

EA
SEA

Australia Station Intelligence Summary



Mr. Kay
Mr. Blakeney
Mr. White

SERIAL NO.
6 (New Series)

DATE OF ISSUE 7 SEP 1952

Naval Intelligence Division
Navy Office
Melbourne

1. The Australia Station Intelligence Summary is "SECRET," and its recipients are responsible for the security of the information contained therein.

2. Internal circulation is to be "BY HAND" of Officer only. A Transit List is contained in the back cover.

3. When not in use the Australia Station Intelligence Summary is to be kept under lock and key.

SECRET

SECTION I

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

REVIEW OF PRINCIPAL NAVAL ACTIVITIES.

H.M.A. Ships SYDNEY and TOBRUK.

H.M.A. Ships SYDNEY (wearing the Flag of the Flag Officer Commanding H.M.A. Fleet) and TOBRUK visited the Hervey Bay - Keppel Bay areas during August. They returned to Sydney on 27th August, prior to departing for Manas on 30th August.

H.M.A.S. AUSTRALIA.

H.M.A.S. AUSTRALIA also cruised in Queensland waters during August, visiting Brisbane from 11th to 18th, and Barrier Reef anchorages between 20th August and 1st September. She is due to depart Sydney on 15th September for a training cruise in New Zealand waters.

H.M.A.S. ANZAC.

After completing her refit at Williamstown Dockyard, H.M.A.S. ANZAC (D.10) sailed from Melbourne on 13th August for Sydney where she arrived on 19th August, spending 5 days en route at Jervis Bay. She departed Sydney on 1st September for her second tour of duty in Korea.

H.M.A.S. WARRAMUNGA.

H.M.A.S. WARRAMUNGA returned to Sydney on 15th August after her second period of service in Korean waters. She is paying off at present and will be taken in hand for modernisation at Cockatoo Dockyard. Modernisation of her sister ship H.M.A.S. ARUNTA, is nearly completed, and, after the work in H.M.A.S. WARRAMUNGA has been finished, the modernisation of the third Tribal Class Destroyer, H.M.A.S. BATAAN, will commence.

H.M.A.S. BATAAN.

During August H.M.A.S. BATAAN carried out two patrols on the West Coast of Korea. She will be relieved by H.M.A.S. ANZAC in September.

H.M.A. Ships SHOALHAVEN, MURCHISON, COOTAMUNDRA and H.M.S. THOROUGH.

These ships arrived in Port Stephens from Sydney on 13th August. H.M.A.S. SHOALHAVEN and H.M.S. THOROUGH returning to Sydney on

SECRET

22 nd. and H.M.A.S MURCHISON on 25th August. On 28th August H.M.A. Ships SHOALHAVEN and COOTAMUNDRA arrived in Jervis Eay to conduct anti-submarine training.

H.M.A.S MURCHISON has been awarded the Duke of Gloucester Cup for 1951 for meritorious service in Korean waters, particularly in The Han River area from June until December, 1951.

H.M.A.S. CULGOA.

During late July and August, H.M.A.S. CULGOA carried out two cruises in South-East Australian waters. During her first cruise she visited Port Adelaide on 27th July and embarked 32 National Service trainees and 42 R.A.N.R personnel for a 12-days training cruise to Port Phillip and return to Port Adelaide. The trainees were attending their first annual continuous training since their initial call-up, and the R.A.N.R. personnel were also doing their annual sea training. On the return trip from Adelaide to Sydney H.M.A.S. CULGOA called at Hobart on 11th August. During the second cruise from 21st - 27th August she visited Launceston and Westernport.

H.M.A.S. CONDAMINE.

H.M.A.S. CONDAMINE carried out her first patrol in Korean waters from 5th to 16th August, during which she went into action on the West Coast of Korea, in company with the R.N. destroyer H.M.S. CONCORD, directing neutralising fire on to gun positions south of Haeju Peninsula.

H.M.A.S. HAWKESBURY.

H.M.A.S. HAWKESBURY has been in the Onslow area on detached duties.

H.M.A.S. MACQUARIE

H.M.A.S. MACQUARIE was commissioned under the Command of Lieutenant Commander, A.I. CHAPMAN, R.A.N, in Melbourne on 15th August and sailed on 22nd August for Jervis Bay where she joined in exercises with H.M.A. Ships SHOALHAVEN, COOTAMUNDRA and H.M.S. THOROUGH.

H.M.S. TELEMACHUS.

On 10th August, H.M.S. TELEMACHUS arrived in Singapore to undergo a refit.

H.M.S. TACTICIAN.

H.M.S. TACTICIAN is due in Sydney undergoing minor refit and docking.

H.M.A. Ships COLAC and COWRA.

These ships visited Port Lincoln and Port Adelaide during the first half of August. H.M.A.S. COWRA departed Melbourne on 25th August for a cruise in Tasmanian waters, and will return to Westernport on 9th September.

H.M.A. Ships LATROBE and GLADSTONE.

H.M.A.S. LATROBE carried out training off Wilson's Promontory from 6th - 12th August. H.M.A.S. GLADSTONE with a party of 39 cadet midshipmen from Flinders Naval College on board, visited Adelaide between 12th and 14th August. A cadets' Rugby Union football team played two matches against Adelaide junior grade teams.

H.M.A.S. MILDURA.

H.M.A.S. MILDURA operated between Fremantle and Shark Bay with National Services trainees on board.

H.M.A.S. HOBART - TOW TO NEWCASTLE.

H.M.A. Ships WAGGA and COOTAMUNDRA departed Sydney on 2nd September towing H.M.A.S. HOBART to the State Dockyard, Newcastle, for continuation of her refit. H.M.A.S. HOBART had power steering and it was considered that the mine-sweepers would be able to carry out the tow thus gaining valuable experience in ocean towing.

In the event a moderate westerly breeze developed in the afternoon and made it impossible for the mine-sweepers towing from the stern to maintain their course across the wind. So the next morning the powerful Sydney tug St. GILES, was despatched from Sydney to take over the tow from H.M.A.S. COOTAMUNDRA.

H.M.A. Ships HOBART and WAGGA and St GILES arrived in Newcastle on 4th September and H.M.A.S. WAGGA and St GILES returned to Sydney the same day.

H.M.A.S. BARCOO.

On 5th August H.M.A.S. BARCOO arrived off Cape Wessel, on the Northern tip of the Wessel Islands in the Arafura Sea, to take soundings in the area. She returned to Darwin on 27th August.

H.M.A.S. WARREGO.

On 10th August, H.M.A.S. WARREGO commenced a hydrographic survey in Exmouth Gulf, an area for which hydrographic knowledge is very limited. One object of this survey is to explore the possibility of establishing port facilities in Exmouth Gulf if oil is discovered in the region.

H.M.A.S. RESERVE.

H.M.A.S. RESERVE departed Sydney on 15th August for Manus, calling at Blanche Harbour, Treasury Islands en route, and arrived at her destination on 24th August. From Manus she is to proceed on a north-about cruise to Darwin calling at Hollandia, Sorong and Dili, arriving at Darwin on 12th September. A report on the interception of Japanese Fishing vessels by RESERVE is contained in Section III.

FIRST NAVAL MEMBER'S VISIT TO KOREA.

Vice Admiral Sir John Collins K.B.E., C.B., First Naval Member and Chief of the Naval Staff, left Sydney by air on 22nd July to visit Singapore, Japan and the Korean area, returning to Sydney on 6th August by way of Iwakuni and Manila.

In Japan he made official calls on the Commander-in-Chief of the United Nations Command, the Commander of Naval Forces, Far East, the British and American Ambassadors to Japan and the Commander-in-Chief of British Commonwealth Forces in Korea.

He inspected H.M.A.S. COMMONWEALTH, the British Commonwealth Naval Base at Kure and visited H.M.A.S. CONDAMINE who was preparing for her first Korean patrol. He also spent two days in H.M.A.S. BATAAN during an operational patrol off the West coast of Korea.

NEW APPOINTMENTS.

The following new appointments have recently been announced :-

Commodore 2nd Class D.H. Harries, at present Commodore Superintendent of Training at Flinders Naval Depot, has been appointed Second Naval Member of the Australian Naval Board in the rank of Commodore 1st Class, to date 24th November, 1952. Commodore 1st Class R.R. Dowling, D.S.O., the present Second Naval Member, will, on relief, revert to the rank of Captain and proceed to the United Kingdom to commence the Imperial Defence Course.

Captain J.C. Morrow D.S.O., D.S.C., R.A.N., at present the Commanding Officer of H.M.A.S. AUSTRALIA, will relieve Commodore D.H. Harries as Commanding Officer H.M.A.S. CERBERUS, Commodore Superintendent of Training, and as Commanding Officer Royal Australian Naval College in the rank of Commodore 2nd Class, to date 24th November.

At Navy Office, Melbourne, Captain O.H. Becher D.S.C., A.D.C., R.A.N., who is at present Deputy Chief of Naval Personnel, has been appointed Deputy Chief of Naval Staff, to date 8th December, relieving Captain A.W.R. McColl,

G.M., A.D.C., R.A.N., who has been appointed Commanding Officer H.M.A.S AUSTRALIA to date 10th December.

Commander H.D. Stevenson has been appointed Director of Plans (Q) and will relieve Commander W.K. Tapp who is to be Staff Officer (Operations and Intelligence) in H.M.A.S. SYDNEY.

Commander J. McL. Adams, O.B.E. has been appointed to H.M.A.S. AUSTRALIA to relieve H.M.A.S PENGUIN for disposal.

Cdr T.H. DOWSON who is appointed to

Lieutenant Commander R.H. Grant has been appointed Resident Naval Officer, Onslow.

Captain W. H. Harrington, D.S.O., has been appointed to H.M.S PRESIDENT additional and as Assistant Director of Naval Equipment at Admiralty to date 19th January, 1958.

ooo000ooo

EXTRACTS FROM OP SUMMARIES OF, REPORTS OF PROCEEDINGS

H.M.A.S. BATAAN'S East Coast of Korea Patrol.

On 10th June, H.M.A.S BATAAN transferred to the East Coast of Korea patrol, serving in Task Element 95.22. This was the first time during her present tour of duty in Korean waters that she patrolled in this sector.

The Commanding Officer commented :-

"Patrolling in this Task Element, the only one on the East Coast in which Commonwealth ships serve, was in marked contrast to the inshore patrols on the West Coast. Whereas on the West Coast ships patrol only limited areas around various groups of islands, spending a considerable part of their time at anchor, on the East Coast ships in Task Element 95.22 remained under way continuously, and patrolled 150 miles of coastline.

H.M.A.S BATAAN had been accustomed to negotiate narrow channels between islands and sand-banks, with fast running tides, but on this patrol the depth of water in which the ship operated was never less than 30 fathoms. Tides are negligible in this area; ships have to remain either outside the 100 fathom line or in swept areas so there were no known dangers to navigation. However thick fogs have been encountered frequently on both coasts, one point they have in common during the summer months.

During the time H.M.A.S. BATAAN served in this sector, the Task Element was formed by four destroyers, or three destroyers and one frigate. In addition one mine-sweeper was engaged in the area. Although numerous ships had, in the past, been given warm receptions by enemy shore batteries, no enemy guns fired on United Nations ships during this period. Each day ships of the Task Element carried out direct bombardments, blind bombardments, and interdiction firings throughout the area."

"Three Men in a Boat".

While H.M.A.S. BATAAN was patrolling in company with the destroyer U. S.S. THOMASON on 15th June, a small sampan was sighted approaching the ships from the direction of Chongjin. As the boat drew near it was seen to contain two widely gesticulating passengers waving a white flag, whilst a third man slaved over a single stern oar. Considering the fact that this unfortunate oarsman had to propel the craft for a distance of some 10 miles, it was not surprising that he was making little progress as he neared U.S.S. THOMASON who, however, waited patiently.

At last the sampan reached THOMASON who embarked the personnel and proceeded to sea. H.M.A.S. BATAAN holed the boat with Bren-gun fire and joined THOMASON. The "Three Men in a Boat" claimed to be two officers and one enlisted man from the South Korean Army, (this was strongly supported by the lone man's labours) and they were taken south for interrogation,

Yellow Sea Operations.

In the last week of August, H.M.A.S. BATAAN had a busy time in the Haeju Area. On 27th August she fired nearly 200 rounds against coastal gun emplacements and troop concentrations. Visibility was good and numerous hits were observed.

On 29th August, in conjunction with H.M.N.Z.S. TAUPO, and U.S.S. YARNALL, she carried out another heavy bombardment of troop concentrations in the same area.

Independence Day in Korea.

At the beginning of July, H.M.A.S. WARRAMUNGA formed part of Task Unit 95.12.1 which was responsible for the defence of the islands of Sokto and Choda on the West Coast of Korea. This duty was quite uneventful and was

only relieved by a set piece bombardment of Angak Peninsula on 4th July - American Independence Day - by the Task Unit, H.M.S. MOUNTS BAY, U.S. Ships KIMBERLEY and SAISI, and H.M.A.S. WARRAMUNGA. After the bombardment all Commanding Officers were invited to lunch in MOUNTS BAY to celebrate Independence Day.

H.M.S. TACTICIAN's visit to Philippines.

H.M.S. TACTICIAN visited Subic Bay between 23rd and 29th July to take part in anti-submarine exercises in conjunction with the frigate, U.S.S. GLOUCESTER, and Philippines Navy patrol craft.

During the visit H.M.S. TACTICIAN's crew received lavish hospitality although the heat and dampness precluded any attempt to return the hospitality on a large scale on board the submarine.

The Commanding Officer commented :-

"It was interesting to note that there was little envy in the British sailor's first glimpse of the American "Way-of-Life". He was certainly impressed by the wealth and comfort, but summed it up by saying (of the food), 'There's too much, sir - it's too rich'."

Crossing the Line.

During H.M.S. TACTICIAN's return voyage to Sydney the traditional "Crossing The Line" ceremony was performed on the after casing with the aid of the "bird-bath" and the anchor-washing-down connection. About half the ship's company including three of the officers, were initiated into the mysterious rites.

ooo000ooo

SECTION II
EXTERNAL INTELLIGENCE.

KOREA.

Truce Talks.

No progress towards the conclusion of an Armistice has been achieved at recent sessions of the Truce Talks at Panmunjom. The Communists continue to insist that all prisoners should be repatriated irrespective of their wishes for or against repatriation. On the other hand the United Nations refuse to force the return of those prisoners who do not wish to be repatriated.

A statement made recently by General Harrison, the leader of the United Nations delegation, might be intended to drive a wedge between the Chinese and the North Koreans and undermine Communist solidarity in North Korea. General Harrison said, "The longer the delay in achieving an Armistice the greater the inevitable suffering of the people of North Korea. For the sake of a few thousand Chinese, who had in any case renounced their Communist Leaders, the Communists were prepared to go on inflicting cruel sufferings on the people of North Korea".

Presidential Election - South Korea.

Dr. Syngman Rhee, who was re-elected President of the Republic of Korea as a result of the elections held on 5th August, formally assumed office on 15th August.

Military Situation.

The general pattern of ground operations in Korea is unchanged and includes patrolling by both sides with intermittent probing attacks of up to battalion strength.

United Nations Naval forces engaged in interdiction of Communist strong-points along the East coast of Korea have reported increased retaliation by Communist shore batteries accompanied by an improvement in accuracy. Several United Nations ships have suffered minor damage and some casualties.

ooo000ooo

JAPAN.

Political Situation.

The Japanese Diet was dissolved on 28th August and it is believed that an election will be held on 1st October. The Prime Minister, Yoshida Sigeru, is reported to have lost prestige recently both within his party, the Liberal Party and in the Diet. His declining influence is said to have been partly due to the feeling that his Cabinet had allowed Japan to be placed in an unfavourable position internationally by agreeing to the terms of the United States - Japan Administrative Agreement and the North Pacific Fisheries Convention. It is possible that Mr. Yoshida's decision to dissolve the Diet and seek an election was taken to avoid facing the electorate after defeat in the Diet.

Since the signing of the Peace Treaty opinion in Japan has tended towards more independent policies than those followed by the Yoshida Government thus it is possible that when the new Government is formed it will take full advantage of Japan's new found independence and may even attempt to use current East-West tension to its own advantage.

National Safety Board.

This Board was recently established to control both the National Police Reserve and the Maritime Safety Board and the title "National Safety Corps" will be applicable to both these organisations. The position of Director-General of the National Safety Board was assumed by Mr. Yoshida who will hold the post until a full-time Director-General is appointed. The former Director of the National Police Reserve, Masuhara Heikichi, has been appointed Deputy Director-General of the Board.

It is interesting to note that the Yoshida Government regarded the National Police Reserve as the fore-runner of a new Japanese army. The first official hint of this was given by Mr Yoshida in an address to the officers of the National Safety Corps early in August. He appealed to the officers of the Corps to equip themselves to lead a new democratic Japanese Army which was supported by the people. He said, "The new army should be separated from politics, if this principle is not adhered to foreign powers will regard this new army as merely the revival of the Imperial Army". Mr. Yoshida said that his remarks did not imply the beginning of Japanese re-armament. Re-armament could not be undertaken until a more appropriate time and when Japan's economy permitted.

The Japanese Communist Party.

There is some speculation in Japan as to why the Japanese

Communist Party failed to use the opportunity for demonstrating on its 30th anniversary, despite its previously avowed intention to do so.

Some observers think that recent stern police measures acted as a deterrent while others hold the view that the Communists have changed their tactics. They quote in support of their view a recent Cominform-sponsored statement by Tokuda, one of the top Communist leaders in Japan until he disappeared in July 1950, calling on Communists to cease the use of violence, which would only antagonise the Japanese people. It seems that the most likely answer is that stern Government and police action has forced the Communist to change their tactics in Japan.

The strength of the Japanese Communist Party was recently estimated at 45,000 by the Director of the Public Security Investigation Agency. The Director said that most of this strength was engaged in underground activities.

American use of Japanese Port Facilities.

The Japanese-United States Joint Committee which is negotiating the return of facilities used up to now by the occupation forces in Japan, has reached a decision on only one port. In Yokohama, all port facilities have been returned to Japan except the North pier although the American representatives had originally hoped to retain part of the Central pier.

ooo000ooo

CHINA.

Internal Situation.

Current measures designed to strengthen the Chinese Communist Party and extend the Party's hold on China include ideological reform within the Party itself; machinery to completely control the remaining industrialists in China; and regulations for the control and ideological re-education of counter-revolutionaries. A description of these measures is as follows :-

Ideological Reform. - This movement has been undertaken by the Communist Party executive because of its growing concern during recent months about the ideological level of certain sections of the Party. The movement will take the form of a course of study of the history of the Chinese Communist Party. The first part of this study will be devoted to the writing of Mao Tse-tung "as a key to the study of Party history".

The China Democratic National Construction Association. - At a recent conference this organisation which is one of China's "democratic parties" defined its tasks and policies on education and organisation. The most important of these were the strengthening of close ties with the national bourgeoisie, the proper understanding, study and presentation of its opinions, representation of its legitimate interests and respect for the patriotic production and austerity drives. The organisation will enrol as new members owners of private enterprise, particularly industrialists, who play a significant role in the national economy, representatives of medium and small capitalists, "an appropriate" number of senior employees of private enterprise and also officers in Government financial and economic departments. The Conference also decided that the association should be a political party in the new democratic united front. Although this organisation appears to give political representation to private enterprise it will, in fact, give the Communists complete control over private enterprise.

Provisional Regulations for the Control of Counter-revolutionaries. -

These regulations were recently promulgated by the Ministry of Public Security of the Central People's Government. The object is to deal out certain punishments and give ideological education to counter-revolutionaries under Government control and to form them into "new men". The period of control of counter-revolutionaries will be a minimum of three years. During this time those subject to the regulations will be deprived of certain political rights including freedom of speech, publication, meeting, assembly, correspondence and movement. The period of control may be shortened if behaviour is good or if genuine reform is achieved.

Sino British Trade.

China's willingness to trade with all Governments and all countries was reiterated by the Chinese Vice-Foreign Minister in a recent statement. He said that China was willing to trade with all countries on the basis of "equality and mutual benefit". He referred to the notes from the United Kingdom Government dated 18th April and 19th May, on the intention of British firms to withdraw from China. He pointed out that the so-called "serious difficulties" met by these British companies were entirely the "bitter fruit" of the British Government's policy of emulation of the United States in carrying out a hostile policy of trade control and embargo against China.

Relations with the U.S.S.R.

The Government delegation of the Chinese People's Republic, lead by the Premier, Chou En-lai, arrived in Moscow on 17th August. In his remarks on arrival, Chou En-lai referred to collaboration in the spirit of the 1950 treaty, and the success of the Chinese People's Republic in national reconstruction with Soviet aid. The purpose of the delegation's visit to Moscow is not known but it seems possible that it is connected with the provision of Military supplies and equipment to China by the Soviet.

ooo000ooo

MACAO.

Border Incidents Dispute.

The dispute which arose five weeks ago over firing incidents between Chinese Communist and Portuguese border garrisons was settled on 23rd August. The terms of the agreement have not been published officially but it is understood that the Portuguese acceded to most of the demands made by the Chinese. However they were permitted to save face on the question of "full responsibility".

ooo000ooo

INDO-CHINA.

Military Situation.

The Viet Minh is not expected to undertake any military offensive before the end of this month when the weather in Tongking should improve following the end of the rainy season. Viet Minh activity at present is confined to training.

The Viet Minh have recently concentrated stronger forces than usual in the Hue-Tourane area in Annam. French control of this area is important as the area provides the only practicable communications with the Kingdom of Laos. This move by the Viet Minh is causing concern to the French military authorities because they can only reinforce the Hue-Tourane area at the expense of the Tongking and Saigon areas. The French would be placed in an extremely awkward position should the Viet Minh launch simultaneous attacks in both Tongking and the Hue-Tourane area.

ooo000ooo

MALAYA.*Communist Penetration of Security Force.*

Evidence of one difficulty besetting the authorities conducting operations against the terrorists in Malaya has come from a surrendered terrorist who was a Branch Committee member of the Malayan Communist Party. He has reported how the M. C. P. has penetrated the Security Forces.

The M. C. P. has won over a number of Malay Special Constables in kampongs and Special Constables on estates. In one area the Auxiliary Police Constables have arranged a non-aggression pact with the M. C. P.

Formation of a Federation Regiment.

Legislation has been passed through the Federal Legislative Council in Kuala Lumpur to raise a FEDERATION Regiment open to all Federal citizens and British subjects. It is intended to raise and train one experimental company as soon as possible and a second company a few months later.

It is believed the Bill was inspired by General Sir Gerald Templar. The Legislative Council of Singapore is believed to be considering similar legislation.

Pan-Malayan Labour Party.

A Pan-Malayan Labour Party was established at a conference in Kuala Lumpur. The function of the new party will be to co-ordinate the activities of Labour and Socialist organisations in Malaya. The delegates agreed that the first "basic national aim" of the party should be the establishment of an independent Malaya.

Some doubt exists as to the strength of the new party's foundations. Of the States represented at the conference Labour Party organisations have only recently been formed in Penang and Selangor, and a Labour Party has yet to be formally established in Perak; only in Singapore has the Labour Party been set up for any length of time and it would seem therefore that this latter party is the dominant force in the new organisation.

Malayan Chinese Association.

The Malayan Chinese Association, which previously has functioned mainly as a Chinese Welfare agency, has decided to reorganise itself into a political body with the defeat of Communism as its main aim. The Association has announced that it will contest the forthcoming elections for the Singapore Legislative Council.

The importance of this re-organisation is two-fold: on the one hand the Association will be able to devote itself to fighting Communism in Malaya with a

singleness of purpose which it has hitherto lacked. On the other hand, there is a keen danger that the entry into politics of a well-knit communal organisation may lead to the crystallization of Malayan politics along social and religious lines, a tendency which has long been discouraged by British officials and most responsible Asian leaders.

In the past the Government of Malaya has lacked a hard core of Chinese to support it in its fight against Communism. It has found that among the Chinese community virtually the only strong support has come from the members of the Kuomintang party which was banned when the state of emergency was declared in 1948. The Government has thus been faced with a dilemma: to be firm in its attitude on the K.M.T. it will alienate the support of those Chinese on whom it relies for support against the Communists. On the other hand the activities of the K.M.T., largely dictated by the Chinese Nationalist Government are inimical to its avowed policy of Malayanising the Chinese. The aims of the reorganised Malayan Chinese Association could provide the Government with the assistance it so much needs.

ooo000ooo

BURMA,

Internal Situation.

In his address to the Union of Burma Conference which was called to discuss plans for a welfare state the Prime Minister, U Nu, criticised the former British regime in Burma, which he blamed for most of Burma's ills. He refuted charges that his Government was not moving fast enough in matters such as nationalisation by saying that it would not undertake further schemes until an adequate administrative organisation had been built up. When this was achieved the Government would nationalise all such enterprises as the Burmah Oil Company, the cement works and the mines when it thought fit.

U Nu then dealt with criticism that Burma was becoming subservient to other powers by accepting aid from them. He said that Burma would accept assistance from any source, provided that the assistance given did not infringe Burma's sovereignty.

It is interesting to note that the portion of U Nu's address criticising the British was omitted from the press release while those portions containing warm tributes were included. The criticism of the British was probably intended for internal consumption and to forestall possible accusations that he was falling under British influence particularly since the offer of substantial military aid to his Government.

ooo000ooo

SECRET

INDONESIA.

Stability of the Wilopo Government.

Although the Government of Dr. Wilopo, a coalition predominantly P.N.I. (Nationalist Party) and elements of the Masjumi (Moslem Party), received a vote of confidence on its statement of policy (detailed in A.S.I.S. No. 4), a recent uniting of left-wing groups could lead to difficulties for it.

The Communists were instrumental in uniting the left-wing groups, which, if there is any further split in the Masjumi (already split into two factions), could hold the majority in Parliament thus forcing the Government to govern by concession.

A comment on the present position of the Communists in Indonesia is contained in Section IV of this issue of A.S.I.S.

Internal Security

Following the restoration of security in the greater part of the Indonesian archipelago, there has been a relaxation of the "state of war and emergency" in many areas. In the areas affected the Army has been relieved of its police duties, and normal security responsibility has been transferred to the civil authorities.

State of war regulations continue to apply in areas of chronic guerilla activity, namely West and Central Java, East Java (excluding Madura), South Celebes, Ceram, Ambon and Riau.

Muzakkar Rising - Celebes.

In the South Celebes the Kahar Muzakkar rising continues to paralyze the two southern limbs of this island. There is still uncertainty as to the aims and objects of the rising. Kahar Muzakkar himself states that his object is to free the Celebes from Javanese rule and he denounces the Indonesian Army as "black Dutchmen", while the Javanese say that he is hand in glove with Darul Islam.

One opinion is that the motive force behind the rising is ~~simply~~ a love of banditry and that Muzakkar has used Moslem fanaticism and anti-Javanese propaganda to stir up the people, while he and his men are out for plunder. As the Celebes is a backward and primitive island there is probably a good deal of truth in this opinion. Muzakkar's Chief of Staff, Osman, is known to have no less than sixteen wives.

Darul Islam.

The inability of the Government to cope with the Darul Islam, a

group of Islamic extremists operating in West Java, has led various sections of Parliament, the press and some senior officials to allege that the organisation has been receiving aid from outside Indonesia. There appears to be no evidence to support this allegation; on the contrary there is some evidence from Indonesian Army sources to indicate that most of the arms for Darul Islam are obtained by theft and capture from the Army and the Police.

A reliable informant expresses the opinion that much of Darul Islam's recent success is due to an improvement in tactics, which may indicate the presence of a few Dutchmen in the movement, and to inefficiency and low morale in the Indonesian Army, a product of poor leadership and a low standard of administration throughout the Army.

Army.

Some details are now available of the proposed re-organisation of the Indonesian Army referred to in A. S. I. S. No. 4. The new Army of 200,000 men will consist of twenty five Regimental Combat Teams. New military training schools are to be set up to produce the instructors required to train the conscripts who will come into the Army in the middle of 1954.

The main problems facing the Chief of Staff of the Army are a serious shortage of Officers and a surplus of other ranks who are untrained, or are incapable of being trained, and who are becoming too old for active service.

Visit of Indian Naval Flctilla.

The recent visit of a Flotilla of the Indian Navy under Rear-Admiral N.V. Dickinson, D.S.O., D.M.C. to Indonesia caused much favourable comment, and not a little amazement that an officer of the Royal Navy should be in command of Indian Naval Forces now that India has gained her independence.

Much surprise was also expressed that R.N. officers should be serving in the ships and that there was such close friendship existing between R.N. and Indian officers. Similar comment was forthcoming on such visible signs of the Indian connection with the Commonwealth as portraits of the Royal Family in the Wardroom.

Indonesian Shipping.

A further two vessels have been registered in Indonesia, reference A.S.I.S. No. 5, page 17, and particulars are as follows :

<i>Vessel</i>	<i>Gross Tonnage.</i>	<i>Owners.</i>
TIRABALA	230	Djawatan Kepalisan Indonesia.
DURIAN	100	Republick Indonesian Serikat.

ooo000ooo

SECTION III.

AUSTRALIA STATION INTELLIGENCE.

JAPANESE FISHING VESSELS IN THE SOLOMON ISLANDS.

During the month, several Coast-watchers in the Solomon Islands reported sightings of small unidentified craft in the area. Two reports also referred to a large ship in company.

S.D.M.L. 1327 was undertaking an Intelligence cruise in the Northern Solomons at the time and, in view of the number and frequency of these reports, N.O.I.C. N.E.A. decided to base the S.D.M.L. at Kieta (Bougainville Island) temporarily. H.M.A.S. RESERVE, en route from Sydney to Manus, was diverted to rendezvous with the S.D.M.L. at Blanche Harbour, Treasury Group, to replenish the latter's supplies.

When approximately 13.5 miles south of Mono Island, Treasury Group, at 1130K/22nd August, RESERVE sighted a line of floats or buoys extending for what was estimated to be about 3 miles. The depth of water in the vicinity is 1500 fathoms.

After contacting the S.D.M.L. in Blanche Harbour, the two vessels, the S.D.M.L. with the District Commissioner of the Western Solomons embarked, proceeded at 1800K/22nd August under darkened ship conditions and without navigation lights to patrol in the area where the floats had been sighted.

At 1830K a bright glow was sighted and by 1930K a small vessel burning no navigation lights but displaying many bright yard arm groups was sighted. RESERVE switched on navigation lights when sufficiently close to the vessel and sought her identity but no reply was received; under the light of RESERVE's 20 inch signalling lamp the name "SEIJU MARU No 7 -Japanese Fishing Vessel" could be distinguished on the superstructure.

The vessel was engaged tending the floats, hauling in fish and recovering gear as she proceeded along the line. The line of floats was marked by lights about a mile apart. RESERVE, being careful not to interfere, kept "SEIJU MARU No 7" under observation as she proceeded along the line of buoys which ultimately proved to be 14.5 miles long.

At 0430K/23rd August, a bright light sighted ahead proved on investigation to be "KOSEI MARU No 2", another fishing vessel tending the same line of floats.

After photographing both vessels and being unable to glean anything further of the vessels' activities, RESERVE at 0615K/23rd August set course for Manus.

S.D.M.L. 1327 had in the meantime been forced to return to Blanche Harbour due to the effect of the swell on the fuel feed to the motors when stopped in the vicinity of the fishing vessels.

At 1725K/23rd August when approximately 55 miles west of Empress Augusta Bay, Bougainville Island, RESERVE sighted another vessel similar in appearance to the two previously sighted and on investigation the name "HOKO MARU No 18" port of registry TOKYO could be made out. After being unable to answer a number of questions addressed to her by RESERVE a member of the fishing vessel's crew swam across to RESERVE and in interrogation the following information was gleaned :-

- (i) There are five Japanese fishing vessels fishing for tuna and other fish in the New Guinea-Molomons area.
- (ii) The vessels work with a mother ship which normally uses Tauu Island (5 degs. south, 157 degs east approximately) as a rendezvous.
- (iii) The small vessels are fitted with about 40 tons of stowage for the catch.

Since these events have taken place a report has been received that a mother ship has visited the Carteret Islands (Kilinailau Island) approximate position 4 degs 40 mins south, 155 degs 20 mins east and remained in the vicinity approximately a week. The dates are not yet known. Large numbers of Japanese landed and contacted the natives.

REPORTS OF SUBMARINE SIGHTINGS.

Two reports of alleged submarine sightings have been received, one from Rabaul and the other from Darwin.

The pilot of a commercial aircraft reports sighting an object resembling a submarine periscope with wake in a position 40 miles north west of Rabaul at 1215K/30th August. The object appeared to be travelling in a westerly direction. The pilot circled at 1500 feet and the object disappeared leaving an oil slick and bubbles. The sea was calm at the time of the sighting. This report has been evaluated F.6. pending further information.

The report from Darwin comes from three reliable Army personnel, two of whom, at 2000K/31st August, in clear moonlight, sighted an object resembling a midget submarine in Darwin Harbour. The third soldier reported sighting at 1530K/31st August, an object similar to the above, in Darwin Harbour, which submerged after two minutes. These reports have been evaluated C.5.

URANIUM FIELD - NICOLS NOB, SOUTH AUSTRALIA.

A new field of radio active ore has been found at the old copper mine and surrounding dumps at Nicols Nob, 25 miles East of Leigh Creek coalfields and 50 miles East of Mount Painter where the first radio active ore was found. This discovery is regarded as important because there are many other old copper workings throughout the nearby Flinders Ranges which will now be examined.

SHIP REPAIR FACILITIES - FREMANTLE.

A wet sand-blasting machine of a type similar to that in use at Garden Island, Sydney, and built to the plans supplied by the R.A.N. has been put into operation in Fremantle. The machine is owned by a contractor to the R.A.N. and was first put into operation on the Ocean Minesweeper H.M.A.S. TOWNSVILLE during a routine slipping. The machine delivers 300 cubic feet of mixture a minute at a pressure of 100 pounds and can blast 250 sq. feet in a normal working day.

ONSLOW JETTY - DAMAGE BY FIRE.

Fire damaged the Onslow jetty on the night of 17th/18th August. No rail or vehicular traffic can use the jetty and until repairs are completed it will not be safe for large vessels.

MARINE FIBRE INDUSTRY.

Felt & Textiles, Ltd. have been experimenting at Port Broughton, South Australia, with the recovery and treatment of a fibre root of marine growth found 6 to 18 inches under the sea bed in Spencers and St. Vincent Gulfs. Workable deposits are estimated to cover an area of 240 sq. miles, giving a yield of about 4,600,000 tons. The fibre can be used for underfelt, as a jute substitute for bags, and as an insulating material for steam and refrigeration plants. Large scale exploitation will commence shortly.

HARBOUR IMPROVEMENTS.

Ardrossan, South Australia.

A wheat silo at present under construction at Ardrossan, South Australia, is expected to be completed by the end of September. It will enable wheat to be bulk handled at the port and, with the associated equipment, to be loaded into ships at the jetty. The silo will have a capacity of one million bushels.

Albany, W.A.

Reclamation work has been completed for the two new berths and work is now progressing on the reclamation of an area to the west of these berths, near the Town Jetty, to provide the rail and road facilities for them. An area is to be reclaimed to the east of the new berths for what is believed to be the site for bulk oil storage tanks for Anglo Iranian Oil Company.

AUSTRALIAN OIL SUPPLIES AND REFINERY DEVELOPMENT.

With the exception of lubricating oil and some aviation spirit which come from the United States of America, Australia's commercial oil companies obtain their supplies of oil from the Middle East, British Borneo and Indonesia as follows :-

Shell Company	British Borneo, Seria (Brunei) and Sumatra.
Vacuum Oil Company) Atlantic Union Oil Company)	Indonesia
Commonwealth Oil Refineries (Anglo-Iranian Company)	Kuwait, since closing down of Abadan.
Caltex Oil Company	Bahrain Island, where oil from Saudi Arabia is refined.

Only 17% of petroleum products consumed in Australia during 1951 was refined in Australia. At present Australian refining capacity is approximately 845,000 tons, the four refineries responsible being :-

Shell Refinery, Clyde, N. S. W.	430,000 tons p. a.
British Oil Refineries Pty., Ltd. N. S. W.	220,000 "
Commonwealth Oil Refineries, Laverton, Victoria.	140,000 "
Vacuum Oil Company, Altona, Victoria.	55,000 "

During 1952, schemes for expanding refinery capacity in Australia have been announced which will enable 6 million tons of crude oil per annum to be refined by 1956. This will amply cater for local consumption and the excess will be exported. Projects in hand at present are :-

<i>Company</i>	<i>Location</i>	<i>Throughout Capacity</i>	<i>Date of Completion.</i>
Anglo-Iranian Co.	Cockburn Sound, W.A.	3 million tons	1955
Shell Company	Geelong, Victoria.	1 million tons	1954
Caltex Oil Co.	Sydney, N.S.W.	1 million tons	1956
Vacuum Oil Co.	Altona, Victoria.	1 million tons	1955.

The storage capacity of Anglo-Iranian's refinery will be 1 million tons, almost doubling the present Australian total of 1.3 million tons.

INDIAN OCEAN AIR SERVICE.

The inaugural flight in the regular fortnightly air service to be operated by QANTAS from Australia to South Africa began when an aircraft departed from Sydney for Perth via Melbourne on 1st September.

The route will be from Perth via Cocos Island, where an R.A.A.F. construction unit has constructed an airstrip, and Mauritius to Johannesburg. Constellation aircraft will be used on the service.

NORTHERN TERRITORY.

Main Wharf Darwin.

Forty-five feet of the seaward end of the Main Wharf at Darwin, about which there has been so much apprehension, collapsed on 28th July. The effective length of outer berth available is now 500 feet with 22 feet depth alongside at M.L.W.S. The least width between the wharf and the wreck of the "NEPTUNIA" is 85 feet.

Uranium find at Edith River.

Three Darwin contractors have discovered a deposit of uranium at Edith River approximately 185 miles south of Darwin, and half a mile from the Darwin - Alice Springs road. Samples lodged with the Northern Territory Mines Branch were test-

ed at Rum Jungle and proved radio active. The new find is approximately 126 miles from Rum Jungle.

Broken Hill Proprietary Company Ltd.

Broken Hill Pty. Co. Ltd. is reported to be interested in several mines at the northern end of the Territory producing silver, lead and wolfram, which are believed to be capable of large scale development. A prospecting team from this company have already interviewed miners and business men with mining interests. According to a Darwin report Zinc Corporation representatives are interested in the re-opened Coronet Hill copper field near Pine Creek and in prospecting for uranium between Cox Peninsula and Rum Jungle.

It is also reported that a Broken Hill Company is prepared to spend £100,000 on preliminary work to develop the Mainoru lead-zinc deposit found recently and the company is ready to construct a railway either east or west from Mainoru to link with a new port on the Gulf of Carpentaria, or with the Darwin-Birdum railway near Maranboy. Administration officials believe that if a railway is built to connect with the Darwin line, it will eventually have a bigger effect on the development of Darwin harbour than Rum Jungle uranium field, and it is understood that the Darwin route is favoured as it would pass through the Maranboy tin field.

PACIFIC COUNCIL

The first meeting of the Pacific Council which consists of the Foreign Ministers of the United States, New Zealand and Australia and which was set up under the Security Treaty signed by Australia, New Zealand and the U.S.A. on 1st September, 1951, took place at Honolulu on 5th August, 1952.

The Council discussed the Council's organisation, relations with other States and regional organisations and situations of common concern. The regular annual meetings attended by the Ministers themselves will take place at places rotating between the three member nations. Special meetings of the Ministers' deputies (the Australian and New Zealand Ambassadors to Washington and the U.S. Under-Secretary of State) will be held in Washington.

On 22nd September Military representatives of the Council will meet in Honolulu to work out the details of the military machinery, the broad outline of which has already been agreed to.

The Chief of the Australian General Staff, Lieut.-General S.F. Rowell, will be the Australian representative at this conference.

NEW CALEDONIA.

Revival of Japanese Interest.

There has recently been a report that the French Government has approached the Japanese Government to obtain 2,000 Japanese migrants to supplement the labour force in New Caledonia.

At the outbreak of war there were over 1,000 Japanese resident in New Caledonia and of this number only about 50 were females so that full blooded Japanese families were few. The Japanese were engaged in mining activities, both for the two Japanese mining companies and for other mining interests, as small shopkeepers in Noumea and as market gardeners around Noumea.

On the outbreak of war the Japanese were interned and later transferred to Australia.

In 1947 local mining companies approached S.C.A.P. concerning the possibility of obtaining Japanese labour. The French Government reassured the Australian Government on this occasion and again in 1951, when the Australian attitude was sounded, that it was not intended to draw on Japanese labour.

Mineral exports to Japan were resumed in 1951 when 2,500 tons of scrap metal 100 tons of nickel matt and some 7,000 tons of nickel ore were shipped. The French authorities decided in the interests of the French re-armament programme that all nickel matt should be reserved for France and only quantities of ore surplus to smelting requirements could be exported to Japan.

Representatives of the Japanese mining groups formerly established in New Caledonia have returned. Mr. Kashima the pre-war manager of Societe Miniere Caledonienne and representative of the Taiyo Mining Company arrived in Noumea on 14th March, 1952 and Mr. Seo the pre-war manager of the iron mining Societe Le Fer arrived on 3rd July. Both gentlemen have stated that they hope to arrange the resumption of mineral exports on a regular basis, and they have also indicated that they will endeavour to reconstitute their former companies and recover the assets still under sequestration. Last October the Japanese are reported to have approached Societe Le Nickel with a view to acquisition of a Japanese financial interest in the company but were unsuccessful.

The attitude of the local Administration appears to be to encourage the development of trade with Japan but to oppose the return of direct Japanese investment and enterprise in New Caledonia.

NEW HEBRIDES.

Native Movement on Tanna and Pentecost Islands.

During June there was some activity among natives on Tanna and

Pentecost in forms which resembled the Jonfrum Cult. Some arrests were made by the District Agents and the movements are now checked. No renewal of activity is expected in the near future.

The Jonfrum cult on Tanna flared up with varying intensity on occasions from 1940 onwards. Its origin and roots are obscure and its objects are vague, but it appears to be anti-Mission and anti-European. It may be a reaction against the severe Presbyterian discipline of the 19th century. In the first serious manifestation in 1940, the church lost most of its adherents in 24 hours and many forbidden pagan practices were revived. Various leaders were banished and segregated but most have now been returned. Most headmen have signed an anti-Jonfrum paper.

Copra.

The drop in copra prices appears to have ceased and if anything there has been a slight tendency for them to rise.

New Administration Vessel.

The Condominium Government has purchased from Brisbane the raised deck cabin cruiser, "IDLE HOUR", principally for use by the Resident Commissioners. The vessel has been renamed "DON QUIXOTE".

SHIPPING INFORMATION.

New Cargo Vessel for Australian Service.

The Department of Shipping and Transport has allocated the construction of fourteen bulk carrying ships for the Australian trade to Broken Hill Pty. Co. Ltd., Whyalla and Evans Deakin Ltd., Brisbane.

B.H.P. will build ten and Evans Deakin four vessels. Twelve of the vessels will be of 10,000 tons and the other two will be colliers of 4,250 tons.

Radio Navigation Beacon - Cape Borda - Kangaroo Island.

A radio navigation beacon is to be erected at Cape Borda, Kangaroo Island, South Australia. Particulars of the range are as follows:-

Using 50 microvolt limit, unloaded aerial
300 miles day - 50 miles night.

Using 100 microvolt limit, unloaded aerial
213 miles day - 50 miles night.

SECTION IV

SPECIAL ARTICLES

(The Director of Naval Intelligence is not necessarily in agreement with the views expressed in Section IV of ASIS).

COMMUNISM IN INDONESIA.

The following remarks on the present position and probable action of the Communist Party in Indonesia have been received from a reliable source.

The Indonesian Communist Party (PKI) is legal and is represented in Parliament. It is a small party, relatively weak in comparison with the strength of the other political parties, though it is known to be working hard to increase its strength. There is at present no firm connection between PKI and any of the guerilla bands in INDONESIA and the Party could almost be considered innocuous were it not for several factors which together give it very considerable strength.

The main power of the Communist Party lies in its domination of the majority of trade unions through the 'Sentral Organisasi Buruh Seluruh Indonesia' (SOBSI), a federation of some 850,000 members, or roughly one half of the organised workers in INDONESIA. By Indonesian standards this is a highly organised and active federation and has a considerable measure of control over most of the key trade union organisations.

Another factor in Indonesian affairs today from which the Communists derive great advantages is the perpetual strife and cut-throat competition between the other political parties. Although there are some twenty-five political parties in operation, only three or four of these in addition to the Communist Party could hope to make any mark in a General Election, should one ever be held in INDONESIA. The remainder endeavour to maintain their position by incessant intrigue and for reasons of momentary tactical advantage are willing to form temporary alliances with the Communists.

More important than either of these factors, however, is the ever-growing discontent and disillusionment of the Indonesian people with their Government, their Parliament, their political parties and the leaders who promised them so much and have achieved so little. If INDONESIA continues to slide downhill at the present rate a point may well be reached at which the people lose all confidence in democratic leadership. With the army in its present state of disorganisation a military dictatorship seems unlikely, and if one were set up it is even

less likely to survive for any length of time.

There can be no doubt that the Communists are fully aware of the present state of affairs and are strengthening and preparing themselves methodically and patiently against the time when their opportunity comes. They are working to a long-term plan and are unlikely to sacrifice their prospects by rash or immediate action.

They will continue to extend their control over the workers, to conciliate and make use of other political parties and to infiltrate the administration and, in due course, the Armed Forces. When they judge the time to be ripe they may declare a general strike and organise mass demonstrations in favour of Communist representation in the Government, but violent action is neither likely nor necessary.

In conclusion I consider that the Communist menace is neither immediate nor likely to be violent; it is, none the less, gradually increasing. Assuming that a third world war does not break out I would expect the crisis to come in a matter of years, rather than months, and I attribute the recent increase in Communist activity to the more favourable climate provided by the WILPO Government rather than to an acceleration of their long-term plan.

ooo000ooo

FRANCE AND VIETNAM. (*Unclassified*)

A.S.I.S. No. 4 contained an article on Indo-China which outlined the strength and activities of the French Naval Forces in the campaign against the Viet Minh. The following article by Derrick Singleton which appeared in the magazine "The Twentieth Century" discusses French relations with Vietnam.

In Indo-China, France is locked in conflict with a tightly knit combination of Communist leadership, fanatical national feeling, and a growing conviction that the Western democracies stand for the repression of Asian aspirations and for the perpetuation of white domination in the non-white world.

The crucial mistakes of French policy date from 1946 when, by a series of manoeuvres, Admiral d'Argenlieu first blocked, and then tried to prevent the union of Cochinchina with Annam. The belief held by Vietnamese nationalists that the 'independence' promised by France would be a pretence dates from those months. The extremist tendencies of the Viet Minh leaders and the influence of the Communists in the Viet-Minh grew steadily from that time. The chance that a Communist stranglehold of the nationalist movement might be avoided in Vietnam - as it has been in India, Burma, and Indonesia - was lost in 1946 and 1947. Today the vast majority of the ablest and most disinterested Vietnamese are

fighting and working with the Viet-Minh - not as Communists, but because they believe that the Viet-Minh is the organisation which represents struggle and sacrifice for national independence.

Very late in the day - in 1949 - France recognised that major concessions must be made to Indo-Chinese nationalism if any part of French influence and interest were to be maintained, and the policy was then inaugurated of offering to the Indo-Chinese 'true independence' in contrast to the 'Sovietization' which they would experience under Viet-Minh rule. 'Independence within the French Union' was offered to Bao Dai. But at present most Vietnamese nationalists believe that this formula is a mere phrase used to disguise a continuance of colonial status. How justified is this assumption?

In the first place the whole issue is blurred at present by the military struggle raging in all parts of the country, but principally in the Tonking Delta. Such a struggle, waged on Vietnamese soil, principally by French forces, is bound to make independence, in any degree, illusory as long as it lasts. But the scepticism of Vietnamese nationalists arises not only out of the presence of French military power, but also out of the political framework which has been accepted by Bao Dai for 'Independence within the French Union'. This framework is based on two documents: the Bao Dai-Vincent Auriol agreements of March 1949, and the agreements signed at Pau in November, 1950. In neither of these two treaties is independence for Vietnam in reality conceded. In foreign relations, Vietnam must obtain the consent of the French Government before negotiating any agreement with a foreign State; French economic interests in Vietnam may not be nationalised without French consent; and those fields of administration which determine Vietnam's economic policy-tariffs, the currency issue and foreign exchange - are all under the control of mixed committees which include representatives of France, and of the States of Laos and Cambodia (the two latter being at present generally represented by French officials). On these mixed committees, decisions must be unanimous on all major questions, so that France, as well as the Indo-China States, possesses a veto right. In the economic field, as in the military sphere, the hard realities of present conditions in Vietnam make words like 'partnership', 'equality' and 'independence', used in connection with the country's relationship to France, sheer pretence. Vietnam is economically prostrate, 80 per cent of her defence budget is financed by France, and her trade deficit with France in 1951 was about 200 million francs, all of which means French financial control and the reverse of independence. Of the one economic move which could lead to the ending of Vietnamese dependence on French purse-strings - the sponsoring of a Vietnamese application for an international loan 'without strings' - there has been no whisper either for the present or the future. Even looking ahead to a time of peace, French officials

have conveyed in unmistakable terms to Bao Dai's Ministers that France does not intend to go beyond the Pau institutions in her grant of 'economic independence'.

In one field only has France succeeded in creating the impression that Vietnamese independence may conceivably be attainable through the agreements of 1949 - in that of Defence. The imprint of Marshal de Lattre de Tassigny's imaginative personality is unmistakable in this field. His predecessor as Commander-in-Chief of Indo-China, General Carpentier, was known to view the agreement to set up a Vietnamese National Army with disfavour, and practically nothing was done in his time. But in a short year of command, Marshal de Lattre transformed the scene. The French Military Mission to Vietnam is now working hard and steadily to build up Vietnamese forces. There is as yet no question of these forces being independent of French control (supplies still have to be drawn from French Army depots and 80 per cent of the finance is provided by France), but the Vietnamese Army is already acquiring something of an impetus and *elan* of its own. Thirty-six battalions, now being organised into four divisions, are formed and active. Twenty-one of them are commanded by Vietnamese officers (though attached to each is a French liaison officer who in some cases is *de facto* commander). About half the existing battalions are manning watch-towers and static posts, and half are engaged in aggressive operations. The 1st Vietnamese Parachute Battalion has acquitted itself particularly well in action against the Viet Minh. All young Vietnamese now have to undergo six months' military training, and specially selected students must do eight months in officer training schools. The rank-and-file training centres are run by Vietnamese officers and N.C.O.'s, but the officer schools are controlled by French instructors with Vietnamese assistants. The centres are well equipped with the latest American weapons, transport and signals material. A start is being made also - though on a very small scale - with the foundation of a Vietnamese Navy and Air Force. Fifteen pilots and thirty mechanics are now being trained at the new Nhatrang school of aviation and will form an artillery observation group in a year's time. A naval school is being opened with a course to train four hundred Vietnamese to man Vietnamese-commanded river-landing craft. And yet, despite the zeal with which French officers are undertaking the launching and organisation of the Vietnamese Army, they are confronted with formidable problems.

The first of these is the financial question. Last year France's contribution was about 75 milliard francs. This year's programme provides for the forming of six new battalions, and as the force builds up progressively the military budget will mount. Can France, beset by her own financial problems, bear this increasing strain? Can a limited economic recovery in Vietnam, coupled with badly needed tax reform, enable the Vietnamese authorities to shoulder a considerable part of the burden? Or will a request have to be made for American

financial aid? These are questions to which answers will have to be found in the next twelve months. But more important and more difficult of solution than the shortage of money is the shortage of officers for the Vietnamese Army. Officers, particularly senior ones, take time to emerge, and there is a shortage of about a thousand for the thirty-six battalions already in existence. The Dalat Officers' School will turn out four hundred officers this year, and the two Schools for Officer Reservists will train about seven hundred. But the reservist trainees are still not obliged to enter the Army, and at present there is understandable hesitation in calling them up for active service because of political complications which developed at the beginning of this year. These developments, symptomatic of the political weakness of Vietnam, consisted in the refusal of two hundred students called up for training at the Nam Dinh Officer Reservist School to return from leave, on the grounds that they objected to serving in an Army 'under French control'. They only rejoined unwillingly after a week of negotiations. This incident illustrates how critically the political weakness of Vietnam affects the building up of the armed forces. How is a national army to be created, when confidence in the reality of nationhood is lacking?

This question of the build-up, fighting spirit, and independence of the Vietnamese Army is crucial, if a Vietnamese nation is to be brought into being which shall have the slightest chance of a military or political victory over the Viet Minh. The Viet Minh have not less than half a million regulars and guerillas in the field, compared at present with 120,000 Vietnamese troops on the Bao Dai side. (This last figure includes the so-called Suppletifs, the relatively lightly-armed formations commanded by local or religious leaders such as Le Roy and the chiefs of the Cao Daist and Hoa Hao movements). Moreover, the Viet Minh are reported to be forming a fresh division north of Hue. France and Vietnam have therefore to start on a great expansion of the Vietnamese Army merely to keep pace with the increasing strength of the Viet Minh. And to achieve this a very rapid recruitment and training of reliable Vietnamese officers is the essential foundation. After the Nam Dinh incident the risks and difficulties in attempting this in the present political atmosphere are plainly to be seen.

The central factor governing political morale in Vietnam at present is that the 'national leaders' under Bao Dai do not inspire the conviction that they are capable of wresting the reality of independence from *de facto* French control. Most of them are drawn from the circle of Cochinchinese officials who identified themselves most closely with the French colonial government in pre-war days. Old ingrained habits of the French administrators in Saigon have proved too difficult to discard, and prior submission of Cabinet lists to the French has repeatedly been insisted on, even since the grant of 'independence',

with the result that only personalities who would have been considered 'safe' in the heyday of colonial rule are included in the government. The new Prime Minister, Nguyen van Tam, who has just replaced Tran van Huu (ASIS No. 5), is, from the point of view of the French 'old hands' in Saigon, even safer than his predecessor. Twenty years ago he was a provincial chief in the French colonial administration and took a leading part in suppressing the uprisings of his compatriots in Cochín-China in 1930 and 1940. Though unquestionably an able administrator, he is first and foremost a French-trained police official of considerable ruthlessness, who has been associated in the recent period with the suppression of trade unionism and the indiscriminate use of 'third degree' methods upon oppositionists - Communists and non-Communists alike. He has the reverse of a nationalist record, and a question which is being widely asked in Indo-China is whether he will do more with his power than complete the process of making a police State out of Vietnam. Whether the election of an Assembly, promised for this autumn, will be followed by appointment of a more representative and democratic Prime Minister and Cabinet depends upon the preparedness of the French, and of Bao Dai, to make the Government in some way responsible to the new elected body. This does not at present seem very likely.

To many observers it appears that the only hope - and a slender one at that - of breathing a new moral and political climate into Bao Dai's Vietnam and of creating a genuinenational state, rests in a gesture which France could make - in a declaration that, after the restoration of peace, Vietnam and the other States of Indo-China will receive complete independence, including the right to determine whether or not they wish to become members of the French Union. Such a declaration might still transform the atmosphere in Vietnam, make possible the rapid creation of a national army, and attract into the service of Vietnam many of the Viet Minh nationalists who are antagonised by the Sovietization of the Viet Minh. It is hard to see what either France or the Western democratic world could lose by such a step. It is true that an increase in Chinese aid to the Viet Minh could offset the effect of any French move, Military or political, in Indo-China. But at least such a declaration would remove from France the remaining stigma, which still clings to her in the eyes of most Asians and many Europeans, of fighting a war of colonial repression in Asia.

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