political power could easily slip into the hands of extremists who have taken advantage of the increasing political instability to gain power. Also there is the possibility that Chinese Communist forces along the border, who present a continuous threat, would take the opportunity of a political crisis to enter Nepal and take virtual control as they have in Tibet. In this event they would represent a threat to India on her northern border.

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## INDONESIA.

### Political Situation.

Since the fall of the Wilopo Administration on June 2nd, Indonesia has, until this month, been with-

out a Government. Following the "Caretaker" period, Mangunsarkoro (Nationalist Party) and Roem (Masjumi) were asked to form a Cabinet. This venture really failed before its inauguration because of the two men's fiercely opposed views. Mangunsarkoro, described as 'sentimentally proletarian', favours slow evolutionary reform and co-operation with left wingers including the Communist party. Roem, on the other hand, is pro-American.

Mukarto (P.N.I.) was then commissioned by President Sukarno to give Indonesia a working Government. He followed Mangunsarkoro's programme but contended that the questions of the North Sumatra oil fields and the setting-up of an embassy in Moscow, both of which the Masjumi wish to 'freeze', should be settled in Parliament. Unsuccessful in his first attempt, Mukarto received a second commission from Sukarno, this time to form a "Business Cabinet", members of which are not bound directly to parties, but which requires a majority in Parliament. Again he failed, because, in endeavouring to broaden the basis of the party to the left, he caused a crumbling away of the right.

On the 9th July the initiative was transferred to the Masjumi Party with the nomination of Burhanuddin Harahap as formateur of the new Cabinet. President Sukarno swung away from the two main parties after Harahap's failure by calling on Wongsonegoro, the leader of the Right Centre Group in the Greater Indonesian Party (which is a leftish offshoot of the P.N.I.) to form a government. Wongsonegoro attempted to gain support among the smaller parties - the left wing groups and isolated Moslem factions - before approaching the Major parties. It appears that these tactics may pay dividends for it has been reported that, 'for what it is worth', a Cabinet has been formed.

The position of the newly appointed Government



is, however, precarious because the two fundamental issues dividing the Masjumi and P.N.I. have been left unsettled. The only matter on which they agree is that as soon as possible a conference between the Netherlands and Indonesian Governments concerning Dutch New Guinea and the Netherlands Union should be held.

### Military Mission.

The members of the Dutch Military Mission may now be asked to lengthen their stay owing to apparent failure of Indonesian attempts to obtain a mission to replace it. If the employment of key personnel of the Dutch Mission is continued on an individual contract basis, the Indonesian Government will meet the twin difficulties of obtaining the Netherlands consent and of meeting the political repercussions which would take place on the home front.

Previously it had been agreed that the Military Mission would finally leave by 31st December after a process of gradual elimination, with the exception of 30 members of the Naval element who would continue their unfinished work at Sourabaya till mid-1954, and a few others who would be liable to expulsion at any time.

Several countries have been invited to send a military mission to Indonesia to replace the Dutch one. Australia was informally approached on the matter last April, but we have recently told them that we, alone, would be able to furnish them with a sufficient number of Army or Navy officers. The United Kingdom has been approached; Germany and Sweden have answered in the negative. Belgium and Canada have not yet replied but a Military Mission from the latter would be the most acceptable because Canada is regarded by the Indonesians as a middle and non-Colonial power with a good military record. The suggestion put forward by Canada that a mission be formed from the forces of several countries has not been enthusiastically

supported at Djakarta.

Relations with Japan.

During the last few weeks the question of Indonesian-Japanese relations has dominated the country's foreign policy.

A beginning was made towards a reparation settlement in January, 1952, when Dr. Djuanda led a fact-finding mission to Japan to see how much the nation could afford to pay. Recently as a preliminary step to a conference being held by Japan and Indonesia on the San Francisco Peace Treaty and a separate bi-lateral agreement, an Inter-Ministerial Commission has been set up. This has been concerned with the establishing of normal relations between the two countries, and with the possibility of obtaining capital goods as well as "services" from Japan as reparation. It has been said that the Japanese desire to establish light industries in Indonesia, and to obtain raw material and fishing rights, has hastened discussions. However, it has also been suggested that overtures to Japan are being made with the hope of obtaining her support if the dispute over Irian develops into a fighting affair.

On the question of fishing rights the Indonesians have insisted on a sixty mile territorial limit from their coasts. However, in the Banda Seas, the Japanese refused to concede this claim. So the Republic, realising the difficulty of policing Japanese activities and mindful of the fact that their fishing techniques are far superior to their own, agreed to allow the Japanese to fish in their coastal waters, provided the spoils are split on a fifty-fifty basis.

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SECRET

PHILIPPINES.Political Situation.

On June 27th, President Quirino, with a few close members of his family and a heart specialist, left for medical treatment in America. He has been suffering from a clot of blood on the leg for some time and is reported to be seriously ill. Quirino, following the precedent laid down by Quezon, and carried out by himself on two other visits abroad, is administering the country by "remote control", through his running mate for the November elections, Jose Yulo. Philippine Constitutional law, however, lays down that, in the death or incapacity of the President to carry out his duties, the Vice President fulfils his term of office. The Nacionalista and the Democratic Party have been planning how they may manoeuvre Fernando Lopez, the Vice-President into the Presidential Chair, for it is well known that whichever party holds this office has, in this country, a better chance of winning the election. The Liberal Party have retaliated by threatening to meet illegal manipulations with force. It is apparent that none of the parties will spare any effort to gain victory in November.

Relations with Japan.

In an attempt to create more favourable relations with the Japanese so that concessions will be made to them in the settlement of the reparations question, the Philippine Government intends to soften its attitude to prisoners-of-war. As from July 4th the Philippine National Day of Independence, the 115 war criminals serving fixed terms of imprisonment shall be pardoned on the condition that they leave the Philippines immediately and do not return. Those under death sentence will have the sentence commuted to life imprisonment and be turned over to the Japanese Government for the service of

their term in Sugamo. The Japanese Government, on their part, promise to carry out the sentences imposed and not to remit any sentences without the concurrence of the Philippine Government.

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S E C T I O N III.AUSTRALIA STATION INTELLIGENCE.JAPANESE PEARL FISHING.

Recent reports indicate that the Japanese Pearling fleet operating off Bathurst Island probably will not fish its full shell quota in the current season.

In the first three neap tide periods, the fleet has taken 170 tons of shell, making an average of about 7 tons for each of the 25 pearling luggers. Originally the Japanese plans, agreed to by the Australian Department of Commerce and Agriculture, expected a yield of 50 tons per ship for the season. This estimate was reduced slightly because the commencement of fishing was delayed some weeks in the early part of the negotiations between the Australian and Japanese Governments. Unless the yield increases considerably, average ship production for the season is not likely to exceed about 40 tons.

Since the end of April, H.M.A.S. MACQUARIE, at present based on Darwin, has passed through the fishing area on several occasions and each time has accounted for the entire fleet of 27 ships, which includes the EBISU MARU, the mother ship, and TAIYO MARU No. 5, the Fishery Inspection Vessel.

Early in July a newspaper representative and photographer sailed in MACQUARIE to the fishing area, where they boarded the Fishery Inspection vessel to photograph fishing operations. They were given every assistance by the Japanese.

While fishing in the Arafura Sea the conduct of the fleet has at all times been exemplary.

OIL SEARCH EXMOUTH GULF - I.A.PETROLEUM LTD.

A construction team of 24 men proceeded to Exmouth Gulf on 3rd June to re-construct the headquarters camp which was destroyed in a recent cyclone and to construct a portable camp on the site selected for the Rough Range No.1 well. The re-constructed headquarters camp is to be located on the extreme Southern end of the Learmonth airstrip - about one and one half miles inland from the "Potshot" landing site. The No.1 drill site is approximately 20 miles further South. Construction is expected to take six to eight weeks.

Mr. A. Dysart, the drilling superintendent of the Brown Drilling Co. of Long Beach, California, accompanied the construction team.

N.W. COAST WHALING INDUSTRY.

Although actual progress figures are not available it is known that all three local whaling enterprises have got off to a good start for this season. The first catch for the year made by the Cheyne Beach Whaling Co. was a 63 ft. finback. This is believed to be the first finback taken since the re-opening of Australian whaling in 1947. Both the North West Whaling Co. and the Australian Whaling Commission are operating two catchers only at the moment.

ANGLO-IRANIAN OIL COMPANY'S REFINERY, KWINANA.

The following are brief details of progress in the construction of the Anglo-Iranian Oil Co. Kwinana Refinery:-

Housing. The first of the houses specially constructed for refinery employees has now been occupied. Over 100 homes have reached their final stages. Contracts have been let for the construction of a shopping centre in the Medina town-site.

Work has also started on roads and clearing in a second townsite adjacent to the first to be known as "Calista". This second suburb will eventually contain between seven and eight hundred houses.

Jetties. Construction of the main jetty is expected to begin very shortly. Depth alongside the three berths of the head will be forty feet. Floating construction plant is being assembled and the casting yard for the concrete piles and the jetty head of the temporary rubble jetty are nearing completion.

#### FREMANTLE HARBOUR - DREDGER BERTH.

The Harbour Works Department is at present constructing a new berth at the extreme Western end of North Wharf for use by the Suction Dredge "Sir James Mitchell". The dredge is to be used in the clearing of the area at the Eastern end of North Wharf, which will form a new No.10 berth, and is, in effect, the first move in the future harbour development. When this work is in progress the R.A.N. Small Craft Repair Base and the Harbour Works Pile Site (Tarpot) will have to be removed. From the dredger berth being constructed the dredge will discharge from hoppers through a pipe direct across the mole and into the sea. This should also provide a considerable reclaimed area.

#### NEW JETTY FOR PORT KEMBLA.

The New South Wales State Government has announced that a new jetty will be built at Port Kembla at a cost of £675,000. The jetty will be about 1,000 feet long by 100 feet wide and will provide four sets of rail tracks.

The Minister for Works reported to Cabinet that in recent years congestion of shipping at Port Kembla has become acute. Construction of a pro-

posed inner harbour, when approved, will take some years, but the need for an additional jetty is urgent. No.s 1 and 4 jetties are 40 years old and need reconditioning, but are fully engaged now in coping with shipping requirements.

#### VICKERS-ARMSTRONGS (AUST). LTD.

Vickers-Armstrongs (Australia) Ltd., with nominal capital of £50,000 has been registered in Melbourne.

Subscribers are Sir Keith M. Smith, G.J.D. Hutchesen, A. Campbell, T.R. Wightman and J.W. Tobias.

The company has been established by Vickers-Armstrongs, England, to look after its interests in Australia, particularly in relation to guided missiles and aircraft.

#### DREDGING AT PORT PIRIE.

The South Australian Harbours Board dredger "TRIDACNA" arrived at Port Pirie on 24th June, 1953; to commence dredging all the berths to the official depths. The bucket dredger at present operating at Whyalla should complete the dredging programme there in August and will then transfer to Port Pirie to assist the "TRIDACNA". It is expected that it will take six months to complete the work.

#### PORT AUGUSTA - NEW BERTH.

The first ship to berth at the new Electricity Trust of South Australia jetty at Curlew Point, Port Augusta, was the Norwegian vessel "BELNOR" which unloaded about 300 items of plant required for the Northern Regional Power Station. The heaviest item was a turbine stator that weighed over 70 tons, and while this was being unloaded the ship developed a nine degrees list.

The "BELNOR" also unloaded ten tank wagons at



Port Augusta for the Commonwealth Railways, and five Garratt locomotives and tenders at Port Pirie. They have a maximum tractive effort of 43,520 lbs. and an axle load of  $10\frac{1}{2}$  tons, and will be used for transporting ore from Broken Hill and Radium Hill to Port Pirie for treatment.

#### NORTHERN TERRITORY.

##### New Darwin Wharf.

Subject to the conclusion of minor negotiations, Messrs. John Howard & Co. of England will receive the contract for the construction of the new Darwin Wharf. The tender was let for £455,000 but it is estimated that the total cost of the wharf will be in the vicinity of £700,000. Some of the materials used will be supplied by the Department of Works.

##### Exploitation of Pearl Shell by British Company.

A director of F. Friedlein and Company, a British import and export company, recently arrived in Australia to investigate the Australian pearl shell industry in North Australia. The company hopes to secure a large share of the shell for Britain, as the real pearl button is still regarded as being far superior to the plastic. Selling price of Australian pearl shell at present ranges from £A200 to £A650 per ton.

##### Mineral Production.

The Minister for Territories has released the following information in regard to mineral production in the Northern Territory. The total output for 1952 was worth £1,386,061 representing an increase of £398,500 over the 1951 figure. Details are given hereunder :-

	<u>1951</u>	<u>1952</u>
Gold ...	38,945 fine ozs. (£603,312)	44,894 fine ozs. (£737,153)
Wolfram Con- centrates	147 tons (£257,164)	261.75 tons (£412,772)
Copper...	£44,409	£130,700

Enterprises Exploration Pty. Ltd., a subsidiary of Consolidated Zinc Corporation, has undertaken a survey of a silver lead deposit situated 40 miles north of Mainoru Station in Arnhem Land and another silver lead deposit close to the MacArthur River, 40 miles south of Borroloola. Drilling operations are in their initial stages at both of these fields.

Mr. E.J. Connolly, a well-known Australian mining geologist has temporary rights over an area of 140 square miles on the Tennant Creek field, granted him by His Honour the Administrator and in this reserve Mr. Connolly is searching for copper, cobalt, gold and bismuth.

At the present time a T.A.A. Dakota is stationed in Darwin to undertake a mineral survey for four months. On completion of the Darwin survey the aircraft will be stationed at Katherine to carry out similar work.

Centralia Minerals Ltd. leased the Maranboy Government Battery from the 1st July for a test period of two years. It is reported that the battery is in excellent condition and is located in what is probably the richest tin mining field in Australia. Provision has also been made for treatment by the company of ore produced and brought to the mill by independent miners, up to an amount of 2,000 tons per annum at the rate of 500 tons per quarter.

Agricultural Possibilities in Northern Territory.

After completing a survey of 250,000 square miles of outback country scientists of the Council for Scientific and Industrial Research Organisation have given promising reports on the agricultural possibilities of the Northern Territory. Their report on the Katherine-Darwin region draws special attention to the possibility of producing :-

Cotton, summer cereals and pastures under "dry land" conditions. Tobacco under irrigation with water pumped from rivers. Rice on naturally flooded coastal plains.

In 1947 C.S.I.R.O. established a research station at Katherine which has confirmed the possibilities of growing peanuts, cotton and sorghum, as well as solving some of the agronomic problems associated with their production.

DUTCH NEW GUINEA.Japanese Aid in Dutch New Guinea.

A report from the Japanese have offered technical aid to the Dutch in New Guinea as part payment for war indebtedness. Japanese technicians would be used on salvage and boat building work. Acceptance of the offer would no doubt assist the Dutch economically, and from recent feelers put out by them it is apparent that the Dutch are anxious to gauge the political reactions of such a move.

Apart from the economic argument, the Dutch feel that their "case" in New Guinea would be strengthened, if underwritten by an Asiatic power, and the Japanese offer is regarded by them as showing a partial recognition of Dutch sovereignty over Dutch New Guinea.

Visit of Netherlands Foreign Minister to Australia.

Early in July, the Netherlands Foreign Minister Mr. Luns, and Professor W.J.A. Kernkamp, together with senior officers of their departments, had conversations with the Australian Ministers for External Affairs and Territories on practical measures of co-operation between the Territory of Papua-New Guinea and Netherlands New Guinea.

The Australian Government indicated its intention to assist in the establishment of a regular air service between Lae and Hollandia, as one means of improving communications between the Territories. The possibility of improved sea transport and telecommunications was also considered.

Other forms of administrative co-operation on mutual problems between the Territories in the field of agriculture, health and quarantine, education and social development were discussed and suggestions made for continuing exchange of information between the administrations.

The visit and its aims were reported at length in the Dutch and Australian press, and reaction generally was favourable.

Indonesians view the talks with apprehension and are busy looking for ulterior motives which might prejudice their claim to West Irian.

Development of Manokwari.

It has been reported that construction of an engineering establishment, including a ship-building and repair yard and a factory for civil constructional work, has commenced on a prepared site at Manokwari.

The shipyard will include a slipway capable of handling ships up to 3,500 tons dead-weight.

When complete, employment will be available for 500 skilled workers, and many casual labourers, the latter to be recruited locally.

Dutch naval vessels stationed in Dutch New Guinea and K.P.M. ships will use the yard.

Estimated cost for the undertaking will be in the vicinity of five million guilders.

#### TERRITORY OF PAPUA AND NEW GUINEA.

##### Apprenticeship Land Settlement Plan for Chinese.

The Advisory Council of New Britain has suggested a Government policy on land settlement and extension of the apprenticeship scheme to include Chinese residents in the Territory.

##### Suspected Trochus fishing Bougainville.

Reports received from Coast Watchers and European plantation owners on the East and South-East coast of Bougainville indicate possible trochus fishing activities in that area.

The European plantation owner at Toimonapu Plantation (S.E. Bougainville) reports that one large vessel, three smaller vessels and numerous boats with sails were sighted in the vicinity of Maiwara Island (Uwero Reef) and Otua Island (6 degs. 27 mins. South 155 degs. 57 mins East) during the daylight hours of 1st and 2nd August, and that lights were sighted at night in the same vicinity.

On the night of 2nd August, the Coast Watcher at Aropa Plantation (12 miles North of Toimonapu Plantation) sighted lights in the vicinity of Arni Reef. A further report from Aropa stated that vessels were sighted "working" Arni and Tautsina Reefs on the morning of 3rd August.

The Coast Watcher at Numa Numa plantation reported that native labourers from Mabiri plantation (6 degs. South 155 degs. 25 mins East) had seen lights on 29th July from what were apparently two or three ships which came close in shore and shone their lights on the shore. Mabiri reef is approximately one quarter of a mile off Mabiri plantation.

The European manager of Arigua plantation (5 miles north of Mabiri) sighted lights outside the reef North East of his plantation on the night of 30th July.

The frequent reference in these sightings to vessels in the vicinity of reefs suggests that they are engaged in trochus and green snail fishing.

These particular reefs were worked pre-war by Japanese poachers.

A R.A.A.F. reconnaissance aircraft subsequently reported a Japanese trawler "DAIGOKU MARU No.3" aground and apparently abandoned on Tautsina Reef.

#### Visit of Delegation from Netherlands New Guinea.

Nine Dutch Officials paid a visit to Papua and New Guinea during early July. The purpose of the visit was to inspect agricultural progress in the Territory and to ascertain what developments would assist the agricultural development of Dutch New Guinea.

The delegation comprised experts in agriculture, plant cultivation, stock breeding science, forestry and animal husbandry.

#### Survey of Oro Bay Area.

Surveyors from the Department of Works are at present carrying out a detailed survey of the Oro Bay-Popondetta Area. Included in the survey

will be a site for a proposed wharf, also bridge and ford sites over the various creeks and rivers.

The survey is the first step in a plan to develop the Oro Bay Area for primary production.

It is eventually intended to reconstruct the Oro Bay - Popondetta road, which will traverse flat country of a sandy loam nature which is considered good for road building.

#### Rabaul Wharf.

Tenders for the construction of a new Wharf at Rabaul closed on June 16th.

It is estimated the Federal Government will spend the sum of £219,000 on the wharf, cargo sheds, and harbour facilities.

The wharf will be 400 feet in length and will be built over a concrete sub-structure.

#### BRITISH SOLOMON ISLANDS.

##### Activities of Japanese Fishing Vessels.

A report has been received of the sighting on 12th July of a line of fishing net buoys in position 9 degs. 34 mins South, 158 degs. East, and of the sighting of two vessels, probably Japanese fishing boats, off the southern part of Ysabel on 17th July.

Natives have reported several trawlers South East of Malaita and a glass float has been washed ashore in this area.

#### SHIPPING INFORMATION.

##### Disposal of Vessels "CHUNGKING" and "CHANGCHOW".

The two China Navigation Co., vessels

"CHUNGKING" and "CHANGCHOW", which have been on charter to the Cie des Messageries Maritimes for the past two years, have been sold.

The "CHANGCHOW", which has been bought by the Cie des Maritimes and renamed "RESURGENT", is engaged on the France-Australia run as previously. "CHUNGKING" has been bought by Admiralty and renamed "RETAINER" and, according to Lloyds, is being managed by Buries Markes Ltd. in the trade between Europe and Canada.

#### Japan - New Zealand Shipping Service.

The Mitsui Line has commenced a shipping service between Japan and New Zealand with its vessel "NACHI MARU", with one sailing every two months to Auckland, Napier, Wellington and Timor.

"NACHI MARU" will carry lumber and canned goods from Japan on the first run and on its home-ward voyage wool, scrap iron, metal goods and linseed.

#### New Tanker for Ampol Petroleum Co.

Recently an 18,000-ton tanker for the Ampol Petroleum Company in Melbourne was launched at Blyth, Northumberland.

The tanker, "WILLIAM G. ALKLEY", will be in service by about October this year.

#### Commonwealth Shipbuilding Programme.

The Minister for Transport and Shipping recently announced the four year programme for the building of twenty-seven vessels ranging up to 10,000 tons.

Ten vessels are to be built at Whyalla,



Brisbane, Newcastle and in the United Kingdom.

Dutch Tug "HUMBER".

A Dutch ocean-going tug, "HUMBER", arrived recently in Sydney from Geelong towing two dredgers which are to be used in the construction of the Caltex Oil Refinery at Botany Bay.

A spokesman for the Royal Inter-Ocean Line, agents for the Dutch vessel, said the "HUMBER" would travel to Noumea, Japan and New Zealand on towing jobs before returning to Holland.

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S E C T I O N    I V .SPECIAL ARTICLES.The Kuomintang in Burma.

The United Nations - directed Committee, meeting in Bangkok to discuss the problem of Kuomintang forces in Burma, has finally reached agreement on a plan for the withdrawal of these forces. This plan provides for the establishment of "safety zones" in the area inhabited by the KMT and a 21-day cease-fire, during which time it is hoped to disarm the KMT and either air-lift them to Formosa via Bangkok, or convey them by road to Bangkok and then by air to Formosa.

Although this decision has yet to be approved by the four governments represented at the discussions - Formosa, Burma, Thailand and the United States - it seems unlikely that any objections will be raised, and the most serious threat to this implementation will probably come from the KMT themselves.

Nationalist Chinese forces entered Burma in 1948 when the remnants of the First and Fifth Kuomintang Armies withdrew into the Shan States from Communist-held Yunnan. The 23rd Division, under the command of General Li-Mi, established its headquarters at Monghsat with the expressed intention of organizing for a future invasion of Yunnan. They were strengthened by refugee guerrilla units from Yunnan and later by re-inforcements from Formosa, who probably entered Burma by way of Siam. They have gradually established themselves in the Shan States, successfully defending themselves against repeated offensives by Burmese government troops and insurgents in the area, and have extended their field of activities over an area of about 600 miles along the north-east border of Burma. Their original plan to invade Yunnan

seems to have been completely abandoned in favour of the more lucrative professions of banditry and smuggling. They are allegedly concerned in the trafficking of opium across the Chinese and Thai borders.

Although estimates of their strength vary from 2-3,000 to as many as 18,000, there are probably about 12,000 KMT altogether, of which less than 4,000 are regular troops. The majority are probably dispersed in guerrilla units throughout the area and include a large number of Chinese refugees from across the border and locally recruited irregulars - chiefly smugglers. Apart from the small group of regulars centred about Monghsat, most of the KMT's are probably only indirectly controlled by headquarters and would resent any attempts by Li-Mi to interfere to any great extent in their activities. It is almost certain that the majority of these irregular forces are extremely unwilling to withdraw to Formosa, and this is supported by reports that they are moving in large numbers from the area about Monghsat to the Wa state in the north - a move that is no doubt intended to avoid repatriation.

Probably no more than two or three thousand of the regular troops under Li-Mi will volunteer to evacuate to Formosa, and it is possible that Li-Mi would himself prefer to remain in Burma. He is reported to be out of favour with the Nationalist Government, and his return to Formosa may entail relegation to an unimportant and unremunerative post.

Any member of the KMT who remains in Burma would soon be without status and would be forced to revert to brigandage or even join the Karens or Communist bands, where any recruit is welcome. In this event the Burmese government may be faced with a greater problem than it was before the KMT question was raised.

Another obstacle to the success of the projected withdrawal may arise from lack of transport. The only transport so far made available are three Dakotas to be supplied by the Burmese government. It is unlikely that Burma, Thailand and the Formosa Government could muster sufficient planes for the withdrawal without United States aid, and so far this is not forthcoming.

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### JUNK CONSTRUCTION IN CHINA.

Shipbuilding in China is primarily concerned with the construction of junks. Many of these are designed for river use only, but more, it is thought, are sea-going junks - commercial traders plying along the coast, fishing vessels, and craft used for military transport and patrol duties. Although vessels built specially for the naval and military authorities are thought to be, as yet, in the minority, most sea-going junks are easily adaptable for such tasks as mine-laying, coastal patrol and troop transport, including amphibious operations, and the larger river junks could also be so used in fine weather.

China's potential for the construction of junks does not depend on the capacity of her shipyards, since these vessels can be built with primitive arrangements (a few wooden poles serving as rollers or ramps) which bear little resemblance to a ship-yard as the term is understood in Western countries. There is little doubt that junks of up to 500 tons D.W. can be built in this way, though there is no clear evidence that anything larger than 250 tons is in fact being built at present. Junk building is therefore limited only by materials and labour; and as there are plentiful supplies of fir and pine, especially in Fukien and Hunan, and an adequate labour force in most areas, there is

virtually no limit to the building potential for the smaller wooden junks, though for the motorised type the provision of engines is a limiting factor.

Junks of over 500 tons would probably have to be built in the established shipyards, and those at the following centres would have the necessary facilities: Dairen, Shanghai, Tsingtao, Canton, Tientsin, Port Arthur, Harbin, Swatow, Amoy, Foochow, and Taku. It is not possible to estimate building potential for this larger type with any degree of accuracy, but an annual total of about 100,000 tons D.W. is suggested.

Large numbers of junks for both sea and river use, and including both the fishing and the motorised types, are believed to have been built during the past two or three years. They differ considerably in design and size, varying from about 30 feet in length, with a carrying capacity of 20 tons, to vessels 100 feet long capable of carrying up to about 200 tons. The larger type of sea-going trading junk of 400 tons capacity and length of 180 feet seems to be disappearing from Chinese waters and is apparently no longer being constructed; the present tendency is to build smaller vessels averaging 60-80 tons capacity.

Owing to the lack of reliable information on junk building only a tentative estimate of construction can be made. The following annual figures for sea-going junks (other than fishing junks considered separately below) are suggested:

Up to 50 tons -	700 vessels averaging
40 tons D.W.	= 28,000 tons D.W.
50 to 250 tons -	300 vessels averaging
80 tons D.W.	= 24,000 tons D.W.

The majority of these craft display the basic features of the ordinary trading junk, including the heavy wooden hull. Most of those with a carrying capacity of more than 40 tons are used for coastal trading. The smaller vessels now being built, however, appear to be employed in military tasks, many of them being attached to the various Chinese Army divisions stationed along the coast. A number are motorised and are capable of a speed of 6 - 10 knots and some are armed and armoured. Reports have also indicated that some have been built as landing craft.

In addition, large numbers of fishing vessels are built along the coast; some of these ply far out to sea, others fish close inshore. In general, they range from about 30 to 100 tons capacity, and the largest, which come from the AMOY area, are excellent craft in bad weather. Their average capacity is about 50 tons, and probably about 800 of them (total 40,000 tons) are being built yearly. Some of these vessels are also probably being motorised. The casualty rate for fishing junks is fairly high and they are less suitable for carrying troops and military equipment.

A further 40,000 tons D.W. of river junks are probably being built annually along the inland waterways, and these craft have sometimes been used for troop transport along the rivers. The larger types (50-200 tons capacity) could be used in fine weather - by towing if necessary - for sea traffic, for example, as amphibious lift.

The principal construction areas for sea-going junks are: Pakhoi, Canton, Tsamkong, Swatow, Foochow, Amoy and Shanghai. All these places are south of the Yangtze and with the exception of Shanghai are fishing fleet areas. There is little information about junk building in North China. This marked difference between north

and south may be due to the fact that there are fewer fishing fleets in North Chinese waters, or it may reflect the greater degree of defence activity along the South China coast. In addition there is a difference between the types of junks used in North and South China: the northern junks have bluff bows and shallow draft (almost flat bottoms), in contrast with the sharper bows and deeper draft of the South Chinese type.

There seems little doubt that the Chinese are making efforts to motorise existing vessels. But the supply of propulsion units is a serious limiting factor; the majority, if not all of such units are imported and it is thought that not enough of them are available for present needs.

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# SECRET

## Transit List

This document is to be treated as "SECRET". It is to be passed by hand from Officer to Officer and finally returned to the Commanding Officer.

Name of Officer to be passed to	Initials of Officer read by, and date passed on