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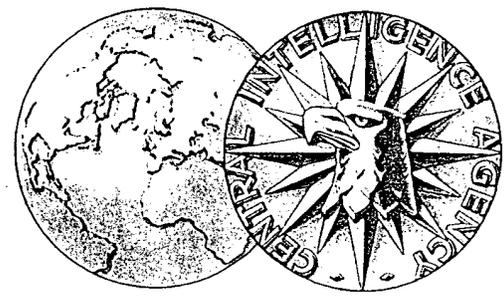
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RELATIVE US SECURITY INTEREST IN THE EUROPEAN-MEDITERRANEAN AREA AND THE FAR EAST

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RELATIVE US SECURITY INTEREST IN THE EUROPEAN-MEDITERRANEAN AREA AND THE FAR EAST

STATEMENT OF THE PROBLEM

ASSUMPTION: A stabilization of the situation in the European-Mediterranean area.

PROBLEM: To assess the effect of a stabilization in the European-Mediterranean area upon Soviet policy and the relative US security interest in that area and in the Far East in the new circumstances. (Primary interest in an area does not preclude a major effort elsewhere.)

DEFINITIONS: The European-Mediterranean area is deemed to extend to and include Iran. The Far East, as defined herein, includes all Asia east of Iran and south of the USSR, and the major offshore islands.

DISCUSSION

See Enclosure A for an analysis of the situation in the assumed circumstances.

CONCLUSIONS

1. The USSR desires to achieve eventual control of both the European-Mediterranean area and the Far East. Soviet domination of either region would be seriously disadvantageous to the security of the United States. A definite realignment of the Western Europe-Mediterranean area, however, would have a more immediate and decided effect on the global balance of power than would that of the Far East. The industrial-military power of the Western Europe-Mediterranean area will for many years far exceed that of the Far East, and the former area offers both the US and the USSR the most advantageous

bases for developing attacks against the other. In any consideration of the relative importance of the two areas, therefore, it is apparent that the European-Mediterranean area will remain the theater of primary importance to both the USSR and the United States, certainly prior to any possible outbreak of hostilities within the next decade.

2. In the assumed circumstances the USSR would direct a greater effort toward the Far East. The USSR would remain prepared, however, again to exploit any favorable opportunities which developed in the European-Mediterranean area.

3. It would, therefore, remain the primary and most immediate concern of the United States to ensure the continued security of the European-Mediterranean area.

4. At the same time, the US has a basic long-range security requirement in the Far East; that is, to prevent the development of a Soviet-controlled industrial-military power complex in that area. The development of this complex would require a long period of time. The key to its development, with respect to both the time required to achieve it and the ultimate strength of the complex, is Japan. The maintenance of the alignment of Japan with the US is, therefore, the crux of the US security problem in the Far East. To protect this position, however, positive action is required to confirm the alignment of Southeast Asia and India with the West. It would also be of great importance in this connection to draw China away from vassalage to the USSR into a *modus vivendi* with the West.

Note: The intelligence organizations of the Departments of State and Army have concurred in this report; for a dissent by the Office of Naval Intelligence, see Enclosure B, page 6; for a dissent by the Director of Intelligence, United States Air Force, see Enclosure C, page 7. This report is based on information available to CIA as of 25 July 1949.

ENCLOSURE A

ANALYSIS OF THE SITUATION IN THE ASSUMED CIRCUMSTANCES

1. Geographic Considerations.

Europe and the Near East (to include Iran) are contiguous with and readily accessible from that part of the USSR which comprises the presently known sources of Soviet power. Reciprocally, that part of the USSR is more accessible from this region than from any other. In comparison, the significant part of the Far East (the Asiatic littoral and major offshore islands) is remote from the known seat of Soviet power and separated therefrom by what is estimated to be a vast undeveloped hinterland. Thus, not only in terms of military operations, but also in terms of economic relationships, the USSR is relatively in closer contact with the West than it is with the Far East.

The United States is separated from both regions by broad oceans which serve also as avenues of access for the dominant sea power. Manifestly Europe is much nearer to the sources of US power than is the Far East. In terms of economic and of strategic vulnerability, the ties of the United States with Europe are much closer than those with the Far East.

2. Economic.

Despite recent destruction and economic dislocations, there exists in the non-Soviet European-Mediterranean area an industrial potential superior to that of the USSR and its satellites in terms of existing facilities and skills. Although the portion of this potential available for military purposes in time of peace is much less than the industrial capacity which the USSR does and can allocate for such purposes, its full realization could support a combined military establishment which, with implicit US backing, would be a deterrent to Soviet aggression. On the other hand, if a combination of the economic potentialities of continental Europe and the USSR

were achieved, this might in ten years result in the creation of an industrial power equivalent to that of the United States today.

No comparable potential exists in the Orient. For social as well as economic reasons it is improbable that an industrial power equivalent to that of Europe could be created in East Asia in the next ten years. Japan, indeed, came close to the creation of a power complex which, while not equal to that of Europe, might have maintained regional supremacy by reason of its remoteness from other centers of power. The essential components of that complex were Japan itself, Manchuria, North China, and Southeast Asia.

Japan, which is the most important industrial center in the Far East, is dependent on many countries of the region, particularly China, for raw materials on the one hand and for markets on the other. The dependence is mutual, however, because China and other countries of the Far East could profitably absorb Japanese manufactures of both capital and consumers goods. Without access to the industrial facilities and skills of Japan, the Communists will not be able to achieve the regional power that Japan attained prior to World War II.

The United States, on its own account, has no vital* economic requirements from the Far East. It has, however, an important interest, not only in denying Japan's industrial potential to Communism, but also in retaining access to Southeast Asia, for its own convenience and because of the great economic importance of that area to Western Europe and to Japan. Commercial access to China is also desirable for the same reasons, though not essential. Economic considerations, then, establish a US interest in denying Japan and

* Vital is herein used to mean: essential to the continued existence of the US as a nation, i.e., something for which the US must fight.

Southeast Asia to Communism, and in determining whether trade between Japan and North China would be advantageous to US policy. In the latter respect, Chinese dependence on overseas trade is a favorable circumstance.

3. Military.

Modern military power is dependent on economic, particularly industrial, power. Full realization of the economic potential of Western Europe would permit the maintenance there of forces at least capable of initial defense against the USSR. No comparable potentiality exists elsewhere in the Far East with the possible exception of Japan and India (including Pakistan). Oriental manpower, indeed, is abundant and effective for certain purposes when suitably equipped, trained, and led. In China, for instance, the Communists have created mass armies capable of dominating the country and rendering costly an extensive hostile intrusion. Such armies, however, are likely to remain incapable of major air and overseas operations.

4. Importance of the Near East:

The Near East itself is incapable of development as a major power center. Its importance to the United States is essentially a consequence of its auxiliary relationship to Western Europe (with respect to petroleum resources and communications) and its potentialities as a base of air attack on the vital areas of the USSR. The Soviet interest is reciprocal (acquisition and denial of oil, interruption of communications, and prevention of attack on sensitive areas).

5. The Significance of Australia and New Zealand.

These Dominions are manifestly different from the remainder of the Far East, discussed above as the Orient. They lack the manpower and resources to constitute a power center in themselves, but, as Western states located in the Far East, their actual military and industrial capabilities are valuable as an advanced point of support for Western interests in the region. Historically, these Dominions have also furnished important support for the British position in the Near East.

6. The Significance of India.

With Indian participation, the British Commonwealth could dominate the Indian Ocean and would be in a position to contribute valuable support for US interests in the Far East. India itself is capable of development as an industrial area of intraregional significance. More importantly, India, as a major Asiatic power and as the prime example of transition from colonial status to full sovereignty without sacrifice of mutually advantageous relations with the West, is alone in a position to compete with Chinese Communism for establishing itself as the dominant influence in Southeast Asia. India requires, however, assurance of the eventual liquidation of European colonialism in that area.

7. The Significance of China.

China is significant today primarily because the extent of Communist domination there enhances the Soviet capability of obtaining Soviet strategic objectives in the Far East. Soviet political orientation of the Chinese government will tend to promote eventual Soviet control over the remainder of the Far East. Soviet ability to capitalize on the situation in China will depend on the degree of consolidation and control that the Chinese Communists can exert over all elements of Chinese society, and the degree of subservience by the Chinese Communist leaders to the Kremlin. It must be assumed that the grasp of the USSR upon China and of the Chinese Communists on the Chinese people will, for the foreseeable future, grow more firm.

These developments, therefore, would enhance the ability of the USSR to exercise control over a large part of the war potential of the Far East (North China, Manchuria, and North Korea) by methods short of war and at the same time measurably increase the vulnerability of the remaining components to Soviet capture (Japan and Southeast Asia).

Finally, should war become imminent, Communist China would provide bases for Soviet forces which could threaten the US security position in the Far East.

8. Soviet Policy in the Assumed Circumstances.

The assumed stabilization of the situation in Western Europe and the Mediterranean

would not affect the ultimate objective of the Kremlin — world domination — or the Kremlin's appreciation of the primary importance of that area in relation to the achievement of that objective. The Kremlin, therefore, would continue to exert maximum effort on all fronts, both to counter any setback sustained in a given area and to exploit any favorable situation which developed whether in the West or in the Far East.

Thus, what to the US would be an apparent shift in Soviet policy, would not for the Kremlin be a choice between mutually exclusive alternatives. The Kremlin's strategy is global, its operations in particular theaters both self-contained and interrelated. Inasmuch as international Communism employs indigenous elements in its exploitation of local situations, it can pursue simultaneously the locally appropriate course of action in different theaters, the power and influence of the USSR itself constituting a mass of maneuver to be used in accordance with global considerations. A case in point is Communist activity in the Far East, 1945-1949, while the USSR maintained a generally detached attitude in that area and directed its primary attention and effort toward Europe. In the assumed circumstances, there would probably be a reversal of this situation, without, however, any implication of long-term Soviet acceptance of the then existing status in Europe, or of Communist inactivity there.

9. Soviet Policy in Europe.

Accepting the concept of ebb and flow in the tide of the Revolution and the doctrine of the inevitability of eventual capitalist collapse, the Kremlin would seek to consolidate its gains in Europe (control of the Satellite States) and to increase East-West trade (as necessary to a more rapid development of Soviet war industrial capacity), maintaining an active defense, taking advantage of any and all opportunities for dividing and weakening the West. Confidently expecting a new crisis of capitalism which would present new opportunities in the West, the Kremlin would remain alert for signs of such a development and would be prepared to exploit developments.

10. US Security Interests in the West.

Despite any stabilization in the West, it would remain a primary security interest of the United States to support and maintain, cooperatively, the security of that area, and, so far as practicable, to loosen the Soviet hold on the Satellite States. In the assumed circumstances the principal means to that end would be political, psychological, and economic. Such measures, however, would require continued military backing in the form of constant readiness to render prompt and effective operational support of a sort likely to deter Soviet military aggression.

11. Soviet Objectives in the Far East.

Exploiting to the utmost the achievements and momentum of Chinese Communism and the existing social and national dissatisfactions throughout East Asia, the USSR would seek the control and maximum extension of Communism in the Far East. Operations throughout the Far East would continue to be conducted by indigenous Communists, the USSR remaining in the background. In particular, the USSR would be likely to avoid such direct collision with Western Powers.

The fact, however, that Communism has flourished in the Far East primarily in identification with local nationalism poses a problem for the Kremlin in the further development of the situation through native Communists. Even Chinese Communist protestations of orthodoxy, by the evident necessity for making them, tend to suggest the potentialities for Titoism inherent in the situation. The Kremlin would therefore be concerned, not only to advance the spread of Communism, but to secure and retain control of nationalistic Communist movements.

Except with respect to Manchuria, the Kremlin can have no illusions regarding marked economic benefits to be gained for the USSR in areas presently under Communist domination, particularly none regarding the capture or creation of an industrial complex equivalent to Europe.

There are, however, some raw materials, particularly soy beans and molybdenum in Manchuria, and tungsten in Korea, which can

be used by the USSR to considerable advantage.

The purposes of Soviet global strategy in the Far East would be to strengthen the global position of the USSR and to weaken Western Europe and the United States. Disturbance of the situation anywhere in the world adversely affects the political and economic interest of the West in order and stability. The existence of chaotic conditions in Southeast Asia, for example, would of itself continue to impose severe strain on the economies and colonial systems of the European powers concerned, even without Communist accession to control of that area. Indeed, a continuation of disorder might be even more effective than Communist success, to the extent that it resulted in a continuing diversion of European resources into vain efforts to recover colonial control. Similarly, although Japan would be a valuable prize for Communism, Soviet global strategy could also be served by keeping it in a state of economic dependence and social unrest, a drain on US resources.

12. US Security Interests in the Far East.

The most important long-range US security interest in the Far East would be to prevent the creation of a Soviet-controlled power complex in the region. The accomplishment of this objective would require positive action to ensure the political and military security of

Japan and Southeast Asia and to confirm the alignment of those areas and of India with the West. It would also be of great importance to draw China away from vassalage to the USSR into a *modus vivendi* with the West.

These purposes are mutually supporting and interdependent. The basic problem with respect to Japan is to recreate a viable economy. This in turn requires a stabilization of the situation in Southeast Asia and a *modus vivendi* with Communist China. Similarly, a constructive solution of the colonial problem in Southeast Asia and the orientation of India are intimately related.

The Far Eastern problem is extremely complex, requiring reconciliation of many conflicting interests. From the point of view of US security requirements, the crux of the problem is to deny Japan to Communism. The rehabilitation of Japan, however, would arouse resentment throughout the region unless presented as an essential and integral part of a generally advantageous regional settlement. Similarly a solution in Southeast Asia requires reconciliation of the conflicting requirements of various nationalisms, vested European interests, and Indian aspirations, and can be achieved only in the context of a mutually advantageous general settlement.

The measures required for the solution of these problems are primarily political and economic, but would involve some measure of military aid and potential military support for anti-Communist nations of the Far East.

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ENCLOSURE B

DISSENT OF THE OFFICE OF NAVAL INTELLIGENCE

1. The Office of Naval Intelligence dissents from subject paper in the following respects:

(a) Page 1, Paragraph 3 (Conclusions)—As written, this paragraph is a policy recommendation rather than an intelligence estimate conclusion. It should read: "Europe and the Mediterranean are the areas most important and critical to U.S. security."

(b) Page 1, Paragraph 4 (Conclusions)—Rewrite as follows: "The development of a Soviet-controlled industrial-military complex in the Far East would require a long period of time. The key to its development, with respect to both the time required to achieve it and the ultimate strength of the complex, is Japan. The maintenance of the alignment of Japan with the U.S. is therefore the crux of the U.S. security problem in the Far East. Hardening of the alignment of Southeast Asia and India with the west is an essential element in protecting western security. Contributing importantly to the same end would be all

feasible measures which might be taken (a) to create difficulties for the Communist regime, (b) to orient the Chinese people toward the West and (c) to cause a split between the Chinese Communist regime and the U.S.S.R."

(c) Page 5, Section 12 (U.S. Security Interests in the Far East), paragraph 1—Delete paragraph and substitute the paragraph in 1 (b) of this memorandum.

(d) Page 5, Section 12 (U.S. Security Interests in the Far East), paragraph 2—Delete third sentence and substitute: "This in turn requires a stabilization of the situation in Southeast Asia and a firm alignment of Southeast Asia and India with the West. The problem would be greatly alleviated if all feasible steps were taken to create difficulties for the Chinese Communist regime, to orient the Chinese people toward the West, and to cause a split between the Communist regime and the U.S.S.R."

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ENCLOSURE C

DISSENT OF THE DIRECTOR OF INTELLIGENCE, UNITED STATES AIR FORCE

1. The Director of Intelligence, U.S.A.F., dissents in ORE 69-49, "Relative U.S. Security Interest in the European-Mediterranean Area and the Far East," for the reason set forth below.

2. It is apparently the premise of ORE 69-49 that China and the Asiatic mainland are of slight strategic value to U.S. security and that alignment of Japan with the U.S. is the crux of the security problem in the Far East. This view is not acceptable to the Director of Intelligence, U.S.A.F. The crux of the problem in the Far East would appear to be to contain the expansion of Communism within the borders of China. It is doubtful if the expansion of Communism into Southeast Asia could be stopped along the southern border of China. Southeast Asia, while not immediately vital, is of great economic and strategic importance to the United States not only because of the

economic effect its loss would entail to the U.S. economy and the economy of Western Europe, but also because of the military implications of extended Communist control throughout this unstable area. The extension of Communist control over Southeast Asia would probably require an increase of aid funds to the nations of Western Europe, deny U.S. access to strategic raw materials in Southeast Asia (rubber and tin), make the economy of Japan and the Philippines dependent on U.S. resources, and permit the Soviet-Communists to integrate the economy of Southeast Asia into the Communist-controlled economy of the Far East. Success in this program would permit Soviet Communist pressure to be exerted contiguously against India, where the development of situations extremely adverse to U.S. and Western interests could be effectively promoted.

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