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SUBJECT: Proceedings of the Far East Chiefs of Mission Conference (Baguio, March 14-17, 1960).

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"This document consists of 106 pages,
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FAR EAST CHIEFS OF MISSION CONFERENCE

Baguio, March 14-17, 1960

RECORD OF PROCEEDINGS

Chairman of the Conference - Assistant Secretary J. Graham Parsons

Coordinator ----- Mr. Alfred le S. Jenkins, FE

Rapporteurs ----- Mr. Henry L. T. Koren, Embassy Manila

Mr. Henry Brodie, Embassy Manila

Mr. Seaborn Foster, Embassy Manila

Mr. Carl H. McMillan, Jr., Embassy Manila

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(Ambassador Drumright)

Note: A special INR Assessment "The Outlook for the Far East 1960 - 1965" was reproduced and passed to participants in the Conference. This paper is not included in the Proceedings, since it is being revised and updated, and will be issued in the near future by INR as an Intelligence Estimate.

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FAR EAST CHIEFS OF MISSION CONFERENCE, BAGUIO, MARCH 14-17, 1960.

I. CONCLUSIONS AND RECOMMENDATIONS

THE DECADE BEHIND AND THE DECADE AHEAD

In reviewing the course of events in the Far East over the past decade, it is our conviction that the policies and actions of the United States have enabled the free countries of the area to survive. Compared with the chaos of the early 1950s, the situation today in 1960 is much improved. Through their own efforts and ours the free countries have made progress in building their political, social and economic institutions. Nevertheless, in facing the challenge of the decade ahead, we believe that the magnitude of the task is increasing. The nature of the Communist threat poses less dramatic but yet more difficult problems.

Japan, which represents a great element of Free World strength in Asia, has, in the Security Treaty signed this year, freely entered into a relationship of confidence and trust with the U.S. The country has recovered its sense of national purpose and is showing remarkable vitality. The integrity of Free China has been maintained, as has that of Korea, South Viet-Nam, Laos and Cambodia, against odds which appeared overwhelming at the beginning of the decade. The Republic of the Philippines wiped out the threat of Communist insurgency and, in spite of internal problems, has made considerable economic progress. Indonesia, although facing formidable problems of political and economic instability whose solution is not yet in sight, is showing increased determination to resist Communist pressures within and without. Burma and Malaya have largely overcome the Communist insurgency which threatened their existence at the beginning of the decade. Thailand has become an increasingly important and effective cornerstone of U.S. and SEATO policy in Southeast Asia. Australia and New Zealand constitute a position of strength and political stability on the southern flank of the Free World in Asia. Australia has continued to support U.S. policies in the area generally and particularly in Southeast Asia. New Zealand's support has been only slightly less despite the present incumbency of a Labor Party government. Australia, with its rapidly growing economic and industrial strength, has contributed to a healthy growth of multilateral trade in the area.

SEATO has justified its establishment by the increased sense of security and confidence it has imparted to the countries of the Treaty area and is increasingly understood and appreciated by the non-members. In short, the many crises that occurred throughout almost the entire area during the decade have been met as they arose. The tense atmosphere in which these crises arose has to a considerable extent abated. Accordingly, the countries of the area can face the coming decade with both an increased sense of confidence and a more realistic appreciation of the difficulties they must yet surmount in

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achieving their constructive objectives: national dignity enhanced in independence and economic viability, and a better material life for their peoples.

As the past decade has of necessity been largely preoccupied with the problems of national survival and internal stability, the other basic problems of the area have not yet found a real resolution. The growing power of the Chinese Communists presents an even more serious threat to the area than before. The threat now is not only in military terms but in the economic challenge that the forced pace of Chinese industrialization under Communist totalitarianism presents to the free countries of the area. Except for Japan and Taiwan, the economic progress of the free countries of the area is discouragingly slow and behind not only that of the Communist countries but generally that of other free world countries as well. In some countries, such as Indonesia, there has been actual economic deterioration rather than progress. However, the increasing understanding and acceptance throughout the free countries of the area of U.S. purposes and objectives, and the increasing confidence in U.S. dependability and ability to cooperate with countries of the area in achieving common objectives gives us firm grounds for belief in our ability to deal with the future.

We have reviewed once again the Conclusions and Recommendations made by the Far East Chiefs of Mission Conference in Baguio one year ago and endorse them as still valid.

Looking to the coming decade, it is essential to base and adjust our policies upon the overwhelming fact that account must be taken not only of the Communist world but of the growing shifts of power both within and without the Communist world from peoples of European heritage to other peoples having a heritage different from that of Western civilization. Thus there is coming about a profound shift in the power relationships which prevailed during the 19th Century and for the most part during the first half of the 20th Century. The close of the coming decade will in all probability see an Asia with a population of approximately two billion persons increasingly industrialized and in some cases, especially Japan, fully equal to and perhaps in some fields superior to the West in science and technology. Communist China will also make major advances in science and technology. Only if the U.S. recognizes these facts and adjusts its policies thereto will it be able to safeguard its interests in this vast area. This will require wisdom, courage and staying power.

COMMUNIST CHINA

Communist China, as it has continued to evidence in its policy in Tibet, its actions along the Indian border, Laos and in Indonesia, remains the implacable enemy of the independence of the countries of Asia. This fact

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is increasingly recognized throughout the area. It is probable that in the decade ahead internal strain and difficulties in the Chinese Communist regime will not be sufficient materially to inhibit the continued growth of the economic, military and hence political power of Communist China. The increased arrogance of Communist China and its demonstrated disposition to ignore world opinion and accepted norms of international behavior have been shown by its refusal either in principle or fact to renounce the use of force to achieve its national objectives. The Chinese Communists' increasing insistence upon a withdrawal of U.S. power, not only from Japan and Taiwan but from all of the Western Pacific, has during the past year made it increasingly clear that they have little or no interest in reaching a modus vivendi or other accommodation with the U.S. on any terms other than complete American capitulation. In the light of these attitudes there is no possible basis upon which the U.S. could establish diplomatic relations with Communist China. The Chinese Communists have been especially vehement in their denunciation of any "two China's" solution, which, of course, is also unacceptable to our ally, the Republic of China.

The U.S. can and should present the rationale of its policy with respect to Communist China in clear and positive terms and in a manner that will be more readily understood and accepted by both domestic and foreign opinion. This was well done in Assistant Secretary Parsons' address of February 19, 1960, at Milwaukee. The theme of that address should be given wider dissemination in public statements by senior U.S. Government officials.

If progress should be made in general disarmament, Communist China must at some stage become a party to any meaningful agreement. The chief danger in this connection is that the Communist powers will seek to use disarmament negotiations as a means of undermining our China policy, which we expect to remain valid for the foreseeable future. We should seek to have it understood that it is possible to deal at the conference table with a power without having diplomatic relations with it. This fact is not generally appreciated despite the long history of our negotiations with the Chinese Communists. There are also precedents for this in our dealings with other unrecognized governments. If the Chinese Communists attempt to attach political conditions to their participation in disarmament, the responsibility for blocking negotiations should be placed squarely and unmistakably on them and kept there.

Finally, we repeat the recommendation of the 1959 Conference: "The United States policy of supporting the GRC and rejecting recognition of Communist China should be continued." Any equivocation in this regard would risk the loss of the progress made in the past decade in the area and would have unsettling effects elsewhere.

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SINO-SOVIET RELATIONS

In the relations between Communist China and the Soviet Union cohesive forces remain greater than divisive forces. This is likely to be the case for the foreseeable future. Differences are present, however, and the past year has made them more evident than at any time since the inception of the Mao regime. We should be alert to opportunities to exploit and exacerbate Sino-Soviet frictions. In doing this, care must be taken not to exult publicly over differences where this might well result in encouraging them to submerge such differences. However, we cannot count on a steady progression of these recently demonstrated evidences of Sino-Soviet differences. Deliberate combination of hard and soft tactics by Communist partners is standard Communist practice.

REPUBLIC OF CHINA

Our policy of close association and support of the Republic of China continues to be in U.S. and Free World interest. In the several periods of critical tension affecting Taiwan during the past decade, the GRC has proved itself a staunch and responsible ally of the United States. Economic and military progress of the GRC was noted with satisfaction, particularly evidences that a real economic breakthrough appears possible, of an order which may within the coming decade make Taiwan a viable economic entity. These favorable developments and the contributions which the GRC makes to the Free World security interests in the area should be given wider attention so as to improve the international position of the GRC.

INDONESIA

Although considerable improvement has been made in U.S.-Indonesian relations, and the country appears increasingly resistant to Communist pressures, Indonesia continues to be politically and economically unstable. The nation needs assistance in controlling its deteriorating economic situation, not only through economic aid, but also in the form of highly qualified personnel capable of advising on the manifold monetary and fiscal problems faced by the country. The U.S. should be responsive to these requirements as the opportunity arises. Meanwhile, we should do our utmost to prepare our position so as to create such opportunity.

IMAGE OF THE U.S. IN THE AREA

There is no question that the image of the U.S. in Asia is one more to our interests than was the case a very few years ago. There are several

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reasons for this. Newly independent nations are becoming less sensitive about receiving the help of a powerful friend as they recognize more fully both their own inadequacies and the true nature of the Communist threat to their existence. The issue of colonialism, with which in Asian minds the U.S. has been associated, however illogical this may be, is, except for the problem of West Irian, becoming less troublesome in the area. There is more readiness to turn attention and energy to real problems and a growing realization that the U.S. genuinely desires to see the achievement of those objectives which are to the interest of free Asian nations. Communist actions -- seemingly purposeful demonstrations of aggressiveness and arrogance, general insensitivity to Asian feelings, and other tactical blunders -- have unquestionably contributed to the improved climate for American presence in the area. Perhaps more than any of this, however, the constancy of our strong policies and the demonstration of our capability and determination promptly to meet aggression in the area have contributed to this shift in our favor. Asians have been impressed not only with our resolution in living up to our commitments to them but, equally important, with the care with which we have tailored both the nature and the degree of our responses in the effort to prevent conflict from spreading into large scale warfare.

As a result of this shift in Asian thinking, nationalism, which continues to furnish tremendous drives in the continuing Asian revolution, is more and more inclined to pin its hopes on the Free World. This is true at least with regard to their desire for friendly relations with powerful Western friends in the interest of protection from the Communist threat. We have not yet fully demonstrated, however, that free political and economic institutions can best bring about the rapid entry into the 20th Century which these nations are determined to achieve. The fact that relations with the U.S. have constituted the common denominator in this area, so markedly lacking in regional cohesion, provides us with unusual opportunity and responsibility. Nor can we afford to overlook the intangibles in our relations with Asia. We should, for example, face more forthrightly the fact that racial sensitivities are an unspoken but basic factor in Asian nationalism.

Despite the favorable trends noted above, the long-term impact of Soviet achievements in science, and particularly in space exploration, is cause for serious concern. The conferees noted with concern the extent of the favorable impression created in Far Eastern countries by Soviet successes in the exploration of outer space as contrasted with the unfavorable impressions which arise from the wide publicity given whenever an American failure has occurred. These Soviet achievements have been regarded as primarily intellectual and scientific rather than materialistic or military achievements.

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The increased prestige and influence accruing to the Soviet Union thereby has been accompanied by some loss of confidence in the U.S. ability to maintain or regain preeminence in this field.

Over-all U.S. progress in the scientific field, particularly that relating to the exploration of outer space, is of major importance to the maintenance of the U.S. position in the Far East and Asia. It is essential that such progress be exploited and dramatized throughout this vital area.

The principal role of USIS in carrying out this obligation was recognized, as was the responsibility devolving on the National Space Agency and other scientific agencies of our Government to provide USIS with adequate exhibits and information.

LIMITED WAR CAPABILITY

The realities of the current nuclear stand-off are such that the military danger to Asian nations in the coming years is more likely to arise from limited conflict, ranging from terrorism and organized guerrilla activity through probes of weak spots on the Chinese periphery to conceivably a Korea-type of warfare. While recognizing the strength and mobility of our military forces in the area, the conferees expressed concern lest the U.S. be moving away from an adequate capability, particularly a conventional and anti-guerrilla capability, for dealing with the type of limited war situations which are most likely to arise in Asia.

The aversion in Asia to the use of any type of nuclear weapon is so strong that such use would without question be at great political cost. Accordingly, as much flexibility as possible with regard to conventional vs. nuclear capability must be maintained for the foreseeable future. At the same time, lest our posture lose its deterrent effectiveness care must be taken not to give the impression that we would be reluctant, at least in extremis, to use whatever capability we have in our arsenal in the achievement of objectives vital to U.S. and Free World interests.

In this situation the manpower and conventional capability of indigenous Asian forces play an increasingly important role in deterring aggression in the area. Of these Free World forces, those in Korea, China and Viet-Nam -- three of the world's four divided countries -- are the most important. They and other friendly forces must not only be maintained but sufficient force improvement carried out on a continuing basis to maintain their anticipated roles. In Southeast Asia, emphasis should be placed on effective anti-guerrilla training.

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The need for the U.S. to see that an adequate military counterweight to Communist power is provided in the area is as great as ever.

ECONOMIC AND MILITARY AID

It is essential that our programs of military aid be continued. We may hope that the Communists have learned, as a result of these programs which have substantially strengthened the area, that armed aggression will not pay. In this situation, more attention must be given to meeting the demands of the peoples of the area for an existence beyond mere survival. Emphasis should be placed on long-range economic development, although occasional projects of a special or impact nature will be necessary. Means must be found to render assistance with promptness and efficiency.

The job of demonstrating the possibility of achieving a reasonable rate of economic development through free institutions, without doing violence to human dignity and individual rights, is a big one indeed. The U.S. cannot accomplish it alone. Fortunately, the evident turning of the economic tide in Europe should make it possible for our friends there to assume an increasing role in Asian economic development. The Developmental Assistance Group is heartening, if yet tentative, evidence that this may be possible to a significant extent. There is evidence that Japan, too, may be able and willing to assume an increasing role in this regard in the area. It has shown a notably mature sensitivity to the feelings of smaller nations in its post-war attempts to regain vital markets, and has gone a long way in eradicating ill will engendered during the war.

A special case, however, is the Ryukyus so long as our administration there continues. Development aid there is an exclusive U.S. responsibility. Since the importance of the Ryukyus as our principal operational base in the Far East and the only one under exclusive U.S. control is, if anything, increasing, it is of vital importance to our interests that the present acceptance by the Ryukyus and Japan of U.S. administration continue. An increased emphasis on long-term economic development is prerequisite to this and it is most important that funds be made available to the High Commissioner on an annual basis for this purpose.

THE STATE OF DEMOCRACY

Parliamentary democracy has no deep roots in most of the under-developed countries of the area. It would not be realistic to expect Western-type democracy to flourish in the vastly different Asian environment in those countries. Reversion to authoritarian rule has been a strong and understandable temptation. But the principle of government responsive to popular

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will is not dead or dying in free Asia. Many Asian leaders are searching constructively for ways of combining the need for strong executive controls with the advantages of popular government and respect for individual human rights.

We need to recognize that democracy cannot survive in a country plagued with insecurity and backwardness. We must be prepared to accept the fact that in some cases the establishment of strong, benevolent executive-type governments are required for security, stability and progress. However, we need to avoid close identification with excessively authoritarian regimes which do violence to the basic principles of human dignity and the rights of man, for which we stand. We believe we should be prepared to support the growth of free societies even though such societies may differ substantially from our own model.

REGIONALISM

The area still has little regional consciousness or basis for extensive regional cooperation. Increased regional military cooperation except within SEATO does not seem feasible at this time. However, cooperative efforts in Southeast Asia should be encouraged in order to meet Communist guerrilla and insurgent activity which acts increasingly across national borders.

However, there is a slowly growing interest in some countries of Southeast Asia for increased political cooperation in the face of the growing power of Communist China. This is likely to continue unless there appears to be such a shift in the balance of power in the area adverse to the United States and in favor of Communist China as to make an accommodation with Communist China more attractive to the countries of the area.

Regional economic cooperation is beset with many difficulties but a promising start has been made in such projects as the survey of the lower Mekong River which is being sponsored by ECAFE. U.N. organizations and the Colombo Plan are making important contributions. Japan can also make a useful contribution to this end.

U.S. policies and programs can contribute much to the growth of regional cooperation, especially in the fields of communications and transportation. Accordingly U.S. bilateral programs should, wherever feasible, also be viewed in the regional context. For example, if the road network of the Southeast Asian mainland countries could be so expanded as to provide through highways connecting the countries it could have very material political as well as economic effects, as well as increase the military defensibility of the area.

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Such projects as the Weapons Demonstrations held by CINCPAC, and to which military leaders of all the free countries of Asia have been invited, are also of great value. It is hoped these can be continued.

EXCHANGE PROGRAMS

There was agreement as to the value of exchange programs, especially of the Fulbright and leader grant types. They have proved their worth in the furtherance of mutual understanding and have made significant contributions, in the U.S. as well as abroad, in many fields of academic and practical endeavor. The return on investment in these programs is of such consistently high order as to warrant an increase in financial support of them.

The interests of the U.S. will be well served in the long term by Asians in public and private life who have been educated and trained in America.

IMPLICATIONS FOR U.S. POLICY

We believe that, while we have cause for confidence at this turn of the decade, there is no room for complacency. The past decade has bought time so that in the coming decade we may be able to achieve more tangible and lasting results. If this is to be done we may need to adopt methods, new in both form and dimension, in attacking the problems and seizing the opportunities that lie ahead. There is need for broader recognition of the degree to which developments in Asia are sure to affect vitally our own future security and well-being, and consequently, for increased emphasis on the importance to us of Asian problems. If we are to enlist the understanding and support of nations in this area whose importance is accelerating so rapidly, we shall have to demonstrate more clearly that we act confidently from the basis of positive conviction in the superiority of our institutions over those of Communism or any other totalitarianism. Since the immediate post-war period, when there was indeed a possibility that not only much of Asia but even Western Europe itself might fall to Communism, we have too often succumbed to the temptation of attempting to motivate the American people and to enlist the support of Congress on the basis of emphasizing the threat which we face. The threat undeniably still remains, but we should give more attention to engendering confidence in ourselves and in others, not alone in the constancy of our policies and the promptness and effectiveness of our responses to force, but also in the positive values of our fundamental beliefs and free institutions. Survival is elemental, but in the Asian mind the survival bought through mutual effort in the past decade is for the purpose of achieving far more positive goals than mere maintenance

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of territorial integrity. The passing of a crisis atmosphere as chronically characteristic of the area affords us an opportunity to plan and act for the longer haul. For these plans and actions to be effective there must be continuity and consistency. We must have no backing and filling on basic policy and no succession of feast and famine in our economic and military programs. We must keep everlastingly at the job with a will and confidence in ultimate success. We see no other choice open to us.

ADMINISTRATIVE MATTERS

Personnel

The conferees recommended that the tour of duty policy as recommended in last year's report (Section F. 1., Conclusions and Recommendations) be placed fully in effect. Considerable progress has been made. Direct transfers should be avoided except under special circumstances.

Revision of the existing efficiency rating system was discussed. Those present agreed that over-all numerical ratings should be discontinued.

Buildings

Progress in the buildings field was noted. Establishment of a Buildings Needs Committee with sub-committees in each regional bureau has afforded the regional bureau the opportunity to state its most critical requirements. This has resulted in a greater recognition of and fuller response to the needs of the Far East area. It was agreed that there is a need in several countries for construction of single-occupancy apartments to house single people. Experience has particularly demonstrated that serious morale problems arise when single girls are required to share apartments.

Cancellation of the requirement for submitting detailed annual maintenance and repair estimates has lessened the paper workload, and establishment of allotments to regional F.B.O. representatives of modest funds to make routine maintenance and repair of furniture and furnishings has afforded welcome flexibility. It is recommended that F.B.O. insure that posts are aware of these allotments and the purposes for which the funds may be used.

The presence of Deputy Under Secretary Loy W. Henderson afforded a highly valued opportunity to discuss with the Chiefs of Mission personnel and administrative matters essential to the welfare and operational effectiveness of the Service.

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Mr. Henderson agreed to circularize at a later date a letter dealing with a number of these problems.

Ellsworth Bunker,
Ambassador to India

Homer M. Byington, Jr.
Ambassador to the
Federation of Malaya

Everett F. Drumright,
Ambassador to China

Elbridge Durbrow,
Ambassador to Viet-Nam

John D. Hickerson,
Ambassador to the Philippines

U. Alexis Johnson,
Ambassador to Thailand

Howard P. Jones,
Ambassador to Indonesia

Julius C. Holmes,
Consul General, Hong Kong

Douglas MacArthur
Ambassador to Japan

Walter P. McConaughy,
Ambassador to Korea

Francis M. Russell,
Ambassador to New Zealand

William J. Sebald,
Ambassador to Australia

Horace H. Smith,
Ambassador to Laos

William P. Snow,
Ambassador to Burma

William C. Trimble,
Ambassador to Cambodia

William P. Maddox,
Consul General, Singapore

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II. INTRODUCTORY REMARKS BY ASSISTANT SECRETARY PARSONS

As Chairman, Mr. Parsons opened the Conference, welcoming the observers who had traveled long distances to attend, expressing his thanks to Ambassador Hickerson and his staff for the excellent arrangements made, and mentioning in particular his pleasure to have as participants Ambassador Bunker and Deputy Assistant Secretary Morgan. Mr. Parsons cited Ambassador Bunker's presence at the Conference as an attempt this year to present a picture of the Far Eastern area as seen from India, a key country in considering the future of Asia. He expressed deep appreciation for the presence of Deputy Under Secretary Henderson at the Conference, and for his subsequent visits to a number of FE posts.

Mr. Parsons emphasized that no specific policy decisions or objectives had been set for the deliberations and that the participants should aim at free discussions of points that they considered of importance. Nevertheless, it was planned to produce again this year three documents which had been useful in the past: first, the Summary Conclusions and Recommendations of the Conference which had proved of continuing value to the Bureau, and were most helpful in the drafting of the NSC Policy Paper on the Far East last year; second, a letter to the Secretary on the Mutual Security Program, including comments of the Conferees on the proposed Mansfield Amendment; and third, a brief communique for the press. Three Committees were established in advance of the Conference to work on the drafting of these three documents.

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III. A. WORLD REVIEW BY DEPUTY UNDER SECRETARY HARE

Mr. Hare opened his review by saying he would cover four areas, beginning with Europe, which is still the main ring of the circus.

Western Europe

Mr. Hare characterized the Scandinavian countries as normally undramatic, and the Iberian Peninsula as showing the stagnant characteristics of the aftermath of dictatorship. In the Low Countries, we have had some difficulty with the Netherlands over KIM routes and with Belgium on Congo problems, including that of an oversupply of nuclear ore, for which India is a possible purchaser. However, Belgium seems more willing now to discuss Congo questions with us. Italy continues to try to inject herself into world affairs, but the problem is that she is internally weak.

As far as France is concerned, DeGaulle is France, and vice versa. His main preoccupations are the home front, Algeria and external affairs, in that order. He is motivated primarily by a psychological and subjective desire to restore France's prestige, and is extremely nationalistic in his thinking. Desiring to be an equal in the Big Three, he has evolved his "Directorate" idea. He believes in cooperation, but not integration, and particularly not integration in a military sense. He fears a US-Soviet agreement, and is therefore pushing the concept of Europe as a third force, while the US wishes to see Europe thoroughly integrated into NATO. DeGaulle sees the Soviet threat primarily as lying outside Europe, and considers China a greater threat than the U.S.S.R. He obviously wants to see France a member of the nuclear group and he wishes firm European solidarity, but with France as its leader.

The U.S. regards DeGaulle as the only person who can put backbone into France and give it a boost forward. We are not fond of his Directorate idea, some of his advanced ideas on black Africa, nor his hesitancy on full European integration. However, in sum, it is better to have a strong, though at times difficult, ally than a weak France, and we do not anticipate that DeGaulle will go off the deep end.

Germany is a slightly different phenomenon, not quite so dependent upon the personality of one man. Germany has shown a phenomenal capacity for recovery, which would undoubtedly have been demonstrated regardless of Adenauer's leadership. Adenauer nevertheless is a very strong man, who exhibits deep faith in himself as a repository of wisdom.

Adenauer talks re-unification without really believing it can be solved in the near future. He concentrates seriously on more immediate questions such as the German alliance with the Free World, Franco-German

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friendship, European integration, and disarmament, feeling that this last in particular would eliminate the German problem.

Great Britain also has made a remarkable economic comeback. She is a good ally of the United States but her strength is less than our own, and therefore there is no real equality in terms of power. For this reason Britain tends to concentrate on diplomacy, hoping that her diplomatic skills can make up for other weaknesses.

Eastern Europe

In Eastern Europe, the doctrine of "many roads to Socialism" has produced a spectrum with the Poles at one end and the East Germans and Czechs at the other. While there is real tension in Eastern Europe, the U.S.S.R. knows that this area is its jugular, and there is no indication that the Soviet satellite system is about to fall apart.

Khrushchev is in a strong position in the U.S.S.R. His personality cult is being developed, but apparently intended more for the outside world than for internal purposes. The emphasis on incentives and productivity has created problems with the old line party members. The current U.S.S.R. line is that Socialism has been achieved and that Communism must now be attained. However, the new Soviet man has not developed as imagined. Bourgeois tendencies and class concepts have emerged. Incentives established to increase productivity have abetted these tendencies. This is Khrushchev's problem, stated theoretically as dogmatism vs. revisionism.

As for the relations between the party and the people, there is a tendency for the people to take the credit themselves for Soviet accomplishments rather than crediting them to the party leadership. At the same time, the heavy industry race with the U.S. slows the rise in living standards. In summary, the effort to increase productivity by incentive has produced certain obstacles to the achievement of the communist system.

Soviet economic achievements have been formidable, as suggested by certain key statistics:

1953 - 1959: Industrial output has increased 75%;

Agricultural output has increased 50%;

Industrial growth has risen 10% a year (compared to 3% in the U.S.);

Goal: to overtake the U.S. in 1970.

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<u>GNP</u> (% of U.S.):	Projected		
	<u>1953</u>	<u>1959</u>	<u>1961</u>
GNP	35%	46%	57%
Industrial portion	26%	39%	50% (100% by 1975)
Agricultural portion	55%	65%	75% (by 1965)

The consumer has benefited somewhat, but the greater part of increased production has been reinvested. Consumption in the U.S.S.R. is only one-fourth that of the U.S., and the consumer share of total GNP is decreasing. However, the consumption rate is improving by 3.5% per year, which is a higher rate than in the U.S. Therefore, psychologically, the low absolute consumption level is offset by a conspicuous rate of improvement.

Soviet foreign trade is only 1.4% of world trade but is increasing, particularly with the under-developed countries. Soviet foreign aid amounted to 8.5 billion dollars by 1959, the major part going to the Soviet bloc. This aid has not hurt the Soviets much, though the Soviet citizen is not enthusiastic about it. It has been largely in loans, and much of it has been sub-contracted to the satellite countries. Soviet aid to the under-developed countries has emphasized the buying of unsalable products. Most Soviet aid has been economic rather than military. The principal beneficiaries have been Egypt, India, Indonesia, Afghanistan, Guinea and Ethiopia. When the French unwisely withdrew all their technicians from Guinea, Soviet technicians replaced the French at all levels, and Soviet penetration has been enormous.

Mr. Hare described how the Soviets have substituted education for religion and have mobilized the sciences and technology to challenge, and not to cooperate with the rest of the world. He warned against underestimating the Soviet potential in this respect and cited the ever-increasing figures of the number of specialized graduates in the U.S.S.R., which we are far from matching. Quoting a recent Rand Report, he said the Soviets might well be considered to be first in space technology, and might even put a man on the moon this year.

With regard to military developments, the Soviets are concentrating on long-range striking capability, with decreasing emphasis on manned aviation. Also, their air defense has increased significantly, to the concern of SAC. They could hurt our economy badly now, but are not yet capable of knocking out our deterrent. There are two ways that this might eventually be accomplished -- by saturation or by increased accuracy.

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In sum, the Soviets are in good shape for war and for peace, with no present fear of either. This is evident in Khrushchev's cocky attitude. Their policy is still to hasten the "inevitable", meanwhile attempting to lower our guard by plugging the themes of coexistence and summitry. Accordingly, we are cautious concerning these concepts.

European Regional Problems

Mr. Hare described briefly the various preparations that we have been making, particularly for the Summit, and the difficulties we have been having with some of the smaller countries. Final agreement was reached that there would be three committees to deal respectively with: Disarmament, Berlin and Germany, and East-West Affairs. These committees are composed respectively of five, four and three powers. Besides the U.S., U.K. and France, the first committee includes Italy and Canada, the second Germany, and the third a NATO observer to look after the smaller nations' interests.

Because the disarmament question was so involved, Mr. Hare outlined briefly some of the major aspects, emphasizing two main aspects: First, the question of nuclear testing, on which some progress has been made, and of which the key problem is detection. It is now a question of which side will give way -- the Soviets on their stand for complete abolition, or the West on our "threshold principle". Second, the question of general disarmament; it is interesting that in these negotiations we have reluctantly accepted the principle of parity -- that is, there will be five Bloc countries opposing five Western ones. The principal questions center around force levels, conventional armaments, and outer space. There is a possibility of some progress on the force levels and outer space, but the difficulty on the former is, of course, what to do about the Chinese Communists, who have the largest conventional capability. Negotiations without them are meaningless, and yet including them would raise the problem of implied recognition in some minds.

On the third committee, subjects such as East-West Relations, non-interference in internal affairs of countries, and aid to other countries are included. The French have been rather difficult in this committee. They want these agreements to take into account spheres of influence.

There are several outstanding economic problems relating to Europe. First, the OEEC, which began as a European device to share Marshall Plan aid, is in the opinion of the U.S. outdated and should be revised to include the U.S. and Canada. Secondly, there are differences between the EEC (common market) and the FTA (UK-backed). The U.S. has backed the EEC primarily as a device to promote European integration. The U.S. is dubious about FTA.

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Africa

The rush for independence continues in Africa. The schedule for independence this year includes a number of countries, with more to follow. There is little rhyme or reason to the way Africa is emerging. National boundaries are based on former colonial divisions, often quite arbitrary, rather than on any more natural or logical distinctions. There has been much talk of union, but there are tremendous obstacles; instead, we have a sort of "Balkanization" of Africa.

The independence movement in Africa is anti-colonial and neutralist as in other areas, but there are differences, including a desire to maintain economic relations with the colonial powers and the presence of large foreign communities. The African nationalist movement has shown itself to be less hyper-sensitive than similar movements elsewhere. National "dignity" has specific historical precedents for nationalists in the Near East and Far East, while there is no such tradition in Africa.

The emergence of new countries in Africa has created numerous international problems. In the UN, African and Asian nations in a few years will be able to swing the balance. There is the serious problem of Soviet penetration in these new countries. For the US, there is the problem of organization and money to enable us to play an influential role in the area.

The Afro-Asian solidarity movement is worthy of special mention. The initial Cairo Conference in the beginning of 1958 caused considerable concern among the Western allies. The movement had Nasser's backing, and spuriously claimed to follow in the footsteps of Bandung, although new countries were involved and the U.S.S.R. was represented. The movement, however, has not developed as ominously as feared. There has been a certain disenchantment with Communist participation among the members, and an effort to keep the movement on a neutralist line. This has created a split between the neutralists and the pro-Communists in the movement. In summary, the movement has not caught on as expected and the more responsible leaders in the Afro-Asian area are suspicious of it.

Western Hemisphere

Mr. Hare spoke of the President's trip to Latin America as "good will" rather than substantive, with its main purpose to set to rest any feeling these countries might have of being relegated to a second rate status by the U.S. The public response was good, and the few disagreeable incidents were exaggerated in the press. One of the conclusions from the tour was that we should look at each country differently and not just lump the area together as "Latin America". Development must be locally generated with our help. There is obviously tragic misunderstanding of the U.S., as well as

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a real general fear of future Cuban-type revolutions. In this connection, there appears to be general support for our present restrained policy on Cuba. The greatest desire in Latin America is for us to talk to them and to take them into our confidence, meeting them as equals. Consultation is the best way to meet this desire.

With specific regard to Cuba, our aim is not to antagonize the Cuban people nor to take any specific action that would rally general support behind Castro. However, our public and Congress are becoming increasingly restive. There is no doubt of solid Communist infiltration in Cuba, and Mikoyan's visit did much to cement relations with the U.S.S.R. The question is how long we can maintain this attitude; and we must always keep in mind the strategic importance to us of Guantanamo Bay.

Our difficulties with Panama, primarily over the Canal Zone, have political and economic connotations. There has been talk of a new canal through Panama, since the present one will become saturated by 1975. In the Dominican Republic, Trujillo is in real trouble. There is the possibility of a Castro-type revolution.

Our relations with Canada have improved recently, but Canada's strongly nationalistic government is very sensitive about being taken for granted. In some instances, particularly military projects, Canada has dragged its feet for fear of annoying the U.S.S.R. It has also opposed us on our China policy, but the Tibet and China-India dispute has helped on the latter score.

Conclusions

In conclusion, Mr. Hare raised several points which he felt we should keep our eyes on. The first was the future of bi-polarity in world affairs. It is necessary for us to make progress in the military and disarmament fields, and in the economic area we must watch our own stability and yet be prepared to take up the Soviet challenge on aid. Also, we must be prepared to accept the challenge in the battle for men's minds. We should keep in mind the possibility of a third force which might take shape in Europe or China or India or Japan. If bi-polarization fades out, it would seem the trend would be toward greater internationalization.

Mr. Hare spoke of nationalism and how the U.S. always seems to be hit on this score, whereas the Soviet Union, basically opposed to nationalism, exploits it successfully in propaganda. The U.S. is traditionally sympathetic to nationalism and we should be able to assume a less defensive position. In this connection, he mentioned the emerging and re-emerging countries of Africa, the Near East and Southeast Asia. We have assets in

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these countries in our institutions, our economic aid, and our language. We should also get increased assistance from our European allies who have now recovered economically.

In the divided and satellite countries, we must keep hopes alive and in the former, finally promote union on our terms. The U.S.S.R.'s jugular vein is Eastern Europe. If they lost that, there is no hope of their propagating Communism.

We should take an understanding view of neutralism and should be able to acquiesce in this posture in some areas and countries without weakening our own position.

We should also keep our eye on the union movements that are cropping up both in the political and economic fields, particularly in the Near East and Africa.

We must also keep up in the scientific and technical race and it would be well for us in our own work that there be greater and more generalized indoctrination in this field.

Finally, we must ask ourselves if we are fully aware that life expectancy in the have-countries is shortened if softness develops. In this connection, to jolt us from our mood of complacency we need to give ourselves an occasional kick in the pants.

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Under Secretary Dillon went to Europe in January to discuss these matters with the Europeans, and their conversations resulted in:

(1) The establishment of a trade committee to discuss differences between the EEC and the FTA. Discussions are to begin this month.

(2) The creation of a committee of four "wise men" to discuss revision of the OEEC and to report by April 21.

(3) The establishment of an Interim Group pending the OEEC revision. This group is made up of Belgium, Canada, France, Germany, Italy, Japan, Portugal, the U.S. and the U.K. This is not a formal, operational organization, but rather an interim body to insure the continued availability of capital on suitable terms.

Near East and South Asia

In the NEA and GTI areas there is relative political stability, but economic dislocation persists. The Soviets have adopted a sugary attitude towards the Greeks and a tough line with Iran.

The Arab situation will continue to be volatile, but is somewhat quieter now than it was a short while ago. Forces are in better balance in Lebanon, Saudi Arabia and Egypt (which seems to have gone through its anti-U.S. phase). The union of Egypt and Syria is anomalous in the long term, but is a repetition of history.

With regard to India, the U.S. has attempted to avoid an "I told you so" policy on the Tibet and Sino-Indian border problems, while maintaining a sympathetic attitude. The U.S. has also tried to avoid involvement in the India-Pakistan problem. There has been talk of India and China as rivals and competitors, but it must be emphasized that China is far ahead of India in terms of absolute accomplishment. A far greater effort will be demanded to enable India to catch up.

Pakistan appears to be a little better off internally, and its relations with India have improved. Afghanistan is more of a problem. While it will undoubtedly continue to follow its policy of neutrality, it has gone far in its cooperation with the Soviet Union. Khrushchev was just there and, interestingly enough, came out in favor of Afghanistan in its border dispute (Pushtunistan) with Pakistan, using the doctrine of self-determination as justification.

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III. B. GENERAL DISCUSSION FOLLOWING DEPUTY UNDER SECRETARY HARE'S REMARKS

Mr. Henderson said he wanted to raise the delicate question of racialism and emphasized that in the past 60 years, there has been a casting off of worldwide control by peoples of European origin. As a result primarily of the two World Wars, there had been a takeover both internationally and internally by peoples of non-European origin. Mr. Henderson emphasized that in any projection over the next ten years, this trend cannot be ignored. He said that in many instances what is called nationalism is in reality racialism.

Mr. Parsons said that he wanted to elaborate on FE's involvement in the disarmament negotiations. He said that the problem of Communist China is the basis of this concern. In 1957, a policy had been worked out at the highest levels of Government which was based on the determination to attempt to discover, before all else, the Soviet Union's real intentions with regard to a disarmament program. It was on this basis that Ambassador Wadsworth had begun negotiations on nuclear testing a year ago. Mr. Parsons added, however, that the problem of Communist China is not so acute in negotiations on nuclear testing because China is not yet a nuclear power.

It is on the question of general disarmament, upon which negotiations will begin soon, that there is cause for particular concern. U.S. leaders are unanimously and sincerely desirous of facilitating Mr. Eaton's negotiations. However, FE is concerned lest discussion of force levels trigger prematurely the question of Communist China's participation in disarmament negotiations.

There are three phases of the negotiations which might work to this end. (1) Mr. Eaton has been instructed to propose a number of studies on disarmament, including the feasibility of a general disarmament conference. This would inevitably raise the question of Communist China, possibly before the sincerity of the Soviet Union's intentions could be determined. FE has feared that this might take the Soviet Union off the hook and enable it to use the issue of Communist China's participation to stir up dissension among the non-bloc countries. In this regard, Communist China only recently announced that it would not honor any disarmament system to which it was not a party, and implicitly, a negotiating party. However, the U.S.S.R. has thus far avoided the question of China's participation in disarmament negotiations. (2) The United States will inevitably want to raise the question of an escape clause in any general disarmament program and this discussion could not be meaningful unless the question of Communist China were raised. (3) The question of second-stage reduction of forces. Reduction of force levels could have serious consequences with regard to the United States' ability to maintain its security arrangements in the Far East. Here again the question of a settlement of the Communist China question might be raised

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prematurely. Moreover, there is concern that the question of Communist-China might be raised in the first negotiations in which there will be a parity between the Western and Bloc representatives.

Therefore, FE has favored a reassessment of general disarmament negotiating plans, and hopes a new tactics paper will clear the Department which will seek to minimize the risks involved and delay the moment when the question of Communist China will enter the negotiations.

Mr. Knight added that general disarmament principles had been agreed upon, but the big question in Defense is how to implement them. Defense cannot agree to force reductions before the Soviets are smoked out, and there is therefore a need to adopt delaying tactics until a real evaluation of Soviet intentions can be made.

Ambassador MacArthur said that on his recent trip home, he noted considerable restiveness on the Hill regarding our Chinese policy, and asked whether Mr. Parsons could give some assessment of Congressional sentiment on that score.

Mr. Parsons replied that this, of course, was of vital importance but very difficult to assess at present. There was, however, one distinctive aspect. The House supports our China policy unquestioningly and the House Foreign Affairs Committee in particular appears to understand it and its implications for all the countries around the rim of the Chinese mainland. As a test of House sentiment, he noted the overwhelming vote against Chinese representation in the United Nations. In the Senate, however, there are several prominent figures who in an attempt to be constructive are exploring ways of entering into meaningful negotiations from which both sides could benefit. The whole question should be fully aired, because the Chicoms have indicated that no compromise would be acceptable to them which would not involve relinquishment of Taiwan and U.S. withdrawal from the West Pacific.

Mr. Parsons quoted the People's Daily's immediate and strong reaction to his recent Wisconsin speech outlining the United States China policy. He said it reaffirmed his feeling that the Chicoms want an agreement that will be 1,000% on their terms. With further regard to the Senate, he thought the chances somewhat less than even for a major debate this session on China but noted that all Democratic presidential candidates are understandably looking for a foreign policy issue to exploit.

The Conference participants expressed a general desire to receive copies of the People's Daily article. (Note: sent participants under cover of letter from Frank Lockhart, dated April 11, 1960.)

Minister Holmes said he felt a concentrated campaign was necessary to explain our China policy not only on the diplomatic front, but more

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especially to the U.S. public. He noted that for several reasons our China policy had a bad reputation in many quarters. It was considered negative. We should show that the true negativism is on the Communist side. The weakness of our posture lies in the way it is explained.

Ambassador MacArthur added that in Congress some younger elements are beginning to realize that they can make names for themselves in the foreign policy field, and are exploiting our China policy to this end.

Mr. Parsons agreed with both speakers and illustrated how difficult it was to get the issue before the American people. While diplomatic missions had reported a significant response to his Milwaukee speech abroad, even the New York Times did not print a commentary on it.

Ambassador Drumright related his shock in discovering the sparse foreign news coverage in the U.S. press when he was home recently.

Ambassador Johnson stated that in his experience serious-minded Congressional visitors are impressed by FE arguments in favor of our China policy.

Mr. Morgan added that if the fact that our China policy is primarily a response to Communist China's aggressive actions were constantly emphasized, it would inevitably transmit itself to the general public.

Ambassador McConaughy felt that additional work should be done to prepare the American people for the possibility of dealing with Communist China without recognition. Mr. Parsons agreed and emphasized that the U.S. is already negotiating more with Communist China than are many others.

Ambassador Hickerson asked if the U.S. did not sign international conventions with the U.S.S.R. before recognition. Mr. Henderson confirmed that we did, noting that the acts were not to imply recognition.

Minister Holmes asked if Mr. Parsons' speech on the China policy would be publicized. Mr. Parsons answered that a pamphlet on his Milwaukee speech had been published by the Department. It would reach students and academic people, but not the public at large.

Ambassador Byington suggested that FE discourage Congressional economic studies which postulate a change in U.S. policy toward Communist China and which speculate how such a change might affect other governments' trade with Communist China. He explained that governments in the area are extremely sensitive to any indication of any possible change in U.S.-China policy.

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Mr. Parsons stated that FE is also disturbed by the proposed economic studies, one of which was recently requested by Senator Magnuson. It is difficult, however, to turn them down without giving the impression that the Department has something to hide. He added that the Secretary is personally interested in the problem.

Mr. Allen suggested that one of the difficulties in selling our China policy is that it appears too static. Mr. Henderson added that it is at times almost apologetic. Mr. Parsons agreed and added that the Department should definitely not be half-hearted in its exposition of the policy.

Ambassador Durbrow remarked that President Diem is interested in knowing whether the question of divided countries will be generally discussed at the Summit Meeting inasmuch as the German question will be given such prominence. Mr. Parsons answered that he has had no such indication. Ambassador McConaughy mentioned Korea's concern that unification on acceptable terms not be neglected in any summit Far Eastern discussion, while Ambassador Durbrow explained that President Diem is insistent that Viet-Nam not be discussed in such a forum. Ambassador Drumright added that Taipei has registered similar concern lest the general question of divided countries be raised at the Summit Meeting.

Minister Holmes suggested that the disarmament negotiations might give an opportunity to maneuver Khrushchev into an embarrassing position with regard to Communist China.

Mr. Parsons agreed and added that Mr. Murphy had emphasized this possibility just before leaving the Department, but that the U.S. must be careful how it is accomplished. The tactic is based on what is sometimes referred to as the "doctrine of partial responsibility" inasmuch as Khrushchev talks peace and disarmament, while Communist China acts in completely opposing fashion. The feeling is that we should not allow Khrushchev to play it both ways. Both Mr. Herter and Mr. Dillon have emphasized this. However, there are those who oppose such action. Ambassador Bohlen, for example, fears that we might push the Soviet Union and Communist China together at a time when decisive forces are pushing them apart. The policy must be carried out carefully but there seems to be no harm in showing how hollow Khrushchev's statements are.

Ambassador Drumright pointed out that Khrushchev is also vulnerable on his divided Germany policy, which is anathema to Communist China.

Ambassador Johnson raised the question of the need for a counter to Soviet claims of spectacular economic growth. He wondered whether there were not some ceiling on their rate of growth, mentioning that 50% of the work force was engaged in food production as opposed to the 12 to 15% in

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the U.S. He added that he realized that the statistics were not reliable and that much depended on base figures. He noted the danger of appearing to suggest that the Soviet Union was indeed the wave of the future and proposed that the Conference should express the need for counter propaganda, such as a summary of United States accomplishments in terms of production.

Ambassador Hickerson observed that low base figures for Soviet production made it possible for small absolute production increases to show up as immense percentage increases, while U.S. production, with high base figures, yielded low percentage figures even with high absolute increases. He noted further that the use of percentages rather than absolute figures in Soviet production was grossly misleading.

Mr. Henderson said that he thought it unwise to deprecate Soviet growth rates, particularly as advances were concentrated in the field of heavy industry, which most directly increased the U.S.S.R.'s power potential. In contrast, great increases in television set production and gadgetry in the U.S. did not add to U.S. national strength.

It was generally agreed that it was important to recognize the separate requirements of (a) domestic policy, which demand frank recognition of U.S. failures to devote adequate resources to the increase of national strength, and (b) the foreign propaganda requirement of not encouraging the world to believe that the Soviet achievements in increasing national power in the fields of weapons, science, and education were calamitously superior to that of the Free World.

Ambassador MacArthur noted that there had been a series of gaffes by the Soviet Union in Asia and questioned whether they were caused by stupidity or by other reasons, such as ignorance. Mr. Parsons said he personally felt these Soviet mistakes came from the compulsive nature of their ideology that dulls their sensitivity to the views of others. Mr. Henderson and Ambassador Bunker agreed, and the latter cited Khrushchev's ill-received speech to the Indian Parliament on the value of the one-party system.

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IV. A. REMARKS BY THE HONORABLE FELIXBERTO SERRANO, PHILIPPINE SECRETARY OF FOREIGN AFFAIRS

Mr. Parsons opened the afternoon session by introducing Secretary Serrano to the group and the participants to Secretary Serrano. Secretary Serrano began by expressing his hope that Baguio would continue to be the site of the Conference, and his pleasure to be invited again to address the group.

Secretary Serrano stated that he hoped that he had been invited not simply as the Foreign Secretary of the country in which the Conference was being held, but because the Philippines is the staunchest ally of the United States in the area. He affirmed that despite legal differences and family quarrels, and regardless of specific military arrangements between the two countries, the Philippines would always stand by the United States in times of peril.

He said that the Conference is of importance to the region and therefore to the Philippines and that the importance of the Conference to the United States is evident in the distinguished participation in the Conference. He said that he would like to take the liberty of covering some of the salient features of the region, not just the tremendous population and area involved, but the variety of political arrangements which are included. He cited the uncommitted nations of the area, others with commonwealth ties, and those openly allied with the United States. At the same time, he mentioned the numerous criss-crossing defense arrangements such as SEATO, United States bilateral treaties, and the Communist alliances. Lastly, he pointed to three potential colossi in the area -- Red China, Japan, and India. Red China is opposed to the United States, Japan is allied, and India is neutral. By reason of their know-how and economic power, these are the three principal indigenous forces in the area. At the same time the U.S. is the common denominator in this multiplicity through its treaty arrangements and active interests in each country of the area.

Secretary Serrano said that he would like to review the role of the United States in the Far East from the Philippine standpoint. First, the progress of Communism appears to have made the U.S. realize that it must take an active interest and discharge its responsibilities. Isolation would make the U.S. position precarious. The Philippines is not concerned whether Europe or Asia is first in U.S. eyes, but rather with the nature of the U.S. role in the Far East. Serrano mentioned five distinct methods used by the U.S. in the discharge of this role: 1) Regional alliances; 2) Bilateral treaties; 3) Economic programs; 4) Informational activities; and 5) the "check-mating" of Communist China with Japan and India. He said that from the Filipino view the U.S. objectives of regional security and

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democratic ideals and its methods of achieving these objectives are sound. It is rather the attitudes and techniques relied upon which are more vulnerable to criticism. First, the U.S. seems to demonstrate a fear of Communism more than a faith in its own system. This leads in turn to an emphasis on certain conditions in the granting of assistance rather than an emphasis on generosity. The U.S. is therefore not reaching the heart of the recipients of its aid, and instead creates the psychological impression that the recipients are being bought.

With regard to SEATO, there is a tendency for Asian members to compare NATO and SEATO and to feel that the UK and France, who no longer have substantial interests in the area, are not seriously concerned with the military aspects of the treaty. The Philippines has readily come out with bold statements of support for U.S. actions counteracting Communist use of force in the area. The economic aspects of SEATO also need more emphasis. The economic provisions of SEATO have been largely ignored, with only token amounts for schools and fellowships.

The U.S. must attempt to understand the Asian heart. Heart more than mind is important to Asians.

U.S. assistance to Japan and India creates the impression of the deliberate development of a counter-poise to Communist China. Asians in less developed countries feel that by pursuing this course the U.S. is creating a potential industrial and military vacuum in Southeast Asia, and that if the U.S. is forced by necessity to withdraw from the area, it will be defenseless against Japan or China. These are the Philippine misgivings. As long as the U.S. is in the area, well and good, but if the U.S. is forced to withdraw, the military and industrial power of China and Japan (India is not yet a real threat) will pose a danger to the area.

Mr. Parsons thanked Secretary Serrano for giving the Conference the benefit of his views, and said that he hoped that the United States will show more clearly in the future that it feels deeply the things that it is for and is less concerned with the things it is against. He emphasized U.S. resilience and U.S. confidence in its ability to protect the freedom of the area.

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IV. B. GENERAL DISCUSSION FOLLOWING SECRETARY SERRANO'S REMARKS

Ambassador Johnson said he felt Secretary Serrano's views on the question of our being motivated by confidence or by fear indicated the need for us to have reason for confidence in ourselves. Referring to the morning discussion he thought comparison of the U.S. and the Soviet Union was not as bad as it might seem, and mentioned specifically percentage figures on economic growth. Mr. Hickerson agreed, and said we must remember that growth from nothing always must be rapid and that comparative figures of annual growth often have little meaning. We need something valid from Washington which can be used in the field. There was general agreement on this need.

Mr. Henderson stated that from a public relations point, these Soviet figures are not good. He cautioned, however, that rapid U.S. strides in certain areas, for instance consumer goods, are not indicative of growing strength. What is really important is the amount of U.S. industrial effort that is devoted to strengthening the basic power of the nation. Mr. Hare agreed, and noted that in terms of absolutes, the Soviets were putting effort into items of strength like basic military and economic development.

Minister Holmes questioned what was going to happen to the political and social aspects of the Soviet State and what effect this effort toward power would have internally. This led to a general discussion on whether the Soviet regime was or was not undergoing pressures that might change the regime and whether the power balance was going to continue to change in favor of the Soviet Union. Mr. Henderson noted that internal pressures on the Soviet monolith had been hopefully discussed for years. Mr. Parsons said that he felt it was encouraging that there appeared to be in some of the more influential sectors in the U.S. a desire to re-examine the trend and see whether we were following the path toward strength or not. Mr. Henderson felt that what was needed was precaution, not fear and also preparation for the worst. Ambassador Durbrow agreed and said that it was foolish for us to think we could sit back and wait for the Soviets and the Chinese to break. Ambassador Smith questioned how serious were the strains within the Sino-Soviet Bloc and Mr. Durbrow answered that he could see no fundamental disagreement between them.

Mr. Allen asked what Secretary Serrano had in mind by his statement concerning the U.S. fear of Communism and the conditions imposed on U.S. aid. Ambassador Hickerson answered that it was partly Filipino rhetoric, but added that Serrano also referred to our emphasis on the threat from our enemies. Ambassador Hickerson explained that we couched our appeals to U.S. public opinion in these terms and these statements are widely publicized in the Philippines.

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Mr. Parsons added that we make other countries feel that they are more important to us than we are to them. A difficulty is that we must emphasize this to our own Congress. Ambassador Hickerson remarked that a Filipino businessman had recently told him that he felt we should emphasize the economic benefits accruing from our aid rather than the military justification. Ambassador Johnson asked whether we must still use the old approach to Congress. Mr. Knight commented that it is not just our Congressional presentation but also our actions that give rise to this attitude. Mr. Henderson added that it is not just Congress but also the taxpayer who is involved; the taxpayer must still be frightened into paying increased taxes.

Ambassador Durbrow commented that our emphasis on aid to Japan, India and Taiwan has created the impression, as indicated by Serrano's statements, that we will short-change the other countries in the area. Ambassador Hickerson added that Serrano is genuinely concerned over the potential Japanese threat and also feels that the Philippines have gotten the short end of the deal in aid relative to Japan.

Ambassador Snow stated that Mr. Hare had raised a point that perhaps should cause more concern than the Soviet-U.S. economic race. Khrushchev, in his visit to Rangoon, chose to emphasize Soviet scientific achievements. This line impressed his listeners, and it seems that the U.S. is less in a position to refute the Soviets on this than on any other point. Our Leader Exchange Program has been successful because of US technological prestige, and it is the elite to whom the Exchange Program in these countries is directed who are impressed with Soviet scientific accomplishments.

Ambassador Trimble confirmed that there is a similar problem in Cambodia. Sihanouk went to Red China and was much impressed by the same thing. However, as he is always very flattered to have information passed to him on a confidential basis, perhaps something could be arranged along this line to impress Sihanouk with U.S. technological prowess. Ambassador Snow remarked that the recent bathosphere achievements made a favorable impression on Rangoon through the efforts of one friendly editor.

Admiral Felt commented that he was very interested in this information, for he had been asked earlier in the week when he appeared before Congress what reaction there had been in Asia to the bathosphere and had responded that he had seen nothing to indicate that the bathosphere operation had gotten a play in the free Asian press.

Mr. Parsons remarked that weapons demonstrations have been an effective technique in the past.

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Ambassador Snow explained that he had been referring not so much to the military as to Soviet intellectual and scientific achievements as having impressed the Burmese. Ambassador Johnson commented that U.S. press agencies have played an important role in undermining U.S. prestige in the scientific and military fields by playing up our missile failures. Mr. Henderson mentioned that he would like at some point during the Conference to discuss with the ambassadors individually their experience with science attaches.

Ambassador Sebald suggested that the Chiefs of Mission themselves might at some time witness a weapons demonstration to be able to discuss U.S. military power more effectively.

Admiral Felt stated that such a demonstration could be arranged in Okinawa, perhaps after next year's Conference.

Mr. Parsons pointed out that Ambassadors Snow and Trimble had raised the subject on the basis of their experience in uncommitted countries and added that he would be interested in the attitude of ambassadors to countries allied to the U.S.

Ambassador MacArthur answered that the question of relative U.S.-Soviet military power has not been such a problem in Japan, but the Soviet Embassy had succeeded in arranging effective propaganda displays of scientific accomplishments.

Mr. Allen commented that this is an important public information problem. The National Space Agency is not as exhibit-minded as the Atomic Energy Commission. There is general concern in Washington over the matter of U.S. scientific prestige.

Gallup polls taken abroad have shown a devastating reaction to the question, "Who will be ahead in ten years in science and in military power?" The answer overwhelmingly has been the U.S.S.R. However, this does not mean the people answering the question are therefore pro-Russian. We must continually emphasize our determination to live up to our military obligations.

Mr. Parsons remarked that perhaps Soviet scientific and military achievements have more impact in neutralist countries. Ambassador Jones agreed that in Indonesia each accomplishment has tended to add to Soviet prestige. Ambassador Bunker commented that the Indians tend to take a more sophisticated attitude and are skeptical of Soviet propaganda.

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V. HAVE WE REACHED THE TURNING OF THE TIDE IN ASIA?

Assistant Secretary Parsons - Keynoter

Mr. Parsons began his remarks by commenting that the subject of his talk, he realized, was deliberately provocative. Nevertheless, as this conference was being held at the turn of the decade, he felt that it was timely to take a look at problems in a longer perspective, back through the 1950's and forward through the 1960's. In this way, U.S. policies might be tested in depth to see how they had served us in the past and how they measured up in terms of problems anticipated in the future. He stated that personally he felt that U.S. policies had, on the whole, been sound and continued to be vital to the survival of the Far Eastern area. Nevertheless, certain questions might be asked of ourselves: What image of ourselves are we projecting in the area? Are we stressing too much what we are against and too little what we are for? Are we too often defensive in our posture, rather than affirmative in our attitude? Do we tend to take our friends for granted in our preoccupation with the enemy threat? It is said that the interests of Nationalist movements in the area are increasingly identified with us and less with the Communists. Are we promoting this trend? Are we trying to anticipate future problems?

Are we in Washington getting across to other sections of the Department what is happening in the Far Eastern area? All the countries in the Far East except Australia and New Zealand are on the Communist perimeter and subject to the Communist threat, and at one time there was considerable preoccupation with the Far East in our government. Should FE endeavor to draw greater attention to Far Eastern problems and its own views of world affairs?

These are all problems which Mr. Parsons said he hoped the conferees could turn to from time to time during the conference. In the next hours the conference would proceed to a discussion of the next ten years, as seen from key capitals of the area. The participants would discuss the Sino-Soviet relationship, the problem of leadership and succession in the free countries of the area and, finally, the question of security versus economic development as well as the problem of what can be done to promote a trend toward greater regional cohesion and cooperation.

In an effort to gain perspective, Mr. Parsons stated that he would like to take a look back to the beginning of the decade and contrast the situation then with that which obtains now at the outset of a new decade.

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In 1949, Mainland China fell to the Communists, and the Asian heartland was henceforth Communist dominated. This created problems that continued to challenge the U.S. throughout the decade.

In 1950, India and Pakistan were engaged in a fratricidal struggle; two major free world nations facing each other, rather than the true threat to the North. In 1951 the "liberation" of Tibet brought an end to the British policy of maintaining Tibet as a buffer, without a murmur from India. In Burma there was chaos. The countryside was unsafe and the government controlled Rangoon and not much else.

In Indonesia, the second Dutch police action had provoked almost a scorched-earth policy from the Indonesians. Communist intrigue and violence were everywhere interwoven with the chaos of the movement. The situation was similar in Malaya, where the British were determined but pessimistic.

In Indo-China it seemed a question not of whether but when it would be lost and of what then would happen to Thailand. In the Philippines, Communist Huk dissidence was on the rise. Japan was still an occupied power, depending upon the U.S., uncertain how its institutions would evolve, questioning the new and militant labor unions, unsure of its national destiny, unsure if it could establish a viable economic existence.

In Taiwan, the Mainland Chinese had just arrived and were disliked by the native Taiwanese who remembered past misrule. President Truman and Secretary Acheson had just announced the U.S. policy of non-involvement.

In Korea the Communist attack came in June 1950 and completely changed the situation. Although the war was to some extent a loss of face for the white man, at the same time it served as a catalyst to United States determination to redress the imbalance in the area. The same administration which had announced so different a policy in January 1950 embarked on our present China policy. The policy is thus in a real sense bipartisan, because it was initiated by a Democratic administration. The present administration added the structure of bilateral and multilateral security pacts; and the aid programs, which had meant so much in Europe, came to the Far East.

The situation today contrasts with the grim picture of the early 1950s. The Tibetan Revolt in 1959 and the Communist suppression that followed has done violence to Nehru's concept of Asian solidarity and has produced a significant popular reaction in India. Although Chinese Communist harshness and arrogance may again give way to the "smile tactics" of Bandung, it is doubtful if the image of Communist China will ever be the same in Pakistan, India and Burma. An element of fear has been permanently added. Nevertheless, the United States must still reckon with the pull which a colored Asian power has for other Asians.

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In Burma the dissidence has been reduced. There is evidence of maturity in the manner in which the Ne Win Government took charge and then gave back its control after orderly and free elections; and the new government will in the future not have to depend on the left wing pro-Communist elements of the party.

In Indonesia, there is a certain immaturity and confusion which ultimately stem from the failure of the Dutch colonialists to delegate any responsibility to the Indonesians. There are tremendous difficulties on the economic side and in the achievement of political stability. Nevertheless, there is less negative talk and the U.S. influence is a more important factor.

In Malaya the emergency has been declared over. The Malayan Government has handled its affairs well, even its difficult communal problem. In Singapore the situation is serious, but has not deteriorated as feared.

In Hong Kong, at the beginning of the 1950s, the Colony existed on a day-to-day basis. It has since developed in a remarkable fashion. It is at present a city-state, an economic unit of its own; and the administration is looking now towards a possible rather than an impossible future.

Australia is undergoing a great burgeoning of national life. It is aware of the importance of developments to the north and is working in active cooperation with the United States.

In Viet-Nam, the developments have been close to miraculous. No one predicted five or six years ago that Viet-Nam would survive. Despite its security problems, it has made extraordinary progress. The situation in Laos and Cambodia has also stabilized in a remarkable fashion. They have both survived, Cambodia despite its often ambiguous ways, including recognition of Communist China, Laos as the keystone of the area. In Laos there has been a remarkable shift in the situation. The elite is no longer confused about the nature of the Pathet Lao. The problem today is almost one of restraining them from ill-advised anti-communist action. Moreover, Laos is no longer an obscure little place. The interest of the United Nations and other peoples in Laos has added a psychological deterrent.

In the Philippines, even though the accomplishments of the Magsaysay era have been eclipsed somewhat by developments under the present administration, Garcia has correctly read the results of the recent election and the elections themselves serve as an indication of the democratic vitality of the country. Most important, the Huk threat is over.

In Taiwan the Taiwanese and the Mainlanders have established a workable relationship. The Taiwanese, moreover, are as militantly anti-Communist as the Mainlanders. Taiwan has achieved the second highest living standard in

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Asia, with the possibility of an economic break-through in the next decade. There is political stability and there has been an improvement in the external posture of Taiwan following the Dulles-Chiang communique.

Korea is the symbol of the collective security effort of the United Nations and the United States has the staunch Republic of Korea to work with.

In Japan the recent signing of the Security Treaty is a real milestone. Japan voluntarily sought alignment with the United States, ten thousand miles away, at the risk of alienating the Sino-Soviet bloc. The Japanese have recovered their morale and their sense of national goals. Their economic recovery needs little mention.

Therefore, there has been a turning of the tide in the free Far East as far as Communist expansion is concerned. Moreover, there is now a line of demarcation between the Communist and the non-Communist worlds. There has been consolidation of free world forces and momentum has been generated in the building of national institutions. The very acts of the Communists have dissipated the atmosphere previously favorable to them. Their use of force in the Taiwan Straits and in Tibet, for example, and their interference and pressures in internal affairs have produced disillusionment. There has also been dissatisfaction with the Bloc Aid Program. Peiping's harsh and unyielding stance has also contributed to this disillusionment. Therefore, on the psychological side there has been a certain changing of the tide as far as the image of Communist China is concerned. Moreover, territorially, except for the Tachen Islands, there have been no further losses to the Communists; and in Laos, two provinces have been recovered from them. The United States can take some credit for this change because of the constancy of its policies, its posture of dependability and ability, and its own determination and ability to counteract Communist use of force.

In noting some of the gains he felt had been made in the past decade, Mr. Parsons noted a better understanding of the true nature of Communism, brought on in part by disillusionment at events on the Mainland and at the same time by a better understanding of U.S. motivation. Our counterbalancing presence is appreciated more, and the U.S. is in effect the one common element in the area, as Secretary Serrano had noted.

As for a growing sense of regionalism, he noted that SEATO, which was not a natural evolution of regionalism and was formerly generally mistrusted, is now being more appreciated by Asian countries such as Indonesia. As other indications of a beginning sense of regionalism, he cited the Mekong River Project, SEAFET, and the Weapons Demonstration, which imparted a feeling of regionalism in a military sense.

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Colonialism has become less of an issue. Asian countries formerly preoccupied with the issue of colonialism now direct their efforts toward real and immediate problems. Equally encouraging is the emergence of promising second generation of leadership in some of these countries. While there has been no really dramatic shift in the allegiance of the overseas Chinese nor in their assimilation, there are encouraging signs of assimilation in some of the countries where they are numerous.

On the economic front, it is encouraging that the Development Assistance Group has indicated that a number of European countries have reached the point where they can lend economic assistance to Asia to help turn the tide. Our own continued economic stability has helped to give Asian nations a more favorable image of the U.S. Also favorable was the dramatic contest between President Eisenhower's reception and that of Khrushchev. No assessment, however, had been made as to whether that was a reflection of the President's personality or greater appreciation of what we stand for as against the Soviets.

While during most of the last decade there has been a crisis atmosphere in Asia, we are now permitted to look ahead. The menace of the Red Chinese is now recognized throughout the area. However, Communist China still retains the initiative. We have, however, learned the effectiveness of a graduated, tailored response to Chinese aggression, and have demonstrated it. In this connection, Mr. Parsons observed that unfortunately we seemed to be moving to an almost exclusively nuclear capability, thus tending to leave us only the alternatives of withdrawal or precipitating a holocaust.

It is foolish to assume anything but continued formidable Chinese Communist power and close partnership with the Soviets. It is questionable, however, whether the success of the Chinese forced-draft methods will attract other nations in the area. The attraction of the more rapid industrial progress achieved by forced industrialization and authoritarian rule in Red China may be offset by maintenance of human values and national culture in the case of the Free Asian societies.

In the U.S., Mr. Parsons noted general support for our China policy, but a support which can easily be eroded. Also, the "Balkanization" of Africa can change the picture in the UN on the China question. It must be noted that our Congress and people are becoming tired of aid programs which apparently have no end in sight. We must progress along the line of self-help in the area.

In sum, the need to redress the balance in Asia is just as strong in 1960 as in 1950. There has been a considerable measure of success by the Free Far East, but the central problem of how to deal with Communist China is far from solved. Thus, there is no room for complacency, but there

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is cause for confidence. There is a solid growth of belief in the wisdom of our policies and in our capability for dealing with the future. We must, however, remain strong and alert, and stick to our principles, molding our ideas to suit changing circumstances. During the 50's we gained time. Now in the 60's it is up to us to decide what to do with it.

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VI. A. THE NEXT TEN YEARS AS SEEN FROM TOKYO

Ambassador MacArthur - Keynoter

Ambassador MacArthur prefaced his remarks by saying that his ten-year projection was based on three assumptions: (1) that there will not be a major war; (2) that there will not be a major world depression; (3) that the Soviet Union and Communist China will maintain their alliance and their expansionist policy in South and Southeast Asia, but that Communist expansionism in Southeast Asia will be generally contained.

On the basis of these assumptions, the next decade in Japan will continue the pace of the last fifteen years, which has produced the greatest fundamental changes since Japan's emergence from feudalism. Economic factors over the next decade will primarily determine the nature of Japanese policies, both internal and external.

Japanese Domestic Projection

A. Economic

Ten years from now, Japan will be an even more modern, highly industrialized power than at present, with a population of one-hundred million, a high sustained rate of GNP growth and a labor force of some sixty-eight million. National income will double, bringing it roughly to the level of some of the industrial countries of Western Europe. This will be accompanied by substantial strengthening and broadening of Japan's middle class. Japan's industrial structure will increasingly shift to heavy industrial products and chemicals. With increasing Japanese "scientific breakthroughs", we can expect Japan to produce nuclear-powered merchant ships, put rockets into outer space, and come to the fore in electronics and automation. Although Japan is now self-sufficient in rice and will expand its agricultural output, it will not achieve food self-sufficiency because of population increases. To deal with this growing population will require a steadily increasing level of industrial production and the development of increased sources of raw materials and increased markets. Japan will be primarily interested in developing South and Southeast Asia as a source of materials and markets.

B. Political

The evolution of Japanese politics over the next ten years will be affected by three factors: (a) the newness of the democratic system; (b) the residues of the occupation; (c) Japan's re-emergency as an independent sovereign nation.

We must constantly bear in mind that modern democracy in Japan is very young, but the Japanese people are attached to the democratic reforms and

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institutions introduced during occupation. However, in view of Japan's many years of prior evolution, we can now expect to see an independent, fully sovereign Japan modify certain of the laws and practices imposed during the occupation, but this need not cause alarm.

At present, the factionalism within the Conservative Party is the greatest cause of domestic political instability. This factionalism will continue to plague the Conservative Party over the next ten years, but we may see some improvement as the old-line leadership is replaced by younger leaders. One of the most important post-war political developments in Japan has been the formation of the new Democratic Socialist Party. The Japanese voters need no longer choose between right or extreme left. Nevertheless, it seems clear that the Conservatives will remain firmly in the saddle for at least the next five years and should dominate the political picture for the next ten years.

Communist and leftist penetration in Japan occurred primarily in the press, labor and education. While the press will continue for many years to be basically anti-Government and left of center, it has recently shown some improvement and there is hope that it may continue in a more objective and constructive direction. Labor has been heavily infiltrated by the Communists. Leadership of SOHYO is solidly pro-Communist. However, a balancing factor is ZENRO, militantly anti-Communist. In general, the prospect appears good for labor to develop in a sound and healthy direction in the next ten years. In education, deeply penetrated by the Communists, there are hopeful signs that leftist influence among teachers and university students will steadily diminish over the next ten years.

Militarism and the extreme right in Japan are totally discredited and there are no prospects for a rebirth of either.

In sum, the domestic political situation in Japan should improve over the next ten years as a result of the rise in standards of living; the strengthening of the middle class; the reduction in leftist influence in press, labor, and education; and the prospects of some reduction in factionalism. The Conservative Party, during that period, will continue to hold or share power, with its domestic policies based on a middle-of-the-road course.

Japanese Foreign Policy

In foreign policy, there are three courses of action open to Japan: (a) close cooperation and alignment with the Free World, particularly the United States; (b) a course of expedient opportunism where Japan would blackmail and play the Free World off against the Communist world; and (c) political and economic accommodation with the Sino-Soviet bloc.

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In the final analysis, Japan's international alignment will depend on where and with whom she can earn a living through trade. If the U.S. and other free countries give Japan access to a fair and reasonable share of their markets, conservative Japan is not likely to make an accommodation with the Communists.

A. Relations with the U.S.

As far as economic relations with the U.S. is concerned, Japan has been our second largest export market and we are Japan's largest single market. Japan is also an especially important market for U.S. agricultural products. U.S. private technical assistance has played a great part in Japan's economic and industrial recovery. On the assumption that U.S. liberal trade policies will continue for the next ten years, the relative U.S.-Japanese market positions will remain at approximately the same level.

It is essential that Japan continue to be tied to the Free World by a military security arrangement, because if Japan were militarily neutral, the temptation to political neutrality would greatly increase. This tie must be through Japan's security arrangements with the U.S. It is likely that the new Japan-U.S. Security Treaty will be ratified and tie Japan solidly to the U.S. over the next eleven years. During this period, Japanese bases and logistical facilities will remain indispensable to our "forward strategy" in the Western Pacific, and will enable us to maintain both U.S. and Free Asian forces in the Far East at greatly lower costs than would otherwise be the case. The advent of operational ICBM capabilities will not eliminate the need for these bases and facilities. If we become engaged in hostilities in which Japan is not engaged, the logistical facilities will still be available to us, but we will not be able to launch military combat operations from Japanese bases without prior consultation, which means Japanese agreement. This would probably not be forthcoming unless such operations were in direct support of some UN action, when there would be at least a possibility of Japanese concurrence.

The prospect of Japan accepting the presence of atomic weapons or ICBM's or IRBM's on her territory during the next ten years is slight, unless there is a substantial increase in the number of countries possessing such weapons. The quantity and quality of Japan's Self-Defense Forces will substantially increase over the next ten years, and this will further promote assumption by Japan of defense responsibilities now borne by the U.S.

B. Relations with Communist China

The pressures for closer relations with Communist China will increase, and trade and cultural relations will be restored, with some limited technical agreements being concluded between the two governments. Japan will probably

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not grant political recognition to Communist China or vote for Chinese Communist admission to the UN unless the U.S. and other Free World nations take these steps. Japan will continue strongly to support a non-Communist Formosa while at the same time continuing to believe that the ultimate solution of the Chinese Communist problem is either two Chinas or an independent Formosan republic.

C. Relations with the Soviet Union

Japan will continue to fear and distrust the Soviet Union and regard it as Japan's greatest danger. However, relations between Tokyo and Moscow will become somewhat closer, though remaining coolly correct, rather than cordially close.

D. Relations with the ROK

Japan will continue to desire to restore relations with the ROK. The intransigent attitude of the latter does not make the prospect very bright, and if the ROK does not cease abducting Japanese fishermen, the Japanese will take steps, including the armed support of its fishing fleet, which might have the most serious consequences.

E. Relations with Under-developed Countries

Japan will continue to devote primary effort and interest to strengthening her over-all relations with the free nations of the less developed areas in Latin America, the Middle East, Africa (which Japan views with increasing interest), and Asia, particularly South and Southeast Asia. As potential sources of raw materials and as potential markets, these areas are vital to Japan's economic and social well-being.

There will be significant outflows of Japanese capital and technical assistance to these areas as well as a marked increase in student and teacher exchanges. Japan will continue to act both within and without the UN in such a way as not to bring itself in conflict with the free nations of Asia. Japan will try to develop a more prominent voice in Asian and African affairs and this voice will favor moderation as against extremism.

In sum, over the next decade we may expect Japan to play an increasing role in international affairs. Her policy will continue to be one of close cooperation with the free world, notably with the United States. However, Japan will be less disposed to act merely to please the United States and will increasingly, in foreign affairs, assess alternatives fully to determine where her own vital interests lie. She will develop closer relations with the Communist bloc in the fields of trade and cultural exchanges but will avoid becoming dependent on the bloc.

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Provided the free world will continue to give Japan access to a fair and reasonable share of its markets, so that she is not forced into an accommodation with the Communist bloc, Japan can become a show-piece of economic development under a free enterprise system, a great trading nation, an important collaborator in assistance to the under-developed areas, and a constructive and useful ally in international politics. All the conditions for economic growth and political stability are present in Japan. They can, however, be realized only if the rest of the free world is prepared to act rationally toward Japan, and in particular to permit Japan to earn its living through trade with the free world by having access to a fair and reasonable share of free world markets.

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VI. B. THE NEXT TEN YEARS AS SEEN FROM PEIPING

Ambassador Drumright - Keynoter

Ambassador Drumright prefaced his remarks by stating that as he interpreted his assignment it was not to give an objective appraisal of the prospects for the Chinese Communist Regime over the next decade but rather to speculate upon the state of mind of the Chinese Communist leaders as they enter the 1960s. He added that in approaching this task he felt it helpful to cast himself in the imaginary role of the Chinese Communist Foreign Minister.

In the guise of Foreign Minister Chen Yi, Ambassador Drumright began by stating that the opening months of 1960 are a time for serious stock-taking. The decade since the world-shaking events of 1949 and 1950 saw an immense growth in the strength of the Socialist camp. He said, however, that he did not propose merely to recount past successes but rather to direct attention to prospects and to the tasks that must be performed in the decade ahead. He continued that the first subject which he would like to discuss was the future of the revolutionary effort to lead China along the path of Socialism toward the ultimate goal of Communism, as the success of this effort would largely determine both the military might and the international prestige of Communist China.

Revolutionary Effort

To those who might wonder why in mid-1958 the Party launched the "great leap forward", the answer is that no other course could preserve the revolution from disaster. As impressive as achievements had been in the first eight years of rule, they had not resulted in the control over men and resources required to drive China along the path toward the Communist future.

Chinese Communist leaders had come to realize that new measures were needed to solve two critical problems. First, how could the constant, unrelenting pressure on men's minds be maintained which would allow no opportunity for the persistent habits of thought and behavior of the past to reassert their grip on Chinese society? Second, how could a Socialist economy be built in a land as poor as it is vast? The program popularly referred to as the "great leap forward" was aimed at the solution of both these problems.

The principal feature of the program is the system of rural communes, "Chen Yi" continued. Mistakes were made in the early phases of the gigantic drive to organize communes throughout the country. These mistakes have in

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large part been corrected, and the party remains satisfied that in the commune it has found the answer to its fundamental problems.

This is not to say that no difficulties remain. "Chen Yi" added, however, that he was permitted to reveal in confidence that in response to the temporary difficulties encountered by the drive to establish communes in the countryside, the Chinese Communist security apparatus had been extensively reorganized and strengthened, and is now believed fully capable of protecting the revolution against its domestic enemies.

Difficulties encountered in the "great leap forward" are only minor annoyances, he said. The revolution has gained an almost irresistible momentum. Within the decade, Asia and indeed the entire world will stand in awe of the rapid economic strides of the Chinese people.

Military Build-Up

Secondly, concerning military strength, as a result of a continuing improvement in the Chinese Communist Army, and its supporting air arm, and the simultaneous reduction in Soviet ground forces, the Chinese People's Liberation Army will soon be unrivaled in the field of conventional ground warfare. The value of large conventional forces may be questioned in the era of inter-continental missiles and nuclear warheads. Considerable scope exists, however, for the threatened or actual use of these forces under the umbrella provided by the nuclear stalemate between the Soviet Union and the United States.

Growing Chinese Communist military power may be relied upon as a major support for Chinese diplomacy. Lack of nuclear weapons reduces the weight of Communist China's international influence, but this deficiency can be reduced in the next few years if the Communist countries succeed in fastening strong political shackles on American and British nuclear power, while acquiring nuclear capability of their own. The latter task depends in large part on the success of efforts to build Communist China's economy and to obtain technical assistance from the Soviet Union.

External Trends

Still speaking as Chen Yi, Ambassador Drumright then turned to the trends which the Chinese leader might see in the three great subdivisions into which the countries of the world could be classified, the camp of "Socialism", the camp of "Imperialism", and the uncommitted states. He began by saying that it has become too commonplace to speak of the unshakeable solidarity of the camp of Socialism. Marxists should remember that even the camp of Socialism is subject to the forces of history and the Chinese cannot grant a people only a few centuries from savagery a permanent claim to the leadership of the forces of world revolution.

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This is not to say that the alliance with the Soviet Union is not necessary for the inevitable triumph of Socialism, "Chen Yi" continued, nor is it implied that great differences of national interest divide the Communist camp. The point, simply stated, is that history has chosen the Chinese Communist Party to lead the final victorious surge of the forces of world revolution. In preparation for that day Communist China must forge stronger links with the People's Governments of Eastern Europe and with the revolutionary movements in all parts of the world. At the same time, it must be prepared to act with greater independence, stopping short of actions which might alienate its indispensable ally, the Soviet Union.

In the camp of Imperialism, "Chen Yi" said he foresaw major changes in the 1960s, changes which would work greatly to Chinese Communist advantage if China could but rise to the opportunities which would present themselves. The structure of aggressive military alliances which the United States created in the 1950s is already beginning to crack and crumble. The military and economic predominance of the United States on which the structure of alliances rested is fading fast before the growing strength of the Socialist nations.

In Europe NATO is torn by internal dissension and by doubts concerning the strength and constancy of American support. In Africa colonialism is disintegrating with almost explosive speed. In the Near East the Baghdad Pact, deprived even of its name, survives as an empty shell. Even in Latin America, according to "Chen Yi", American prestige was falling and anti-imperialist forces gaining strength.

The Imperialist structure which confronts Communist China on its eastern and southern borders is a cleverly contrived chain of hostile military and political bases from which the United States works to check Chinese liberating influence. However, this chain is nowhere invulnerable and it lacks a firm western anchor. The Americans appear currently to be engaged in an effort to remedy this last deficiency by bringing India into their system. While in the short-run the Americans may achieve gains in India, when the older generation of western-trained Indian leadership passes from the scene the fundamental forces at work will reassert themselves fully and India will move into the Socialist camp.

The American arrangements in Southeast Asia still bear the mark of their hasty improvised origin, continued "Chen Yi". SEATO is an alliance only in name and has not appreciably strengthened the fragile military regimes of the area. Once the Americans retreat from East Asia, these regimes will be swept away.

The key to the entire American position in East Asia is Japan. If the Americans were to be expelled from Japan they could not long remain in

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Korea, or Okinawa or Taiwan, and with the loss of these areas their tenuous holds in the Philippines and the mainland of Southeast Asia would be short-lived. If Chinese efforts to block ratification of the revised American Security Pact with the Kishi Government fail, Communist China faces a long, hard struggle to dislodge the United States from its position in Japan. However, Communist China must continue to concentrate upon the exploitation of factionalism within the conservative Japanese ruling group. "Chen Yi" concluded that it might also be possible to find openings to play upon the eagerness of Japanese capitalists for trade with Communist China.

In Korea and Taiwan, he continued, new opportunities would be afforded Communist China when Syngman Rhee and Chiang Kai-Shek pass from the stage. In Korea the political opportunity would be quite attractive, since Rhee's regime has lacked strength and depth. However, the entrenched American military position in Korea would complicate the possibility. In Taiwan the passing of Chiang Kai-shek would signal the end of hopes for a return to power on the Mainland and the Kuomintang leaders would then face the choice of returning to the motherland while Communist China's generous terms remained open or waiting for the eventual shifting of American support from their waning regime to the rising strength of the Taiwanese.

Pending the day of liberation, Communist China cannot ignore Chiang, and a portion of its armed forces must stand on constant guard against desperate adventures. Chiang, however, is not a serious threat without the active support of the Americans and this support is most unlikely to be forthcoming. In both Korea and Taiwan, "Chen Yi" emphasized, the problem is not so much the toppling of reactionary native regimes as the creation of conditions in which the Americans will be impelled to withdraw. This is especially relevant to Chinese Communist policy toward the offshore islands. "Chen Yi" affirmed that Communist China's intent is to acquire these islands under circumstances which would weaken the position of the United States in Taiwan and East Asia without precipitating large scale hostilities for which Communist China is not yet prepared.

The uncommitted areas will almost certainly continue to grow. Since they would do so at the expense of the imperialist camp, it is in Communist China's interest to promote the process wherever possible. Neutralism, however, is only a way station on the road to membership in the Socialist camp. It has no positive virtues of its own.

Foreign Policy Tasks

In closing, "Chen Yi" said he would like to outline briefly the tasks which, in his opinion, Chinese Communist foreign policy must carry out in the 1960s. He stated two major objectives: (1) to consolidate Communist China's position as a recognized world power, and (2) to drive the

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United States from East Asia. Achievement of both objectives would be furthered by the continued success of China's domestic revolution. China's foreign policy must, however, be prepared to make the greatest possible use of its growing military and economic strength.

To achieve its position as a world power, Communist China must expand its formal diplomatic relations, its trade, its foreign aid program, its cultural contacts and its links with other communist parties. It must press for its inclusion in international conferences and when the time is ripe launch an open and vigorous drive to gain admission to the United Nations as the sole representative of China.

In these efforts to achieve recognized great power status, Communist China will be opposed at every turn by the United States. Realism, "Chen Yi" explained, also requires Communist China to recognize that it will not be assisted in all instances by its Soviet allies, particularly in regard to efforts to gain a position of greater leadership in the councils of Socialist nations.

Of the two major objectives for the 1960s, driving the U.S. out of East Asia involves by far the greater difficulty and danger. Communist China should, on a broad psychological and political front attempt to undermine the confidence of the American ruling circles in the wisdom of their present Far Eastern policy. It must also work to undermine and overthrow the regimes in the area which cooperate with the United States.

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VI. C. THE NEXT TEN YEARS AS SEEN FROM NEW DELHI

Ambassador Bunker - Keynoter

Ambassador Bunker opened his remarks by pointing out that the realities of changed power relationships had been brought to bear upon India earlier than Indian leaders had anticipated. Communist pressures on the Indian border have turned India's attentions to the north and east and have caused India to strengthen its border defenses and accelerate its economic efforts for a long-range competition with Communist China. Regardless of whether a border settlement is reached, there will remain a significant residue of concern in India over Communist China's long-range objectives.

Communist China is not likely to engage in full-scale military action against India. Nevertheless, India will be faced with the challenge of Communist China throughout the ten-year period, primarily in the form of a non-military effort to increase China's influence in Asia.

While Communist China has indicated that it considers it to be in its interest to bring about a period of nominal reduction of tension in its relations with India, it seems likely that the Chinese Communists will continue to stir up unrest along the border. In the long run, Communist China can be prevented from achieving hegemony in Asia only by the counter-action of strong independent Asian nations, and India has the potentiality to be one of the stronger free nations.

In terms of internal policies, India's reply to the Chinese challenge will be to concentrate on economic development on the assumption that she will face no large-scale military action from Peiping.

Indian Internal Strength

Economic - India will be well along the road toward a self-generating economy by 1970. The large gap between the rates of development of Communist China and India will probably narrow somewhat. However, India does not have to equal Communist China's progress in order to provide an economic base for stable non-Communist Government or to present an example to other nations of a non-Communist alternative method of achieving economic development.

Foreign Aid - India will continue to accept economic assistance from both the Soviet and Western Blocs. Bloc aid will contribute to the achievement of much the same objectives as does Western assistance, and there is every prospect that India will be capable of accepting bloc aid in such a manner that it will not endanger her independence. The West should help to prevent the bloc from obtaining an unduly dominant position in key

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sectors of India's economy and over sensitive India institutions such as her educational system. India will over the next ten years also face the danger of undue dependence upon trade with the bloc in certain commodities.

Political - The prospects for stable government under the Congress Party during the next ten years are relatively good, but by no means certain. There are divisive and retarding factors such as caste, language, regional and religious differences, administrative corruption and factionalism. If India were deprived of Nehru's leadership, the Congress Party might split into two moderate parties, in such a way that stable government could prosper, or it might fractionalize, leading to the deterioration of parliamentary institutions. However, if this process went too far, the civil and military services could provide effective alternate leadership. There is no prospect of constitutional assumption of power by the Communist Party over the next decade, and should the Communists attempt a takeover by extra-legal means, non-Communist forces could prevent their doing so.

Foreign Relations

U.S.S.R. - Soviet objectives are to prevent India's becoming a member of a Western military or political bloc, to obtain Indian support for Soviet positions on world issues, and to create a pro-Soviet attitude within the Indian government and the Indian people generally. The U.S.S.R. will nevertheless seek to maintain in India a strong Communist Party to act as a powerful propaganda agent, and will assist the Communist Party of India to build an illegal apparatus for future use. India will pursue policies with regard to the U.S.S.R. which she believes will encourage the development of moderate forces in that country, and will therefore seek to maintain her neutral international position, exercising independence of judgment on international issues.

Communist China - India will seek to achieve disengagement on its borders with Communist China in order to forestall further conflicts and to resume more normal relations with Peiping. She will not use force to eject the Chinese from India-claimed territory, nor will she "submit" to the Chinese Communist claims under duress. While this would appear to rule out a deal with regard to Ladakh as long as the Chinese Communists remain unwilling first to withdraw their military forces, some deal could eventuate if the Chinese were prepared to make the necessary concessions.

While Nehru recognizes similarities between the Soviet Union and Communist China, he has chosen to view the Chinese Communist threat to India in terms of the traditionally imperialistic and expansionist objectives of China rather than in terms of international Communism. India can be expected to continue to make this distinction between the two bloc powers in order to prevent its relations with the Soviet Union from being adversely affected by its difficulties with Peiping.

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United States - U.S. relations with India will remain good so long as the U.S. continues to present its positions on international issues in such a manner that India believes them sincerely directed toward world peace. India moreover believes the U.S. aid programs are adequate and adapted to Indian needs, and will seek increasingly closer relations with the U.S. and the West in the economic field. Occasional strains must be expected when U.S. and Indian concepts of their own national interests differ. During Nehru's lifetime, India will continue its public posture of disfavor of Western support of large military forces in Asia, but will become increasingly understanding of the reasons and motives underlying these policies.

Far East and Southeast Asia - India will increase her informal ties with the nations of Southeast Asia and the Far East, but will refrain from joining in a regional political grouping. Her economic ties will multiply as her manufactured products become available for export and as her capacity to offer technical assistance increases. She will continue to seek to act as leader of new underdeveloped nations in international forums. During the next ten years, India will have neither the strength nor the desire to assume the responsibilities of a center of Asian power. After this period she will tend to shift from primarily "moral" leadership to a position based on her over-all strength. Her moral leadership has suffered from her equivocal positions on certain international issues. Until she can establish her leadership on the basis of strength and willingness to assume responsibility, the U.S. must be the main supporter of smaller nations in the area.

Commonwealth - India will remain in the Commonwealth. The improvement in her relations with Pakistan is likely to be maintained and further improvements may occur. A Kashmir settlement is unlikely. Difficulties with Pakistan are not likely to affect adversely Indian economic development or her defensive posture with regard to Communist China.

Conclusions

Considerable unfavorable change in the picture projected above could result from failure of the India government to meet minimum popular economic and social aspirations, from fractionalization of the Congress Party, inadequacy of leadership after Nehru, large-scale aggression against India by Communist China, or large-scale warfare elsewhere in the world which would disrupt foreign trade and aid. In the absence of such unfavorable developments, Ambassador Bunker concluded that the U.S. can look forward to an increasing pace of Indian development, a strengthening of India's ties with free Asian countries, and an increase in India's territorial security in the northern border areas. He added that the Embassy in New Delhi would welcome any suggestions for cooperative action which would assist in the effort to advance trends in India favorable to U.S. interests.

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VII. COMMENT FROM SOUTHEAST ASIA

Ambassador Jones - Keynoter

Ambassador Jones opened his remarks by saying that before attempting to add the Southeast Asian ingredients to the broth that had been so ably brewed that morning, it might be helpful to summarize the attitudes of the Asian Big Three toward Southeast Asia as they appear to an observer in Southeast Asia itself. While this interpretation might differ somewhat in emphasis from those presented by preceding speakers, in general the outlines would be compatible.

Ambassador Jones continued that if he borrowed Ambassador Drumright's technique and cast himself momentarily in the role of the Chinese Communist Foreign Minister, he would find himself looking at Southeast Asia primarily as a target for future absorption, a tempting morsel of small, weak principalities commanding a wealth of commodities desperately needed by Communist China's raw materials for the continued forced expansion of her industries and living space as an outlet for her massive population. While this tempting morsel has thus far been denied as a result of American policy, the Chinese Communist Foreign Minister would probably feel confident that one way or another, through direct action or carefully managed subversion, Communist China would eventually get it.

The Japanese Foreign Minister would consider Southeast Asia primarily as a market and a source of supply. He would admit that the Japanese attempt to seize this market and source of supply through military conquest was ill conceived, but would hold that the situation that forced Japan into that adventure continued to exist and one way or another had to be met.

Ambassador Jones said that a Foreign Minister in New Delhi would look upon Southeast Asian countries primarily as his adolescent relatives, a group of small, unprotected principalities whose culture and way of life derived largely from India's, and whose still immature governments needed India's guidance through the forest of internal affairs. Eventually they might become useful markets, but now they would be viewed from New Delhi chiefly as objects to be denied to predatory powers and to be permitted to attain maturity, preferably under India's protective shadow.

Ambassador Jones continued that while the attitudes towards Southeast Asia in Peiping, Tokyo, and New Delhi include widely differing elements, they had one common feature, a view of Southeast Asia as a passive object of manipulation rather than a dynamic source of policy in its own right. The current weakness of Southeast Asian states in terms of military and

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economic power, their chronic instability and the frequent naivete of their leaders have all reinforced this common picture of Southeast Asia as a field for international politics rather than as an active participant therein. Southeast Asian countries have not found themselves as yet, and have been undergoing a painful transition from colonial dependence toward responsible independence. Much of the coming decade might be taken up by this same debilitating evolutionary process, and 1970 might still find Southeast Asia so engrossed in its own problems that its independent weight on the international scene would be minimal.

Ambassador Jones stated, however, that he believed this a dangerous assumption upon which to construct future policy. Rather than the emergence of an Asian political system revolving around the main centers of Peiping, Tokyo and New Delhi, the next decade might bring increasing fragmentation. Southeast Asian states themselves would do their utmost to contribute to this fragmentation. They would resist the substitution of an Asian power in place of a European. Southeast Asian states are willing to sacrifice political and economic stability for political, economic and cultural independence. Their attitudes toward Japan and India are likely to depend upon the extent to which these countries are willing and able to assist them toward their objective of economic development.

Southeast Asia's emergence as an autonomous factor in an Asian power system would depend upon its ability to assume such a role. Ambassador Jones stated that to determine the existence of such ability it would be necessary to take a brief look at the potentials and weaknesses of the region.

While the component countries of the region differ widely, Southeast Asia is far from a network of small Balkan-like states, as occasionally portrayed. Roughly, half of Southeast Asia in area and population consists of a single nation, Indonesia. The remainder is made up of four medium-sized states and four smaller units. The region contains vast and largely untapped resources. Control of these resources has been a major source of international contention for centuries. The Southeast Asian states are determined to retain control of their own resources.

The Southeast Asian countries share a number of common characteristics: almost all have emerged from colonial status within the past fifteen years; all but the city-state of Singapore are founded on a base of peasant agriculture at the subsistence level; none possess an industrial plant of any magnitude; and all are dependent upon the import of manufactured goods to sustain their agricultural economies. Although there is a fairly wide spectrum of racial and ethnic types among them, the extremes are no greater than those found in China and far less than those of, say, India. Politically they represent a patchwork, but running throughout the region is a common thread of inexperienced leadership and inadequately trained civil servants,

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an immature party system and a concentration of political power in the hands of a small educated or semi-educated elite. Finally, all of them have inherited to some degree the problem that is increasingly assuming larger proportions as the power of Communist China grows - that of the overseas Chinese.

Ambassador Jones observed that the picture is obviously not one of strength either in the political or economic fields. Moreover, the trend is hardly towards the rapid increase of strength in either of these fields. He remarked that it is impossible to say with any degree of confidence that the next ten years will see an over-all improvement in the political and economic fields in Southeast Asia. Certain countries may make substantial progress, others little, some may even regress. The weight of evidence suggests that 1970 will still find Southeast Asia an explosively troubled region with many of its inhabitants still groping for political stability and the various keys to economic progress.

In the light of this, Ambassador Jones suggested that it would be fair to ask how one could expect the Southeast Asian states to become increasingly the masters of their own houses during the next decade, or even to defend adequately their unexploited wealth. He said the answer may lie in the fact that in a world physically dominated by a handful of nuclear superior powers the influence and the self-assertion of the other powers tends to depend less and less on their economic or military strength or even on their political stability. The refusal of the Southeast Asian countries to accept a satellite status in relation either to the Asian "Big Three" or to the World Big Three will be based on the reality of the world power stalemate.

Secure in the knowledge of her own motives, the United States sees this process as one by which a number of Southeast Asian states make use of her disinterest and her deterrent to protect them while they go their own way. During much of the past decade, however, a number of the Southeast Asian countries have maintained an honest suspicion of U.S. motives. Among this group there has been a definite improvement in this respect over the last year or so, in part due to continuing sympathetic U.S. support and restraint, as well as to a gradual increase in the level of sophistication of regional leaders. To an equal extent, however, this improvement can be attributed to the emergence of what few responsible Southeast Asians can fail to see as a threat of the utmost gravity, the growing strength and ambitions of Communist China. Southeast Asians are determined not to become a subordinate link in an Asian system dominated by China, India and Japan. Their immediate fear, however, is that of becoming totally engulfed in an Asia dominated by the massive power of Communist China.

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The Southeast Asian attitude towards China and toward the Chinese Communist Regime is a complex one. An awareness of Imperial China, a feeling of fear and respect, was in evidence long before the colonial era. During the colonial period the basis for a strong and enduring atmosphere of resentment and dislike was created by the influx of overseas Chinese. In the 20th Century the rise of Kuomintang as an early exponent of Asian nationalism struck a responsive chord. The initial reaction to the victory of the Chinese Communist Regime was a compound of all these factors, although much of Southeast Asia was in such turmoil at the time that the issue of recognition was determined in a rather haphazard fashion. The Korean War and to a greater extent the war in Indo-China further split Southeast Asia into two factions, one participating in the formation of SEATO and the other succumbing to the facile picture of the Indo-China War as a pure anti-colonial struggle. At the Bandung Conference in 1955 the latter seemed to have won the day and the Conference raised the Chinese Communist Regime to the highest point of Southeast Asian acceptance it had yet enjoyed. Since 1955 the Chinese Communists have revealed their aggressive intent and have demonstrated their power to an extent that has sent a shiver of fear through Southeast Asia.

Surveying Asia today, the Southeast Asian leader sees a disquieting situation: at the center is Communist China with its growing aggressive power; at its western flank is India - its adherence to Western forms and the status of its leadership combining to assure that it can count on the West to deflect China; on the Eastern flank stands Japan, an industrial power which the United States is almost totally committed to defend. Between these two flanks lies China's immediate opportunity.

At present the only visible shield against Chinese aggression in Southeast Asia is SEATO, which, however, includes only a portion of Southeast Asia under its umbrella and which has been such a long-standing target of abuse by neutralist leaders that they are largely precluded from joining it.

Communist China has thus provided the free world with both a challenge and an opportunity in Southeast Asia. Nothing short of firm and determined moves on the part of the Free World can deflect the Chinese Communists from one of their most immediate objectives.

The United States, Ambassador Jones suggested, can meet this challenge and opportunity in a number of ways. It can emphasize its support of Southeast Asian countries, not as an annex to its policy toward Japan or India but as a policy in its own right. It can expand its technical, economic and military aid as a means of contributing to Southeast Asian defensive strength and as a way of building confidence in this strength. The United States can address itself to the task of keeping Southeast Asian eyes focused on the real threat to their existence, and can continue to follow its policy of friendly disinterested concern.

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Ambassador Jones went on to speculate on the particular form that the threat from Communist China might take in Southeast Asia over the next decade and on the reactions that might be anticipated. Discounting the unlikely eventuality of direct military aggression, he said that pressure would primarily be exerted from two directions, down the weak central corridor of the peninsula through Laos and Cambodia and beyond the peninsula in Indonesia. The first would offer an opportunity to split and engulf Thailand and Viet-Nam without posing such a direct threat to the United States that intervention would become inevitable. The second would offer even greater promise, that of overcoming the SEATO barrier in one leap. The success of either could be disastrous to the United States position in Southeast Asia. The success of the second could have repercussions far beyond Southeast Asia, threatening Australasia and placing at Soviet bloc disposal the incalculable resources of the Indonesian archipelago. No one questions that our security in Asia depends on keeping Japan and India from Communist hands. It is equally essential that Indonesia be similarly defended.

To accomplish this task may not be easy, Ambassador Jones concluded. Nowhere in Southeast Asia can there be found a government with the inherent stability of those of Japan and India. There are certain assets, however, the chief of which is that Southeast Asians are independent, are determined to remain so, and are gradually coming to an awareness of the sacrifices this may entail.

The best answer to Communist aggression lies in collective defense. With a full-fledged system of collective defense, Southeast Asia would be infinitely more prepared to face the threat of indirect aggression than are the present fragmented states. The initial attempt to foster regional defense, SEATO, achieved only partial success. Suggestions have been raised that effective regional association might be fostered through regional economic cooperation leading more gradually to direct political interdependence. This is a possibility, but it is necessary to face the obstacles in the way of economic regionalism. The economies of Southeast Asian countries are largely competitive. Industrialization, when it comes on a larger scale, will initially offer little further incentive to regionalism. The combination of national aspirations and competition for foreign capital also impedes the growth of a regional spirit.

The eventual emergence of some sort of regional system is nevertheless possible. The Southeast Asian countries may ultimately find the Chinese Communist threat pervasive enough to bring about a tightening in relations and an enhanced sense of interdependence. Our objectives in Southeast Asia should certainly include a continuing search for indications that some such regional system may be in the offing, a careful cultivation of conditions likely to bring it about, and tactful and warm support if it does begin to emerge.

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Ambassador Jones stated that in closing, and with considerable trepidation, he would like to extract from his foregoing remarks some sort of specific projection for the next ten years in Southeast Asia: (1) Internally, most of the Southeast Asian states will continue in an atmosphere of political and economic ferment, progress toward political stability will be slow. Economic developments will be hampered by political instability, nationalist suspicions, the absence of skilled indigenous personnel and a tendency to avoid the necessary in favor of the palliative. Political institutions will tend to continue to deviate from their original western models, probably without assuming an entirely totalitarian character. Economic systems will tend to settle along moderately Socialist and strongly Nationalist lines. (2) In their external relationships Southeast Asian nations will strongly resist outside efforts to give them a subordinate role in a larger Asian system. (3) The chief menace to their existence during the next decade will come from Communist China. They will increasingly recognize this fact and will react by drawing closer together in some sort of regional understanding. (4) If direct Chinese Communist armed aggression against them does not take place, they will be able to withstand and eventually to overcome the threat of internal communism.

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VIII. PROSPECTS IN SINO-SOVIET RELATIONS

Mr. George Morgan - Keynoter

Mr. Morgan said that, after listening to previous presentations, he had found a great deal of kinship in lines of thinking between the conferees and S/P on current trends and prospects.

Sino-Soviet relations are opening up in an exciting way, and there are increasing signs of differences between the Soviets and the Chinese Communists. There is, for instance, an apparent coolness between Khrushchev and top Chinese Communist leaders. Even Chiang Kai-Shek has modified his feelings to the extent that he feels there is a real cleavage and that Mao is on the way out.

Underlying this personality clash are the basic factors of national character and psychology. Recent Soviet internal lecturers have talked of the Chinese Communists with disdain, particularly regarding the communes. This type of Soviet arrogance is offensive to the Chinese Communists who have, of course, the deep racial and cultural pride of the ancient Chinese.

In party and ideological relations, Mao became the senior ideologist after Stalin's death. Khrushchev is a newcomer to the league. There is evidently considerable ideological autonomy in Communist China, and there appears to be an increasing tendency to assert Chinese ascendancy in the Communist world. Chinese Communist carping on revisionism, while ostensibly directed at the Yugoslavs, seemed actually pointed at the Soviets.

Because the two countries share a common Communist ideology, the parties of each are naturally interested in the internal policies of the other, as witness the Soviet criticism of the communes. The Soviets were doubtless worried lest the Chinese Communists do something that would lose face for communism, or take action that conceivably could result in a mainland Hungary. Khrushchev's program of de-Stalinization on the other hand did not suit the Chinese Communists because Mao represented the cult of personality, and the Chinese Communists at that period required more police terror and centralized control.

In military affairs, the Chinese Communists undoubtedly want nuclear weapons but the Soviets have apparently dragged their feet, retaining control of warheads and thus creating another source of friction. In the nuclear test suspension negotiations, the Soviets made more concessions to the West than in any other field, testifying to their serious desire for some agreement. They probably do not want fourth countries in the nuclear club. The Chinese Communists want to get in, and this Soviet attitude probably

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irritates them. Thus a test suspension agreement would probably cause friction between them. Similarly, any agreement between the West and the Soviets on broader arms control measures, while remote at this time, would further irritate the Chinese Communists.

In international meetings and particularly the UN, the Soviets speak for the Chinese Communists, who are not only irritated to begin with at their exclusion but they quite likely at times dislike the way the Soviets state their case.

On the domestic front, the Soviets are probably concerned at the disparity in size of population and rate of growth between themselves and the Chinese Communists. Intimately related to population growth is the question of living standards. The Chinese Communist leaders will probably make the bare minimum of consumer concessions and continue to drive the population hard. This would mean a source of considerable disparity between the U.S.S.R. and Red China.

In the aid field, the Soviets are doing a great deal to help the Chinese Communists, but recent agreements appear to hold to 1955 levels. Perhaps the Chinese Communists originally could not absorb much more, but as their capacity grows, they will probably pressure the Soviets for more for themselves at the expense of Asian neutralist countries -- particularly India, with which the Chinese are having a serious dispute.

As for political spheres of influence, the Chinese Communists achieved considerable stature in North Korea during the Korean War, but have since been largely eliminated there. There are also signs of rivalry in North Viet-Nam, with Ho Chi Minh wanting to draw closer to the Soviet Union in order to balance Chinese pressures. In addition, there are cross-currents of Chinese and Soviet influences in the European satellites. Peiping has alternated there between favoring more liberal treatment and advocating a harder line. At present, the East Germans and Czechs seem the closest to the Chinese Communists. The Chinese Communists are reviving their activities in Outer Mongolia, once under Chinese suzerainty and now a Soviet satellite. With regard to spheres of influence in the non-Communist world there may well be cause for friction between the U.S.S.R. and the Chinese Communists over the control of local Asian communist parties.

Finally there are many signs of differences between the two allies over Soviet relations with the U.S. and other Western countries. Khrushchev's visit to the U.S. and other Western capitals produced the semblance of a detente, which was clearly not to the Chinese Communists' liking. This situation bears the seeds of future friction, depending of course on how U.S. relations with the Soviets evolve.

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A particularly striking case is the difference between the Soviet attitude on a divided Germany as contrasted with the Chinese Communist attitude on a divided China.

In general, there are differing stages of industrial development between the two powers and differing national and racial factors; increasing strength on the part of one will tend to engender more nationalism rather than less. It is a fair inference that if the Chinese Communists become increasingly self-sufficient militarily and economically, they will act more independently of Moscow.

To balance the foregoing analysis, it should be stressed that there are many points in common between the U.S.S.R. and Communist China, and there is no question but that cohesive forces are now stronger than divisive ones. The present relationship is likely to last at least during the decade under consideration. The penalties of a rift between the two far outweigh any probable gain for either one. It is, however, possible that the alliance may become inoperative in certain phases, and at particular periods of time, just as the Suez affair momentarily paralyzed the basically much stronger Western alliance.

In general the U.S. should not be oversanguine; and certainly cannot predicate its policies on the possibility of serious Sino-Soviet friction. However, apparent differences do introduce a new dimension, which should be included in our calculations.

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IX. GENERAL DISCUSSION FOLLOWING INDIVIDUAL PRESENTATIONS

Ambassador Russell said he took no exception to the statements made. He did, however, want to point out that the major Wellington newspaper had used just these evidences of friction to affirm that arguments against recognition of Communist China are weakened, as China is no longer part of a Communist monolith. The newspaper also argued for moving closer to the Kremlin on disarmament. Ambassador Russell said that he felt that widespread public discussion of Sino-Soviet differences tends to undermine U.S. objectives in the area.

Mr. Henderson said that he wished to raise several points in connection with the morning presentations. With regard to Ambassador Bunker's excellent exposition of the Indian situation, he recalled that ten years ago Nehru had a complete contempt for the small powers. In a speech at the time, Nehru said that the United States was making many mistakes in Asia by paying attention to the unimportant nations, while the two important powers the United States should cultivate were India and Communist China. It was around these two powers that the countries of the area would tend to gravitate.

As for birth control, Mr. Henderson said that he understood the Communists are theoretically opposed to it and he would be surprised if Communist China checked its birth rate as Japan has.

Finally, he said he wished to point out that the Trotskyites had been influential in the early communist movement in China and had left a definite impression. He said that Trotsky had favored communes, and that this is perhaps one of the reasons why the Chinese have adopted the commune system rather than the collective farm system of the Soviet Union.

Ambassador Bunker commented that an Indian delegate to the Planned Parenthood Conference last year had told him that while the Chinese Communists had originally worked out a detailed birth control program, they had later totally abandoned it. The Indian had told him that the Chinese would undoubtedly return to birth control with the same efficiency with which they had originally approached it.

Ambassador MacArthur remarked that the high literacy rate in Japan had facilitated the birth control campaign there. He said the primary vehicle, however, was legalized, subsidized abortion.

There followed a discussion of further reasons for the success of the birth control program in Japan. It was pointed out that the campaign was fully backed by the Japanese Government, and moreover planned parenthood appealed to the Japanese character, especially in the early post-war period of chaos and privation.

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Mr. Henderson then said that he wished to add to his earlier statement on Nehru's attitude ten years ago, Nehru's conclusion that India must have close relations with China and that the two poles in Asia, as he saw them, must not be allowed to drift too far apart. Mr. Allen commented that he believes Nehru still feels this way and that Nehru would be willing to give up Ladakh if public opinion would permit him to do so. Ambassador Bunker agreed, and added that Nehru would be willing to reach a settlement on Ladakh because it is militarily indefensible. In further discussion it was pointed out that China had historically claimed these border areas, and that the United States has not taken a formal position on the conflicting Sino-Indian claims.

Mr. Allen turned to the subject of Soviet aid and wondered if the Soviets were telling the whole story on their aid program. He said that after the Kerala action the Soviet Union had explained its continued aid to India as an effort to keep Nehru out of the Imperialist camp. However, he wondered if a more basic reason was Soviet desire to build up India as a counterweight to Communist China. Mr. Morgan said that Ambassador Thompson had commented along similar lines upon the occasion of Khrushchev's recent trip to South and Southeast Asia, feeling that the long-range Soviet policy was to contain Communist China.

The ensuing discussion of Khrushchev's trip centered on the ways in which it highlighted certain Sino-Soviet differences. It was agreed that the Chinese Communists had looked upon the Soviet Premier's tour with some apprehension; and, uncertain what attitude he might adopt, had deliberately softened their line toward the countries visited - India, Burma, and Indonesia. It was also concluded that Khrushchev had in his actions during the trip deliberately tried to disassociate himself from his unpopular Chinese allies.

Ambassador Sebald turned the discussion to the growing Japanese economic role in Southeast Asia and questioned whether the Japanese would revert to their characteristic arrogance when in a position of superiority. Ambassador MacArthur remarked that he felt that the Japanese realize that if they are to have access to Southeast Asia's markets, they must win the concurrence of the peoples concerned. He said that with the exception of a few Japanese businessmen, whose insecure financial position might lead them to resort to unethical practices, the Japanese would lean over backwards to make arrangements fully acceptable to the countries involved.

Ambassador Byington confirmed that the Japanese were engaged in a skillful and reasonably successful good-will campaign in Malaya. Mr. Parsons remarked that even should the Japanese emerge as the major trader in the area, they would not be the dominant power as they were in the pre-war period. He added that the Japanese realize that they cannot be a primary power in the day of super-powers.

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In response to a question Mr. Parsons noted that it was generally agreed that increased consultation by Ambassadors with their client governments was a good thing, and he felt that the conclusions of this Conference might well be the subject of such consultations. There was, of course, a certain amount of information that was sensitive, but he thought that each Chief of Mission could decide for himself what might be passed on.

Ambassador MacArthur said that if it were true that Japan and India are the anchors of the great Asian arc, then after them surely came Indonesia. He pointed out that internal stability in Indonesia is threatened by the lack of a coherent economic program, while nationalist pride and sensitivity prevent the Indonesians from seeking outside advice and assistance. Ambassador Jones agreed, but reported that some progress had recently been made. The Indonesian government had requested two economic experts to work on the five-year plan. However, a topflight economic adviser was more urgently needed, and Ambassador Jones said he had hopes that the Indonesians might now request one. It was agreed that such a request should have top priority, and Mr. Henderson added that there was a similar position to fill in Laos.

Ambassador Sebald said that many Australians are concerned over what they feel is very irresponsible economic leadership in Indonesia, and asked Ambassador Jones to comment thereon. Ambassador Jones cited Indonesian actions against the Dutch and most recently against the Chinese as probably having given rise to this feeling. Action against the former was well-known; that against the latter was prompted by the Chinese stranglehold on the distribution of basic commodities. The Indonesian action was taken to break this stranglehold before the political weight of the Chinese prevented their doing so. They took this action for political reasons in the face of the economic disruption it would cause. It was a major step, and of such far reaching consequences that the Indonesians felt they might even have to review their neutral policy of "active independence". Ambassador Jones said that he does not feel that there is any question of "who's next?" and present signs are reasonably favorable. Ambassador Sebald commented that the use of economic weapons for political purposes is very dangerous.

Turning to a military subject, Mr. Parsons referred to the recent communist probes in the Taiwan straits and Laos and the need for a flexible U.S. military approach. He asked Admiral Felt to comment on this topic.

Admiral Felt said that a combination of U.S. and local forces in the area gives us freedom of action and that his objective is to maintain this flexibility. Both we and the Soviets have now reached the point where each can seriously damage the other, and the Soviets are going to try to exploit this situation. Admiral Felt referred in this connection to a recent book

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by Garthoff called THE SOVIET IMAGE OF FUTURE WAR, which he recommended. Admiral Felt said he believes that the Soviet military objective over the next decade will be to lull the U.S. into abandoning the means of stopping limited aggression. The Soviet leaders want us to devote most of our energies and resources to the production of large yield nuclear weapons.

The Soviets, on the other hand, have traditionally fought limited wars, and intend to maintain this capability. They will therefore continue to maintain huge ground forces and attempt to occupy land masses in Southeast Asia and if possible in Europe. Admiral Felt suggested, therefore, that one of the meeting's conclusions be a recommendation that the U.S. maintain the means of containing local aggression in the area. In this respect, we must remember that from a military point of view it may be necessary to resort to tactical nuclear weapons. We must not run the risk of defeat merely because of hesitancy to use Nukes.

Admiral Felt pointed out that the situation in Laos is still potentially dangerous, but that we have developed considerable capability to move into such areas. U.S. weaknesses lie mostly in communication and logistic support.

Admiral Felt then related that the British are expanding their base at Singapore and proceeding with plans to establish one in Borneo. This will considerably enhance Western military strength in the Indian Ocean. He added that the Panama Canal is a constant concern because of its inadequate defenses.

Mr. Henderson said he interpreted Admiral Felt's remarks to mean that under certain circumstances, if conventional weapons were not sufficient, we would have to resort to small-yield nuclear weapons. Ambassador MacArthur pointed out the danger of getting into a situation where there was no military alternative to the use of nuclear weapons, for overriding political considerations might nevertheless militate against their use.

Mr. Morgan said that there had been continuing discussions with Defense on the subject of the use of nuclear weapons. He thought it would be well for the Conference to go on record in favor of the maintenance of adequate military capability against limited aggression. It should also recommend that as much weapons flexibility as possible be allowed for political reasons.

Mr. Parsons said that it is extremely important that the U.S. maintain forces on Taiwan and in Korea. Congress has questioned the maintenance of forces in these areas, but if they were cut, the posture of the free world

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in the Far East would suffer seriously. Ambassador Durbrow mentioned the increase in large-scale terrorist tactics in Viet-Nam and felt we should give attention to increasing our anti-guerrilla capabilities.

Consul General Maddox thought that the Conference should consider that U.S. interests lie in ensuring as far as possible that the UK position and bases in Singapore remain secure. Mr. Parsons noted that in recent discussion with the British they appeared most receptive to our interests in the area. Ambassador Sebald remarked that the Australians put little trust in the ability of the British to hold Singapore.

Ambassador MacArthur drew attention to the Ryukyus question as a permanent irritant in U.S.-Japanese relations. As long as Kishi remains Prime Minister, there should be no request for the transfer of their administration to Japan. However, a new prime minister might be sorely tempted for political reasons to renew the demand. As long as the people of the Ryukyus are basically satisfied with U.S. rule the situation should be manageable, but if they agitate for a change, then the Japanese will reopen their demands. We must continue our current wise policies and administration and in particular we must have resources available on an annual basis for the long-term economic development of the Ryukyus.

General Booth added that we are in the Ryukyus for purely military reasons; and for the foreseeable future Okinawa is the sole base where the U.S. policy governs without question. He noted the over-all value of Okinawa as an intermediate military base and staging-point for limited war. He felt the political situation over the next ten years depended entirely on how much we do for the welfare of Okinawa, and said that we must maintain an adequate level of aid. He put the figure at six million dollars annually. Mr. Parsons noted that with the population of Okinawa twice that of Hawaii, this was no small matter.

At the invitation of Mr. Parsons, Mr. Allen described a new White House committee headed by Mansfield Sprague to review U.S. information activities, something which had not been done since the Jackson Committee of 1953. Mr. Allen pointed out that the latter had recommended that USIS should carry on as much unattributed activity as possible. This has since been the policy, but Mr. Allen feels that it may have gone too far. He prefers to shift the unattributed more to CIA, with the objective of building up the reliability rating of USIS to such an extent that we can be proud of its by-line. He is not trying to get entirely out of the gray field, but only to strike a proper balance between attributed and non-attributed material.

Ambassador McConaughy said that he would like to raise a point from earlier discussion before beginning his keynote presentation. He said that he would like to strike a note of caution on the conclusions that might

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be drawn from discussion of friction between the Soviets and the Chinese Communists. He said that a serious look should be taken at the evidences of this friction. While there is evidence that some irritations and annoyances exist and go beyond mere personal differences, it is conceivable that the Soviets may be trying to make a virtue of the situation, deliberately playing up these irritations. Most of the evidence is external rather than internal, coming from the Soviets themselves. Certainly they have the discipline to conceal these differences if they wished. It seems, therefore, that if they snub the Chinese, they are doing so deliberately for effect. On fundamentals the evidence indicates that they act in concert by previous agreement.

Why should the Soviets encourage the assumption that there are differences between them and the Chinese Communists?

1. It dulls our sense of the urgency of the crisis.
2. It reinforces the arguments of those who advocate a soft China policy.
3. It enables the Communists to play the game both ways, thus giving them a flexibility and variety of tactics, through seeming differences of approach.

It would seem the part of prudence, Ambassador McConaughy concluded, to assume that the differences between the Soviets and Chinese Communists are superficial. While certainly their differences must be discussed at the Conference, it would seem unwise to encourage public speculation about increasing friction between the two bloc powers.

Mr. Parsons thanked Ambassador McConaughy for his remarks, and said that they added a new dimension to the discussion. He added that he has always publicly taken the view that it would be folly to base policy on the assumption of a rift between the Soviets and the Chinese. However, earlier discussion was based on a projection over the next decade, and therefore a discussion of potential differences seemed valid.

Ambassador Jones said he agreed with Ambassador McConaughy and mentioned that after the Khrushchev visit he had discussed with Subandrio the significance of the Soviets' snubbing of the Chinese. Subandrio took the view that it was an indication that one partner had failed and the other was taking over, not of any basic disagreement between governments, merely a tactic primarily for the benefit of the Indonesians.

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Ambassador McConaughy said that he had wished to raise the possibility that the Russians were using Machiavellian tactics in deliberately playing up differences with their Chinese allies.

Mr. Henderson pointed out that the combination of hard and soft tactics was an old strategem of the Soviets. He said that before the Second World War, the Soviets used to invite the foreign ministers of victim countries to Moscow, and after the foreign ministers had been figuratively "beaten to a pulp" by the hard tactics of Stalin's subordinates, completely demoralized they were ushered into Stalin, who shifted abruptly to a soft and kindly approach. He added that the GPU used the same tactics, first treating its victims roughly and then suddenly switching to soft methods.

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X. THE RISE OF NEW LEADERSHIP IN ASIA

Ambassador McConaughy - Keynoter

Ambassador McConaughy began by cautioning that generalizations are particularly hazardous in an area as diverse as Asia, but that they nevertheless were necessary to provide some framework for discussion of this difficult topic. He thanked his colleagues for providing background material and their viewpoints on the subject as related to their respective countries. He added that his remarks would pertain largely to the underdeveloped countries of Asia, and that Australia, New Zealand, Japan, and to some extent Malaya, would therefore be exceptions to most of what he would say.

Basic Factors Affecting Asian Leadership

Ambassador McConaughy pointed out that many Far Eastern countries remain under the leaders who first brought them to independence. There is a prevalence of authoritarian governments for obvious reasons: authoritarian and paternalistic traditions; a lack of experience in self-rule; the overriding need for security and stability; hence, strong armies and police, which provide agencies for authoritarian control; a compelling desire for rapid advancement and industrialization, and therefore the need for strong leaders who can maintain discipline and get things done; the poor base for democratic processes in areas where a great deal of the people are illiterate and struggling for survival.

Ambassador McConaughy pointed out that at the same time Communism continues to have a peculiar appeal to Asian intellectuals and reactionaries, largely because of Russia's impressive development and because of their lack of knowledge of real developments within the Communist orbit.

Durability of Old Political Leadership

The older generation of experienced revolutionary leaders continues to show a remarkable ability to remain in power. In addition to the basic reasons already stated, their prestige and stature with the people have given them a remarkable staying-power. In India, for example, as Ambassador Bunker pointed out, the principal hindrance to the rise of new leadership is the towering stature of Nehru; it is difficult for second-line leadership to grow in his shadow.

There would appear to be no alternative to Rhee and Chiang as national leaders as long as they are alive. Nehru, Diem, and Sihanouk are younger men, but their staying-power seems fairly well assured. Even in the

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Philippines, the death of Magsaysay has not led to new leaders, but rather to the re-emergence of old guard leadership. In Japan conservatives seem likely for the foreseeable future to continue their hold on political power. In several countries where the old leadership has vanished or was never strong, control has passed to new military-type rulers, who have preserved or revised authoritarian rule.

Recent Afro-Asian Military Takeovers

As a recent Department of State study concludes, military regimes are theoretically as competent as civilian regimes to carry societies through the developmental crises, provided they understand the problems, keep security and economic development in balance, and "civilianize" as fully as possible. They also have the strength and organization to seize control and hold it.

In the past two years, military takeovers have occurred in Thailand, Burma, Iraq, and Pakistan. Military influence in political affairs has grown in the UAR, Laos, and Indonesia. However, the 1958 military coup was nothing new in Thailand; and in Burma the Ne Win regime has now been replaced by civilian leadership.

The experience of these regimes has shown that they are capable of considerable maturity and effective understanding of national interests. Nevertheless, the history of military takeovers in other parts of the world suggest a potential instability in such regimes, principally due to a failure to keep security and developmental progress in balance.

New Leadership in Asia

The most striking fact about political leadership in underdeveloped Asia is the absence of new names and faces. Limited opportunity is provided for new leaders to emerge, except in those countries where military regimes have taken over.

New political leaders are already on the scene, but they have yet to come to the forefront. Future leaders in the government party remain overshadowed; whereas the weakness of opposition parties has helped to blight the growth of leaders of national stature within the non-government parties.

Although it is true, as Ambassador Durbrow has pointed out, that dissatisfaction exists among a considerable number of intellectuals, this problem is more of incipient than current importance. Intellectuals have tenuous links with the masses in the rural areas. However, extremist movements under dissatisfied intellectuals remain a future hazard.

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There is a hopeful rise in the levels of competence and expertise in the administering and military services. Numbers of younger Asians are being trained in good schools at home and abroad. Quite a number of these younger Asians have risen to ministerial rank, or to positions of leadership in business or the professions. They form a valuable second-line leadership reserve, but few may have the magic quality needed to become great national leaders.

It remains unknown whether the new, unidentified leaders, whatever their technical competence, will be as disposed as the old leaders to throw in their nations' lot with that of the United States. Many of these potential leaders lack the Western education and exposure to the West of some of their elders.

With the immediate aims of independence largely achieved, ultra-nationalism may give way to greater understanding of the need for international cooperation. Complex economic problems such as the population explosion will demand greater attention.

The Fate of Democracy in Asia

Parliamentary democracy has not driven down roots in most of underdeveloped Asia, and is unlikely to do so for many years to come. Reversion to authoritarian rule has come to be accepted as a practical necessity.

At the same time, the democratic concept is not dead or dying, even where it has been suspended or modified. Leaders seem to be casting about for some way to combine the necessities of strong executive control with the advantages of popular government.

Implications for U.S. Policy

The United States must accept as a fact of life that our brand of democracy has no real chance of survival in any Asian nation plagued with insecurity and backwardness. The United States cannot afford to take a hostile attitude toward any free Asian regime however authoritarian. On the other hand, to become too closely identified with an excessively authoritarian regime harms our standing and influence with non-Communist elements opposing that regime. The answer to this dilemma would seem to lie in accenting our belief in the principles of human dignity and the rights of man. We should bring our influence to bear to induce countries to recognize basic human rights, and should maintain personal friendships with members of all non-Communist parties. Greater emphasis should be placed on continuing contacts with Asians trained in the United States. We should continue to observe political tendencies carefully and be prepared to move rapidly to support new groups under certain conditions. We must bear in mind

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that by and large new leaders have not committed themselves. They seek to experiment in various systems and we must show sympathy for the grave problems they face and with the way they are trying to cope with these problems. We should be prepared to back their aspirations even when they follow lines which differ substantially from our own model.

Ambassador McConaughy concluded that the image of itself which the United States projects is of paramount importance in winning the cooperation of Asia's new leadership. This image must be that of a strong, principled leader, who is a sympathetic supporting friend.

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XI. BALANCE BETWEEN SECURITY AND DEVELOPMENT IN NEWLY EMERGING COUNTRIES

Ambassador Durbrow - Keynoter

Ambassador Durbrow opened his remarks with the statement that the problem of balance between security and development in newly emerging countries is one of the most difficult of the cold war problems to solve. The basic difficulty, he said, stems largely from the fact that the validity of any balanced program depends not only on thoroughness in planning, but more importantly on the shifting military, economic and political tactics of the Communists, the changing balance of military forces between the Communists and the Free World and finally, the attitude of the American public and Congress as expressed in yearly appropriations. Congress and the American people, said Ambassador Durbrow, because of their lack of understanding of basic Communist long-range tactics and goals, are becoming more and more impatient about continuing military and economic aid and are inclined to think that since we won the battle in Europe by the Marshall Plan, the war is over. Most Americans, he said, do not understand that the problems created by the Communist threat are much more difficult and complex in less developed areas than they were in Europe. As a result, Ambassador Durbrow said, too many Americans have failed to comprehend that if we are to prevent further Communist conquest, military and economic aid from the U.S. and other free world countries must continue for the indefinite future.

Ambassador Durbrow outlined the four principal factors which must be weighed and understood, apart from a fundamental one of Communist tactics, in trying to strike the proper balance between security and development in newly emerging countries. These factors, he said, are: (1) the need to have adequate military forces to maintain internal security and to have some deterrent effect to outside aggression, (2) the need to build up the economic infrastructure so that solid long-range development can take place, (3) the need of the governments of the newly emerging countries to adopt meaningful plans for political development so as to help foster the peoples' political consciousness and understanding of the reasons for certain actions and policies, and (4) the need for at least modest mass impact programs to meet some of the basic material desires and requirements of the population and thereby to generate their support.

Internal and External Security

The need for adequate military forces to ensure internal security and some measure of external security, Ambassador Durbrow pointed out, was dictated by the fact that the Communists are trying by subversive propaganda or guerrilla terrorism to disrupt economic development in all newly emerging countries. Unless adequate forces are maintained, said Ambassador Durbrow,

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to meet this Communist challenge, little or no real economic development or investment can take place in the newly emerging countries. The Communists by terror or subversion will impede or slow down the process of economic development, production will fall, investment will decline and economic stagnation will set in. The problem of maintaining internal security in order to foster economic development was especially important in Burma, Laos, Korea, Viet-Nam, Cambodia, Indonesia, and even Malaya and Thailand.

While emphasizing the paramount importance to newly emerging countries of maintaining forces adequate to ensure internal and external security, Ambassador Durbrow warned that too much of the country's resources should not be allocated to attain these ends since (1) force alone will not assure the loyalty of the population, and (2) it is necessary to make sure that sufficient resources remain to avoid economic stagnation and permit essential development to take place as rapidly as possible. As regards the latter, Ambassador Durbrow stated that the allocation of resources must be kept constantly under review to ensure that under any given circumstances the maximum permissible is devoted to economic development. Ambassador Durbrow then pointed out that the maintenance of security forces is not wholly a drain on the economy of newly emerging countries, in view of extensive unemployment in these countries, and the fact that personnel in the security forces learn to read and write, learn useful technical skills, and are imbued with a sense of discipline and the advantages of cooperative effort.

Economic Infrastructure

The need for basic infrastructure, Ambassador Durbrow continued, is dictated by the fact that most of the newly emerging countries sorely lack basic economic facilities. Therefore, to promote the solid economic development of these countries, investments in such projects as roads, telecommunications, irrigation, basic agricultural improvements, power, light industry using local raw materials, some heavy industry, and training schools for technicians and administrators should be emphasized rather than mass impact programs, which would bring immediate but superficial benefits to the mass of the population. Unfortunately, said Ambassador Durbrow, it is rarely understood by the masses of people and even some of the more educated leaders that such investments call for sacrifices by the people.

Because of this ignorance, Ambassador Durbrow said, it was important that the governments of the newly emerging countries initiate propaganda programs to explain the fundamental facts of life about the relationships between savings, basic investment, and economic growth.

Political Development

An effective plan for political development is essential so that the governments of the newly emerging countries have the active support of their

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people in the task of attaining economic independence. Such political plans, he said, should create and encourage private and semi-political organizations and institutions such as farmers' organizations, cooperatives, youth movements, intellectual groups, etc., to serve as sounding boards, safety valves and cement between the government and the people. The new government must plant and encourage the seeds of democratic and stable government. Through these institutions, he indicated, the governments must plant and encourage the tenets of democracy as we know them, which should be explained and applied only gradually since it is unrealistic to expect the untutored masses to suddenly accept the responsibilities of democracy. Furthermore, Ambassador Durbrow said, these semi-political organizations and institutions provide vehicles through which the government can explain the whys and wherefores of its policies. It is not sufficient, Ambassador Durbrow emphasized, to merely decree and announce essential worthwhile programs from on high. A sufficient number of local leaders, if not the masses, must have some effective way to express their views regarding these programs, if their active cooperation is to be enlisted. An essential ingredient of this political plan, said Ambassador Durbrow, is the need to keep corruption to a minimum. If a political plan does not achieve this result, he said, all other beneficial results will be nullified.

Mass Impact Programs

Mass impact programs must be secondary to factors previously outlined and should concentrate on such activities as training more teachers, establishing more low-level elementary and technical schools, and basic health and sanitation programs. The Communists, he noted, do not try to disrupt these mass impact programs, but rather concentrate on disrupting essential and fundamental programs such as land reform, better means of agricultural and industrial production and better methods of attaining internal security.

Ambassador Durbrow affirmed that the liberal-inspired mass impact programs should not have top priority in view of the basic attitudes of the Asian peasants. They, by tradition, habit, and general ignorance, he said, want to be left alone. They have little interest at this time in politics, freedom of speech or the press, in voting rights, rival political parties or the opinions of parliamentarians. If the masses are given basic protection while the basic infrastructure is being built up, if the seeds of self-government and democracy are being planted and basic needs are catered to, real progress can be made and economic independence attained in a shorter time than by reversing the priorities.

Conclusion

In conclusion, Ambassador Durbrow stated that the problem of achieving a balance between security and development has been made more difficult in

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recent years by the Communists^o being forced to follow our lead and enter the economic field. As a result, he said, it is now perhaps more incumbent on us and other free world powers to continue, if not step up, economic aid. If we do not, many countries may fall prey to the Communists^o false claims that their system is an easy shortcut to economic independence. Ambassador Durbrow then went on to state that because of differences between individual countries, it is difficult to come up with a general formula on how to reach the balance between security and development. He said nonetheless there are certain common factors with regard to the problem of striking a proper balance which apply generally. These are: (1) the need for sufficient security forces to maintain requisite internal and external security, (2) better road networks and telecommunications for economic and security reasons, (3) measures which improve general health, which are essential for effective security forces and a healthy labor force, (4) the need to foster elementary and technical education, and (5) greater flexibility on the part of our own government to shift programs and priorities to meet expeditiously changing conditions and particularly changing Communist tactics.

Finally, said Ambassador Durbrow, aside from these common factors, the most one can recommend is that since we do not control both sides of the equation, the question of proper balance must be kept constantly under review in order to divert resources to meet changing situations. Special care, he said, must be exercised to make sure that we do not concentrate on security for security's sake at the expense of fundamental economic development.

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XII. REGIONAL COOPERATION, TRENDS AND PROSPECTS

Ambassador Johnson - Keynoter

Ambassador Johnson opened his remarks by stating that he was not entirely sure that he had a real topic, since the Far East area is still largely a geographic expression and the concept of regional cooperation has as yet not progressed very far. He added, however, that he was encouraged that some progress, although to be sure still slight, was being made in the direction of regional cooperation with the encouragement of the U.S.

Ambassador Johnson then went on to describe the obstacles to Far East regional cooperation and the progress that had been made in this direction, using primarily a functional approach to the question, i.e., political, cultural, military and economic.

Political CooperationObstacles

With respect to political cooperation, Ambassador Johnson noted numerous obstacles, some a legacy of the past, some of more recent vintage. As an example of the former, he referred to the Korea-Japan relationship, and Thailand's historic struggles with neighboring countries. He pointed out there has been no sense of regional cooperation in the Far East in modern historical times, the area having been divided into colonies or spheres of influence by the major powers. Japan's co-prosperity sphere during World War II was cited as the nearest thing to an attempt to pull the region together.

Since the war, Ambassador Johnson stated, the preoccupation of the individual countries of the Far East with their own internal problems largely has absorbed all their energies. Moreover, he stated, the desire of the former colonies to cast off their shackles has impeded efforts of metropolitan powers to serve as catalyst for regionalism. In this regard, Ambassador Johnson noted the U.S. was enjoying a small measure of success since it was less suspect than the other former colonial powers.

Other obstacles to political cooperation mentioned by Ambassador Johnson were: (1) growing nationalism in Southeast Asia; (2) conflicting political interests between individual countries of the region, e.g., Malaya-Singapore, Cambodia-Thailand, and (3) the fact that the economies of the region, except for Japan, are largely competitive rather than complimentary.

Manifestations of Regionalism

Despite these obstacles, however, Ambassador Johnson stated that in addition to existing regional organizations there were many recent

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manifestations of groping toward regional political cooperation. He cited as an example of such gropings the exchange visits of leaders such as the visit of the Thai King to Viet-Nam, Indonesia, Burma; of Diem to Taiwan and Malaya; of Tengku Rahman and Subandrio to Australia; and of many officials and quasi-official business missions. Also noted were the Rahman-Garcia-Thanat initiatives for SEA regional organization; the improved Thai-Malayan cooperation on the Communist terrorist problem; the Thai-Lao transit agreement of June 1959; the Thai training of Lao forces; and economic regional projects - telecommunications, Mekong development.

Cultural Cooperation

Ambassador Johnson noted that the legacy of the past which inhibits regional political cooperation operates more forcibly to hinder cultural cooperation. He noted among the more serious obstacles to cultural cooperation the fact that most of the people of the area have widely divergent racial and historical backgrounds. He noted further that while countries like Burma, Thailand, Laos and Cambodia share the same branch of Buddhism, their practices differ widely from country to country. Even more serious, he noted, are the conflicting relations within the region. The colonial era, Ambassador Johnson pointed out, left each country of the area with different outlooks toward Western civilization, differing ideologies and varying acceptance or rejection of Western cultural values. Moreover, he stated, because of the geographic isolation of the countries of the area, especially in Southeast Asia, the countries know less about each other than they know about the United States or Western Europe and are less interested in each other as well. Finally, Ambassador Johnson referred to the barrier to cultural cooperation imposed by widely divergent languages, though he noted that English was rapidly becoming the lingua franca of the region.

Military Cooperation

Area-wide military cooperation, Ambassador Johnson stated, was not feasible. He cited the recent soundings of the Korean Mission and the repeated but unsuccessful attempts of the Taiwan regime to interest countries of the area in military cooperation. Ambassador Johnson said that area-wide military cooperation under Japanese leadership would be opposed by the rest of the area and was not desired by Japan itself. Many of the countries of the region, Ambassador Johnson noted, feel that they are adequately covered by existing military arrangements such as that provided by the SEATO umbrella or are inhibited from participating in regional military arrangements by such considerations as in the case of Burma having a common border with Red China.

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Despite the region's lack of interest in military cooperation, SEATO has gained increasing acceptability in recent years as a non-aggressive organization and increasing recognition as a stabilizing force in the area. Ambassador Johnson expressed the view, however, that any increase in the membership of SEATO would add considerably to its burdens without contributing very much on the positive side and would thereby weaken its stabilizing role.

Economic Cooperation

Scope of Economic Cooperation

Ambassador Johnson continued that it would be first necessary to define the region within which countries would cooperate. There could, for example, be a number of various ways of grouping the countries in the area. Would India and Pakistan be included? Would Australia and New Zealand? There would also be the necessity to define the framework for economic cooperation and type of organization under which cooperation would take place. Finally, the specific fields of cooperation should be defined. For example, trade, commodity stabilization schemes, devices to stimulate the flow of capital, etc.

Difficulties Involved in Defining Scope of Economic Cooperation

With the exception of Japan and to a lesser degree Australia and New Zealand (and perhaps in the near future India and Mainland China) all area countries produce primary commodities. This limits intraregional trade opportunities. Moreover, the major markets of most of these countries lie in the West (plus Japan) and the West (plus Japan) is also their major source of supply.

The region therefore falls into no logical economic grouping such as those used to promote economic cooperation in Europe. The natural tendency is for Asian countries to compete rather than to cooperate in the economic field.

Present and Potential Catalysts and Sources of Financing Asian Economic Cooperation

The most important is the U.S., through its participation in bilateral and regional programs. The construction of a road in one country may, for example, contribute to a regional road. Regional projects sponsored or financed by the U.S. may stimulate regional cooperation.

UN bodies are also important. The IBRD, the proposed IDA, and the Special Fund, all as financial and advisory bodies, and the ECAFE, FAO, and WHO as bodies whose operations draw the countries of the region closer together.

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The industrial nations -- the United States plus Western Europe and Japan -- can provide financing and technical assistance for projects contributing to regional cooperation.

Finally, the countries of the region itself. It may be asked whether Japan is an essential element in any regional scheme. Japan is the only Asian country now important as a source for industrial and consumer goods and as a market for primary products. Japan is also a source of capital and technicians. On the other hand, Japan wields little political or cultural influence in the region. Japan's greater self-sufficiency in rice has impeded its role as a unifying element. Memories of the co-prosperity sphere make Japan suspect in many Asian countries.

India may play a further role as an economic leader if its development programs succeed. Other countries, at the same time, may draw closer together in the face of rising Indian competition.

Mainland China may inspire a Communist-oriented regionalism or impose difficulties by competing in markets of Asian countries, or as in the case of India, force countries to draw closer together in the face of Communist competition.

Manifestations of Asian Economic Cooperation

While limited in scope, existing manifestations of regional cooperation are nevertheless valuable in promoting further cooperation. First, there are projects of ECAFE auspices, the Mekong River Project involving four countries who have continued to cooperate despite political strains among them. The Asian highway concept adopted by ECAFE serves as a guide which Asian countries may follow in their highway improvement plans. Finally, ECAFE provides a valuable forum for meetings, training programs and trade discussions.

The Colombo Plan is useful, particularly as a medium for technical assistance. SEATO's engineering school at Bangkok is important. All members are contributing in some degree to this project and, if successful, it could provide a useful pattern for further training programs in the area.

United States Role

The U.S. can continue bilateral assistance to projects which foster regionalism and can grant aid for regional projects. It can encourage other capital exporting nations, especially Japan, to contribute more heavily to Asian economic development. The U.S. can grant financial and technical assistance to those projects and economic sectors which promote regional cooperation, such as the Asian highway, regional airline, and regional

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telecommunications. Finally, the U.S. can support the "islands of development" concept. A logical "island" for Southeast Asia is Thailand, whose successful economic development under the free enterprise system could have a considerable influence on its more socialist-inclined neighbors.

Dangers in Promoting Greater Regional Cooperation

There is the danger that closed marketing arrangements could develop, shutting out the United States. A regional body could become primarily a price fixing device. At the same time, regional cooperation could promote the bloc voting concept in international organizations. Finally, increasing tariffs to outsiders could result, further shutting off U.S. and Western European imports.

Summary and Conclusions

Ambassador Johnson concluded that increasing regional military cooperation is neither favorable nor desirable. However, divergent cultures will serve to impede a growth of regional consciousness. There is likely to be increasing political cooperation in the face of a Communist threat, provided adverse shifts in the balance of power in the area does not make accommodation too attractive.

Regional economic cooperation is beset by many fundamental problems. Nevertheless, there are promising developments such as the Mekong Project. Outside assistance can contribute significantly in the right context. However, increasing regional economic cooperation also could involve certain disadvantages for the United States.

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XIII. GENERAL DISCUSSION

Mr. Knight said he would like to speak briefly about disarmament, as he felt the countries in the area would be paying more attention to this subject during the next year. There would be a series of disarmament meetings: the Ten Power talks, the Summit Meeting, the United Nations discussions on Outer Space, the Antarctica Conference and the nuclear testing talks. Since, at least in the Defense Department, there was a feeling that armaments stemmed from political tensions rather than vice versa, Mr. Knight felt that the ambassadors should be prepared for a lack of any immediate accomplishments in the disarmament line. Accordingly, they should expect the propaganda warfare aspects of the disarmament talks to be materially increased as the talks proceed.

He pointed out that there were certain dangers implicit in the negotiations: (1) the United States has put a great deal of effort and resources into building its nuclear deterrent and there was the danger that the United States' stockpile of nuclear weapons might be stigmatized; (2) with disarmament talks proceeding on so many fronts there might be an unhealthy relaxation and a feeling that there was no need for continuing effort; (3) if the United States announces its intention to disarm in competition with the U.S.S.R., other countries may feel abandoned; (4) there is danger of false hopes and over-reaction resulting from popular disillusionment. He said he felt that the Ambassadors could play a role in minimizing all these dangers.

Mr. Knight said that he would like to mention certain factual aspects of this disarmament question. First, he wished to explain the "threshold" proposal in the nuclear test suspension talks. He said that the idea was based on the fact that nuclear explosion cannot be detected underground up to a certain threshold in explosive power.

He also explained that Mr. Eaton's instructions are this year based on the acceptance of individual proposals in turn, a different approach from the old package-deal concept. These individual proposals include cessation of nuclear production and the transfer of specified quantities of nuclear weapons to international control. Mr. Knight concluded by expressing his gratitude for being invited to attend the Conference and said that he found the discussions extremely valuable.

Ambassador Byington proposed that there be included in the recommendations of the Conference the Ambassadors' endorsement of the usefulness and value of weapons demonstrations. He explained that such demonstrations have been extremely successful with the Malaysians. Mr. Parsons agreed and said that there was a definite relationship between this and the morning's discussion of the image of the U.S. among new leaders in Asia.

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Admiral Felt said that the Ambassadors' support of the concept of future weapons demonstrations would be very useful. He added that it would be feasible to have the Ambassadors themselves attend a weapons demonstration as long as plans were made sufficiently far in advance. Mr. Parsons remarked the most opportune time would be in conjunction with the next Chiefs of Mission Conference.

Ambassador Sebald then pointed out, in connection with the problem raised that morning of the passing of old leadership to the disadvantage of the United States, that Prime Minister Menzies was largely responsible personally for Australia's close relationship with the United States. He said that Menzies, who had been Prime Minister for ten years, would probably retire in a few years and that he would probably be succeeded by second-rate leadership, with the possible exception of Sir Garfield Barwick, who has only recently appeared on the political scene.

Ambassador Russell commented that in New Zealand the older leadership presented certain problems for the United States. Prime Minister Nash is engaged in proving that he is carrying out election promises. He had promised the recognition of Communist China in principle. While he recognizes that there are real problems involved, he may try to convince the electorate that he is making some steps in that direction. On his way to the forthcoming Commonwealth Prime Ministers Conference in London, he plans to stop in Moscow for talks with Khrushchev, and it is uncertain how the meeting will go. It is possible, however, that Nash may return somewhat disillusioned, as he did after his meeting with Nehru. Nash believes in the two-China concept, with the United Nations as a guarantee. He might attempt to get the Commonwealth Prime Ministers to support this concept.

Mr. Allen wondered if there had been any Asian reaction to the impending change in U.S. leadership.

Mr. Parsons suggested that there be included in the recommendations a sentence relating the problem of the rise of new leadership to the Exchange of Persons Program. He said the United States position in the area has repeatedly been helped by U.S.-trained leaders.

Ambassador Johnson commented that in Thailand the Fulbright Program was operating on a hand-to-mouth basis because of the lack of local currency funds. He said that Senator Fulbright had complained that the Department was reluctant to support the program with appropriated funds.

Mr. Henderson explained that it was not reluctance but budgetary obstacles which prevented this, as well as the difficulties which the Department's budget met in the House. Nevertheless, he agreed that the Conference recommendation would be useful.

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Ambassador Sebald mentioned that in Australia money for the Fulbright Program would soon run out but there was a possibility that the Australian Government might go fifty-fifty in support of the Program.

Ambassador Jones commented that there is no Fulbright Program in Indonesia.

All of the Ambassadors agreed that they were very enthusiastic about the results of the Fulbright Program in the area.

Mr. Knight raised the question of directing a similar program toward the next generation of leadership in Communist countries, which would involve the task of identifying them and inviting them to the United States.

Admiral Felt raised the point of the International Cultural Center in Hawaii proposed by Senator Johnson.

Mr. Henderson remarked that the State Department would be contributing little money to this project, and that most support would come from MSA funds.

Mr. Parsons commented that he was not too enthusiastic about the idea because he felt that the average Asian wants to go to the Continental United States.

Admiral Felt explained that the Hawaiians were enthusiastic about the idea because they feel that their university courses are tailored specifically to the needs of Asians.

Mr. Allen mentioned that there was also the argument that some 45,000 foreign students come to the United States each year; the number going to Hawaii would be only a fraction of the total. If given a choice, a number of Asian students might want to spend part of their time in Hawaii. He mentioned the excellent inter-racial setup there.

Mr. Parsons agreed that the preliminary indoctrination aspect might be of value, but reiterated that most Asians want to see the continental United States and avoid special inter-racial situations.

Mr. Allen said that one consideration might be whether the Hawaiian Representatives in Congress supported the idea, as it would certainly be unwise to lose their friendship.

Ambassador Durbrow said that the Viet-Nam reaction toward the SEATO Engineering School in Bangkok illustrated Asian preference for training in Western countries rather than in Asia.

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General Booth pointed out that some Okinawan students have had bitter experiences in schools in the U.S. South.

Ambassador Johnson remarked that Thai students have had happy experiences in Louisiana and a number regularly enroll there.

Ambassador Trimble raised the problem of Cambodian students who go to France with little money and fall prey to the Communists. He said that Sihanouk told him that he considered this a pressing problem and was therefore concentrating on the teaching of English in order to direct more Cambodian students to English speaking countries.

Ambassador Durbrow added that President Diem had stopped the sending of Vietnamese students to France.

Ambassador Drumright pointed out that for the Chinese there was the additional problem of students going to the United States and never returning.

Mr. Henderson said that he felt that it was terribly important that Asians in new countries master a European language so that they might not lose contact with the Western world. He said that the United States must be careful about adopting any course of action that might result in the eradication of French as we might lose everything in the process.

Ambassador Durbrow agreed and said that it was important to move with care in this respect in Viet-Nam.

Ambassador Jones pointed out that Indonesia was an exception, that while Dutch has disappeared, English has become a real second language.

Mr. Allen remarked that in many of these countries the leaders themselves are demanding more English instruction because they realize that English is the primary means of communication in the world today.

Mr. Henderson said that he agreed that we should teach English to those who want it, but had wished to point out the danger of competing with other European languages and the net loss that might result.

Ambassador Smith said that there was a similar problem in Laos. He said that we were trying to meet the demand for English instruction while at the same time encouraging the preservation of French language and culture, especially in the primary grades.

Minister Holmes said that he had been much impressed by the high quality of the keynote presentations and felt that this material could be put to excellent use in the FSI, particularly the Senior Officers' Course. There

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was general approval of this suggestion and it was also suggested that the presentations be made available to the various participants. It was therefore agreed that copies of the complete texts would be reproduced by the authors and sent by them to the participants. This would be in addition to the record of the Conference.

With regard to the question of regionalism in the area, Ambassador Jones said he felt that meetings of ambassadors in sub-regions would be most helpful. As an example, ambassadors in Malaya, Indonesia and the Philippines would profit, he thought, from an occasional conference. Also a general SEA get-together would be a good idea. Mr. Parsons said that he agreed and the only limiting factor was the budget.

Ambassador Byington explained the Tungku rationale for SEAFET. Malaya, as a new country, wants to associate with other countries; this appeals to its sense of nationalism. Malaya also wants something positive rather than merely anti-Communist, something in the psychological field to substitute for mere negativism. The Tungku was regretful that there had not been more response, but he was determined to push ahead with it. Ambassador Byington was somewhat disturbed about a study emanating from the Department which spoke of SEAFET in terms of a "mirage", and he hoped that, even though the Department understandably could not come out positively for it, there would at least be not too much negative attitude taken on SEAFET.

Mr. Anderson said that SEA did not share the views of the memorandum, that it came from INR and was not fully cleared.

Mr. Parsons observed that the Department very often keeps quiet on certain subjects because coming out strongly for them might have just the opposite result to that desired. Therefore, he welcomed guidance from the field on how the Department should treat these subjects.

Further in regard to regionalism, Ambassador MacArthur agreed Japan cannot be the keystone of any such move though he feels that it must be an important element therein. In this connection, he mentioned two actualities bearing on this subject. First, the Asian Productivity Organization in Tokyo, and, second, the technical training Japan gives many Southeast Asians. Japan, he feels, can be very useful in stimulating regionalism.

Mr. Knight said that Defense was putting more and more emphasis on training programs, but was having difficulties expanding them in this area because of lack of qualified people, particularly in English.

Ambassador Johnson brought up the question of length of tours for JUSMAG personnel and hoped that something could be done to lengthen them for the sake of continuity. He said the Thais were continually complaining to him about the rapid turnover.

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Mr. Henderson said this was also true of attaches and the subject was being taken up with Defense.

Ambassador Johnson said one of the difficulties was no home-leave privileges for the Military and Mr. Henderson added that armed forces policy was generally not to keep an individual too long away from his particular service.

Mr. Knight said this whole question was being worked on in DOD.

Ambassador Smith said he was in general agreement with the ideas and conclusions presented by Ambassador McConaughy, and wanted to cite one particular aspect regarding Laos. There, he said, we must rely still on the old guard to run things the way we want, even though there are some good young leaders coming up. Furthermore, we must not accept too readily a pattern of guided democracy and military leadership as being necessary in Laos, where there is a stubborn and ancient democratic tradition, just because in certain neighboring countries we have accepted autocratic regimes as necessary. Even though we may not be "out to export democracy" we are certainly not out to destroy it or to weaken its genuine proponents unnecessarily.

Mr. Parsons said that in this connection, we are under constant fire in the press at home and in Congress for supporting regimes such as that of Chiang and Rhee. This is, however, based on a false premise; we are not exporting democracy. We must take governments as we find them and work with them as they are. This, however, is very difficult to get across to the press.

Ambassador Drumright said an increasingly truculent Communist China is putting greater pressure on the countries around its periphery. We should watch closely and we should encourage any movement to coalesce against this pressure, whether it be a political or military grouping.

Mr. Parsons agreed that we should certainly watch for such opportunities. Referring back to his previous statement on exporting democracy, Mr. Parsons said that we must of course try where possible to reflect our democratic image, but we cannot and should not try to inject our way of government and institutions into an unfavorable climate. We should, of course, try where we can to moderate the excesses of dictators.

Turning to the subject of aid programs, Mr. Parsons said we should try to give them a long-term perspective. These programs as mere means of survival are not enough and we should have a sense of going forward. In this respect, he mentioned that new U.S. officials coming into the area normally stay only two years and often have inadequate perspective on how far the country they are in has already progressed. This often results

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in their having a different premise from the country representative with whom they talk. Sometimes this results in reporting potential crises, whereas in reality the country has progressed in some positive measure, even though this is not perhaps perceptible to a newcomer. A backward perspective is necessary and may avoid precipitate action.

Mr. Henderson expressed a word of caution about the U.S. identifying itself with non-Communist groups who are tolerant of Communists. Such groups may be very dangerous and must be watched closely.

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XIV. A. ADMINISTRATIVE MATTERS: PRESENTATIONS BY
DEPUTY UNDER SECRETARY HENDERSON AND MR. JOHNSTONE

Mr. Henderson opened the session by stating that he had only a few points to add to those he had already discussed with the Chiefs of Mission during the course of the Conference.

He stated that first of all he wished to clarify the role of the Country Team. The Country Team is an advisory group which has no command function. It cannot relieve the Ambassador of fundamental responsibility for decisions taken. The question what should be the composition of the Country Team is often asked. Mr. Henderson stated that its composition is flexible and varies according to the situation at each post. However, it should always include the heads of USIS, ICA, MAAG and CAS.

Ambassador Sebald stated that it seemed to be general opinion that each agency should be represented on the Country Team. Mr. Parsons remarked that it is up to each Ambassador to decide who should attend the Country Team meetings.

Mr. Henderson said that in accord with a recent Cabinet decision he wished to emphasize that each Ambassador should continually assess the effectiveness of every U.S. Government operation in his country. Every effort must be made to ensure that their staffs are held to a minimum. He suggested that Ambassadors assign an officer to advise them on the effectiveness of their USOM's. This officer, however, should not stand in the way of direct contact between the Ambassador and the USOM Director.

Responding to a question by Ambassador Hickerson, Mr. Henderson stated that he felt that at least the senior Military Attache should be included in the Country Team.

Ambassador McConaughy stated that he felt that the Political and Economic Counselors should attend the Country Team meetings, although not necessarily as members of the TEAM.

Mr. Henderson stated that at least the Deputy Chief of Mission should be present. He said the group should not grow too large.

Mr. Henderson stated that as a last subject he wished to emphasize that Ambassadors should take a direct interest in the Consular function. They should ensure that adequate and appropriate space is allotted to that section. He remarked that frequently Vice Consuls can pick up valuable information and should be encouraged to do so. The public relations function of the Consular Section should be kept constantly in mind and the question to be constantly asked is "Do our visitors go out feeling well served?"

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Minister Holmes stated that he had adopted the device of inviting section heads to bring a junior officer with them to his weekly staff meetings. He said he also tries to include junior officers in briefing sessions. He reported this had paid immediate dividends in morale. Mr. Henderson remarked that this was an excellent idea.

At this point Mr. Henderson asked Mr. Johnstone to discuss area administrative matters. Mr. Johnstone stated that he first wanted to read a paper explaining the role of an evaluation team operating out of the Office of Under Secretary Dillon. The team is first going to Taiwan; it will be lead by Mr. Frank Waring. Its mission is to assess the efficiency of the Mutual Security Program. Mr. Johnstone emphasized that this is not an inspection team. Recommendations resulting from the work of these teams will be acted on by Regional Bureaus.

Mr. Johnstone stated that on the general subject of Personnel he first wanted to speak about the tour of duty policy. He said that at last year's Conference there was general agreement that tours should be longer. The Bureau has tried to follow the agreed rule of home leave at the end of two years and a return to post for an additional two years. In the event an officer elects to forego home leave he might be transferred to another area after three years.

Mr. Henderson then read from a paper prepared by the Office of Personnel which gave tour of duty policies at various posts. He emphasized that an employee has the right to home leave at the end of two years.

Mr. Johnstone pointed out that the Far East Bureau feels that more than one additional year should be served after home leave.

Ambassador Byington stated that he feels that the tour of duty policy should be as flexible as possible in order that there can be some freedom of action in normal situations.

Ambassador Durbrow pointed out that the tour of duty policy has conflicted, at times, with career planning.

Ambassador Johnson made a plea that officers not be assigned to FSI for training while on home leave. He said that the training should be given between assignments. He also remarked that an effort should be made to assign an officer to a more responsible position after his return for the second half of a four-year tour.

Mr. Johnstone stated that several Bills are now pending in Congress which he feels have a reasonable chance of success. One of these is the Health Insurance Bill which will apply to all Federal employees. Premiums

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will be paid through payroll deductions. The program will be voluntary, and will apply to the employees and dependents in Washington as well as abroad. Mr. Johnstone also stated that recent legislation has been introduced amending the Foreign Service Act of 1946.

Mr. Henderson offered to review these amendments, and summarized them as follows:

1. To set up a new ten-grade staff corps, the top three grades corresponding to FSO grades 5, 4 and 3. After ten years in the staff corps the employee would be eligible for the Foreign Service Officer retirement system.
2. To eliminate dual-service positions in the Department.
3. To provide a 15% hazardous duty differential for courier duty.
4. To establish language requirements for Chiefs of Mission. It provides that, to the extent possible, the Chiefs of Mission must have a knowledge of the language, history and culture of the country of assignment. Mr. Henderson remarked that this did not result from a Departmental request.
5. To provide for appointment directly to Class 7. The purpose is to provide an avenue to Class 7 for certain specially qualified new officers. These officers would be required to pass the regular FSO entrance examination, and only five or six would be appointed annually.
6. To permit direct reappointment to the Service of an officer who has left the Service under specified circumstances.
7. To provide probationary appointments for Staff officers.
8. To eliminate the payment of salary differentials to FSO's assigned to positions in the Department that carry a higher salary than that of the officer. The differential will continue to be paid in the case of assignments to positions that are not designated FSO positions. (Mr. Henderson mentioned his regret that there is little immediate prospect of providing small housing allowances to FSO's assigned in Washington.)
9. To consolidate regulations governing separation for cause.
10. To grant longevity increases to staff employees and thus permit overlapping of classes. Some staff employees have suffered low morale because they are not promoted and receive no in-grade promotions. This provision permits in-grade promotions to continue even though there is considerable overlapping with next higher grades.

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11. To provide for orientation courses and language training for FSO wives. Although some of this training has been given in the past there is no legal authority for it.

12. To establish monetary incentives for the attainment and maintenance of proficiency in exotic languages.

13. To increase the premiums paid by the individual to the FSO Retirement System from 5% to 6-1/2% per annum. The increase makes possible a number of significant improvements in the retirement system.

14. To permit retired FSO's to accept Federal employment and still receive their annuity payments. Salary plus retirement pay, however, could not exceed the officer's final annual salary in the Foreign Service.

15. To raise Foreign Service annuities to retired officers by 10%.

At this point Mr. Johnstone resumed his discussion of personnel matters. He stated that he has been asked by the Office of Personnel to explain that there is a great shortage of personnel except at the top FSO grades. There is also a shortage of secretarial and staff personnel. The result is unavoidable delays in personnel replacements, particularly in the case of emergency departures. A delay of nine months is estimated in the case of some positions. Mr. Johnstone stated that the Office of Personnel also asked him to encourage posts to assign officers when practicable to positions classified higher than their Foreign Service grades. Mr. Johnstone stated that FE originally had 70% full-staffing positions, and is now down to 55%. Mr. Johnstone stated that in the scarcity of secretarial help and clerk-stenographers the post should be encouraged to hire locally to the extent possible.

Budget and Fiscal Matters

1960 Budgetary Picture

Mr. Johnstone continued his presentation with a summary of the 1960 budgetary picture, which he felt was somewhat brighter than at the same time last year. Urgent needs have been met and FE has gotten along quite well, despite the fact that there was no budget increase in FY 1960. This has been made possible by reprogramming, i.e., shifting personnel within the area to meet emergencies, and through the reduction of over-complements.

Mr. Henderson commented that while local hirings often involve a financial saving, they are charged in number equally with American personnel and Congress keeps a close tab on these numbers. This is a basic obstacle to increased local hirings.

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Mr. Johnstone continued by pointing out that it had been possible to issue full-year allotments earlier this year than in the past. This had been made possible by a system of advanced agreement on amounts among the various agencies.

He explained that if it has not been possible to meet requests for new positions in all cases, it is because Congress watches this very carefully and holds the Department to its estimates.

Mr. Johnstone also mentioned that official residence expenses for Deputy Chiefs of Mission are now granted in only two FE posts. He said that extremely good cases must be made in order to extend these allowances.

1961 Budgetary Outlook

Mr. Johnstone stated that he felt that FE's proposed 1961 Budget had run into few difficulties so far. He explained that position increases in the 1961 budget included for the area: political, eight officers and seven locals; economic, ten Americans and five locals (largely commercial positions); consular, one American and eleven locals; and also under consular, requested increases of two Americans and six locals for implementation of PL 86-363. He said he had no idea how these requests for increased positions might go, but that Congressman Rooney had already affirmed that Government agencies should not expect approval of requests for personnel increases in FY 1961. Mr. Johnstone said that reprogramming might therefore again be necessary.

Mr. Johnstone remarked that salary increases for locals might be possible in 1961 because of rising living costs and higher competitive salaries.

He asked the Ambassadors to take a hard look at the administrative complement of their posts and discuss FY 1961 levels with their Administrative Officers. He said that the administrative complements appeared way out of line and one remedy might be to show administrative support for other agencies separately.

Ambassador Drumright commented that administrative support at his post involved some thirty U.S. agencies and expressed the need for further classification of administrative support principles.

Mr. Johnstone then raised the question of the export program to promote sale of U.S. goods abroad that is currently under discussion in Washington. He said that this program involved the possibility of substantial increases in commercial officers in the area. He said that State and Commerce were trying to reconcile their divergent views. Commerce's original request for supplemental commercial positions had been reduced from 272 to 54, of which only 9 would be assigned in the Far East. Mr. Henderson commented that the Department believes in hiring more locals to fill the requirements of this program.

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Mr. Johnstone proceeded to discuss representation allowances. He said that in FY 1960 a world-wide increase of from \$750,000 to \$825,000 had been approved and that FE shared proportionately in this increase. He said that reimbursement for special events was hopeful, but that the posts must document their requests very carefully.

He said that in FY 1961 a 5% increase in representation for FE had been requested due to the increased cost of living.

He then discussed procedures for income tax deductions for out-of-pocket expenses. Consul General Maddox asked what might be included under "other necessary expenditures" of principal officers. Mr. Johnstone replied that whatever expenditures had been made solely as a result of an officer's position as Chief of Mission could be included.

Budgetary Outlook for FY 1962

Mr. Johnstone pointed out that plans were already under way in FE for FY 1962. He said that additional positions must be carefully justified by the posts. He suggested that the Embassies have subordinate consular posts initiate their own requests and that the Embassies then screen these carefully before referring them to Washington.

Foreign Buildings Operation

Mr. Johnstone stated that the handling of the Department's overseas building programs should gradually improve with the recent establishment of a Building Needs Committee with representatives from every Bureau. The Committee, he said, will review and screen the building requests of all of the Bureaus and make the appropriate recommendations to the FBO. The Committee, Mr. Johnstone indicated, represents an important step forward in the sense that for the first time the regional bureaus will be able to exercise a real influence over FBO decisions with respect to the overseas building program.

Mr. Johnstone said that despite recent improvements in the general building situation there still remain serious housing and office space problems in a number of FE posts. He noted the unsatisfactory Embassy Residence situation in Phnom Penh and the inadequacy of office space there. In Vientiane and Rangoon he mentioned staff housing was particularly needed, and an office building was needed in Tokyo.

With regard to Embassy housing Mr. Johnstone noted that there still was a need for compound housing, primarily for staff people, but that the Embassy must be careful that such housing is not used by political and economic officers, who should be physically located with the local population. With regard to compound living, Ambassador McConaughy noted that there was

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a serious problem when two women had to be housed in one apartment and suggested that, if possible, all new apartment projects should provide an adequate number of singles so as to reduce this problem.

Mr. Johnstone noted that some progress had been made toward giving the Embassies more discretion in handling small expenditures for building repair and the like. He noted, however, that FBO officers at some posts have been given small funds for use at their own discretion without any supervision from GSO's. It was suggested that furniture be acquired locally to be used in leased housing. Mr. Johnstone stated that he considered this a worthwhile idea and said he saw no reason why funds for this purpose could not be made available.

Mr. Parsons expressed general appreciation for the considerable progress in the over-all administrative situation in FE during the past year and gave Mr. Johnstone considerable credit for this improvement.

Ambassador MacArthur closed the discussion with the statement that all owe a debt of gratitude to Under Secretary Henderson for the leadership he has given the Department in his present position and for the many specific improvements he has brought in the administration of the Foreign Service.

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XV. A. COMMUNIQUE

The annual meeting of the United States Chiefs of Mission in the Far East has adjourned after four days of discussion from March 14 through March 17 at Baguio, Philippines.

Among those who attended the Conference from Washington were Deputy Under Secretary of State Loy W. Henderson, Deputy Under Secretary of State Raymond A. Hare, and the Director of the United States Information Agency, Mr. George V. Allen. Assistant Secretary of State for Far Eastern Affairs J. Graham Parsons was Chairman of the Conference.

Deputy Under Secretary Hare gave the Conference a comprehensive briefing and review of the world situation.

This year's Conference again provided a useful exchange of views concerning the relations between the United States and the various countries of the Far Eastern area. The presence also as observers of Admiral Harry D. Felt and other senior military commanders normally stationed in this area afforded an opportunity for the Conference to be briefed on some of the problems incidental to mutual security arrangements in the Far East.

The Conferees were privileged to hear an address by His Excellency Felixberto Serrano, Secretary of Foreign Affairs of the Philippines, on the opening day of the Conference. This address was an outstanding contribution to the Conference and was much appreciated. They also wish to express their thanks to the Philippine Government for its assistance in making possible the holding of this meeting in Baguio for the second successive year.

March 17, 1960

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XV. B.

American Embassy,
Baguio, Philippines,
March 17, 1960.

Dear Mr. Secretary:

The Ambassadors of the United States in the Far East and Southeast Asia, including India, have met in the Philippines from March 14 to March 17.

We have reviewed, country-by-country, the situation which confronts the United States in this critical area of the world, sometimes called the Great Arc of Free Asia, which stretches from the subcontinent of India through Southeast Asia to Japan. This great arc, made up mainly of newly independent nations, contains almost eight hundred million of the free world's population. It is tremendously rich in human and natural resources waiting to be developed, and in Japan contains one of the four major industrial complexes in the world. Its economic, political, and social development in freedom is essential to the security and future well-being of the United States and other free nations.

We are unanimous in concluding that since our last meeting a year ago progress toward our national objectives has been made in this great area. The political, military, and economic problems with which we must cope are still numerous and very difficult, but we have more reason for encouragement than we had a year ago. The improvement in the situation is in large measure due to the efforts of the free Asian nations and to the steadfastness and vigor with which we have pursued our own policies and programs in Asia.

Most important, we have had under the Mutual Security Act the essential means and instruments for the conduct of policies fitted to the different threats and to the varied circumstances that exist in the Far East and Asia.

While United States military power has been a primary deterrent to the Communists' resorting to large-scale overt armed attack against the Free Asian nations, our Military Assistance Program to our free Asian allies has added substantially to the deterrent. It should be recognized, however, that while the military power of the United States and our Asian allies is a major factor in deterring overt aggression against the free nations of this area, this deterrent would serve little purpose if they were to

The Honorable
Christian A. Herter,
Secretary of State,
Washington.

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succumb to indirect Communist subversion and insurrection. In addition to increasing the capability to deal with direct military aggression, our Military Assistance Program has also been of major importance in enabling countries directly threatened by Communist subversion or insurrection directed and supported from without, to maintain their internal security and to help to cope with such indirect aggression. Our military aid program has made a major contribution not only to the stability and the security of many of the countries in this area but also to the security of the United States itself.

The governments of these countries are striving to improve the economic lot of their peoples and to demonstrate that material progress can be achieved without sacrifice of human values or loss of their national independence. The assistance that the United States has been able to extend to this end has been a vital supplement to their own efforts. A continued demonstration of our constancy and determination to cooperate with these countries in achieving the economic progress which they seek is a vital element in the ability of these countries to maintain their independence. The needs of each country of this great area vary, and the means by which we meet them must be varied and flexible.

Economic assistance under the Defense Support program has provided the minimum civilian resources needed to sustain, without disruptive inflation, the necessary military forces in the countries most immediately threatened by direct Communist pressure. This applies and will continue to apply with particular cogency to those countries tragically divided as a result of Communist aggression and intransigence.

Special assistance programs in other countries have enabled us to assist in meeting urgent political and economic needs rapidly and flexibly.

Technical cooperation remains an indispensable element in our policies. The greatest asset of the Asian countries is their people. We must continue to help them to develop their skills and to create the indispensable base of human resources for economic, social, and political progress.

Finally, we have in the Development Loan Fund, as well as in the Export Import Bank, a major source of developmental capital assistance which we hope will be increasingly supplemented by other loan assistance and private investment. The Development Loan Fund serves not merely as a lending institution to help supply such capital for sound projects which cannot otherwise be financed, but also as an invaluable assurance that the United States is prepared to help those who wish to help themselves to a better way of life and that there is, indeed, hope for the future.

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Our assistance programs, with their specific emphasis on economic development, bear directly upon the great and broadly shared insistence of the Far Eastern and Southeast Asian people for relief from poverty and want. The peoples of Free Asia are determined to achieve a better way of life. But this will not be possible without economic and industrial development, which in turn requires capital.

We are continually striving to relate our aid programs to the longer term needs and aspirations of these countries, to find ways to emphasize the mutuality of our programs and to further their effectiveness through improvements in their operation.

All phases of the Mutual Security Program are designed and are used to deal with particular aspects of our problem in Asia. That problem is to assure, so far as is practically within our power, that the countries of this great area shall have the opportunity to go forward with their peaceful economic, social, and political development in freedom, according to the wishes of their peoples. We are convinced that the Mutual Security Program as recommended by the President is the minimum required for this purpose. We believe strongly that it merits the continued understanding and the fullest support of the Congress and the American people.

Respectfully submitted,

Ellsworth Bunker,
Ambassador to India

Howard P. Jones,
Ambassador to Indonesia

Homer M. Byington, Jr.,
Ambassador to the
Federation of Malaya

Douglas MacArthur,
Ambassador to Japan

Everett F. Drumright,
Ambassador to China

Walter P. McConaughy,
Ambassador to Korea

Elbridge Durbrow,
Ambassador to Viet-Nam

Francis M. Russell,
Ambassador to New Zealand

John D. Hickerson,
Ambassador to the Philippines

William J. Sebald,
Ambassador to Australia

U. Alexis Johnson,
Ambassador to Thailand

Horace H. Smith,
Ambassador to Laos

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William P. Snow,
Ambassador to Burma

William C. Trimble,
Ambassador to Cambodia

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C. FAR EAST CHIEFS OF MISSION CONFERENCE
Baguio, March 14-17, 1960PARTICIPANTS

Deputy Under Secretary Loy W. Henderson
 Deputy Under Secretary Raymond A. Hare
 Assistant Secretary J. Graham Parsons
 Deputy Assistant Secretary George A. Morgan
 Executive Director/FE, Mr. James R. Johnstone

Ambassador Ellsworth Bunker, New Delhi
 Ambassador Homer M. Byington, Kuala Lumpur
 Ambassador Everett F. Drumright, Taipei
 Ambassador Elbridge Durbrow, Saigon
 Ambassador John D. Hickerson, Manila
 Ambassador U. Alexis Johnson, Bangkok
 Ambassador Howard P. Jones, Djakarta
 Ambassador Douglas MacArthur II, Tokyo
 Ambassador Walter P. McConaughy, Seoul
 Ambassador Francis M. Russell, Wellington
 Ambassador William J. Sebald, Canberra
 Ambassador Horace H. Smith, Vientiane
 Ambassador William P. Snow, Rangoon
 Ambassador William C. Trimble, Phnom Penh
 Consul General Julius C. Holmes, Hong Kong
 Consul General William P. Maddox, Singapore
 Mr. Byron E. Blankinship, POLAD/HICOM Ryukyus
 Mr. Sterling J. Cottrell, POLAD/CINCPAC

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XV. D. PROBABLE TRENDS IN COMMUNIST CHINA DURING THE NEXT DECADE

Ambassador Drumright

I. LEADERSHIP AND OBJECTIVES

The continuity and unique cohesion of the regime's leadership are likely to remain intact. Liu will succeed if Mao passes. Accordingly, Chinese Communist objectives are likely to remain substantially as they are at present.

The regime's major objectives may be defined as:

1. Consolidation of a strong, unified China allied ideologically and through mutual interests to the Soviet Union. Communization of the people and industrialization are major elements in the regime's internal program.

2. Establishment of a situation of Chinese Communist paramountcy in the East and South Asian area preliminary to the establishment of a Communist world order in conjunction with the Soviet Union.

To facilitate attainment of the foregoing objectives, the regime considers it necessary to remove what it believes to be its chief impediment: the United States. A wide range of political, economic, psychological and perhaps even military tactics will be used flexibly in the attempt to attain the foregoing objectives. The regime believes that the U.S. will become exhausted or the U.S. people will weary of current official policy and compel a change.

II. INTERNAL

The regime will seek to consolidate its ideological and economic hold over the Chinese people through adjustment and perfection of its collectivization (commune) system. This attempt to tighten control of and extract greater efforts from the masses will generate increased tensions between the regime and the people. But ruthless application of fear and force through reliably indoctrinated instrumentalities will probably ensure maintenance of the regime's hold over the people. However, excessive exploitation of the people or natural calamities could conceivably generate disturbances or uprisings, at least of a local character. Party differences over collectivization, rectification and economic policy, already evident, may grow with the passage of time.

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Apart from securing its total hold on the people, the regime will press ahead with utmost speed to create a heavy industry base and develop the economy. Progress, already considerable, will probably advance at a slower rate as the economic base broadens. In spite of forced-draft methods, by the end of the next decade, China will probably remain inferior to Japan in all-around industrial capacity. Probably the next decade will witness a substantial diversion of investment to the agricultural sector (chemical fertilizer) lest agricultural output develop inadequately to feed the growing population and provide the surpluses needed to finance further development. The regime will undoubtedly find it necessary to have a further look at the population problem. Food and population will remain formidable problems even if substantial progress is made in industrialization.

III. FOREIGN RELATIONS AND POLICIES.

The Sino-Soviet alliance will remain the basis of the regime's foreign policy; the alliance will remain firmly joined against the West. The regime will strive to increase its influence and power within and without the bloc. The regime's external approach is likely to be dogmatic, overweening and increasingly assertive. Growth of the regime's power and influence would increase prospects for discord within the bloc. Differences of viewpoint and frictions exist now between the regime and the Soviet Union. The regime resents the niggardliness of Soviet aid and Soviet coolness toward the commune system. The regime disapproves of Khrushchev's attempts to create a detente because it implies at least temporary sanction of the status quo and would make more difficult the carrying out of the regime's internal programs. It would also threaten to delay the regime's objective of dominating East Asia. The regime also resents Khrushchev's arrogation of authority to speak for the bloc in world councils. Khrushchev, for his part, resents Mao's pretensions of doctrinal superiority, and he fears that an increasingly powerful mainland China will sometime attempt to assert bloc supremacy or adopt a nationalistic and chauvinistic attitude inimical to the interests of the Soviet Union. But the Chinese are unlikely to challenge Soviet predominance during the decade, and the alliance of ideology and mutual interest is unlikely to be breached. Nevertheless, the regime will persist in following internal policies which contain the "Chinese conditions."

As the regime is able to consolidate its internal power, it will almost certainly adopt a more truculent approach toward its Free World neighbors and the uncommitted states. There will be no turning back in Tibet, and encroachments in the Tibetan ethnological areas of Bhutan, Sikkim and Nepal are within the realm of possibility. The border problem with India will not be easily solved unless Nehru makes major concessions. The regime will exert pressures through its North Vietnamese satellite to induce instability in Laos and South Viet-Nam. Relations with Indonesia

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will probably deteriorate further if the Indonesian authorities press their present policies against the Overseas Chinese. The regime may eventually return to a policy of blandishment toward Japan when it sees that its present hard policy is counterproductive. Military efforts to seize Taiwan will probably be withheld in the absence of a change in U.S. determination and capability to resist forcible attempts to seize the island. The possibility of air clashes with the CAF will grow as the regime improves its air capability. The offshore islands may be subjected to renewed military pressure at any time - perhaps mainly for the purpose of creating Free World discord.

The regime probably considers international respectability as secondary in importance to the achievement of its immediate aims in Eastern Asia. If so, the regime's actions will continue to militate against its being accorded a higher degree of international approbation than it enjoys at present.

IV. MILITARY

The regime will continue to expand and modernize its military power, but will remain dependent on the Soviet Union for much of its needed complex equipment and technological assistance. The regime's capability to produce ordinary hardware will increase substantially. Subordination of the military to political and economic considerations will militate against maximum capability. The regime is eager to obtain a nuclear capability and is attempting to train nuclear experts. Considerable basic technical assistance and training are being provided by the Soviet Union. Given adequate Soviet help, the regime might possess a small nuclear weapon capability within ten years. The regime is not likely to develop a significant guided missile capability within the decade, but may receive some simple equipment from the Soviet Union. The regime will continue to have a superior military capability to any of its neighboring powers, including Japan or India. This overwhelming Power is more likely to be used as a threat than as an overt instrument of force.

V. CONCLUSIONS

The Free World must presume for the foreseeable future that it will be faced with an implacable, growing and hostile power on the China mainland. Flexibility of tactics and a broad command of totalitarian powers will insure the regime's continued existence. On balance, we are likely to see more, rather than less, of the range of pressures exemplified in 1958 against Japan and the offshore islands, and now on the Indian border, in Laos, Viet-Nam and Indonesia. This means that a protracted struggle across a broad front remains the unpalatable prospect ahead. It calls for redoubled efforts on our part if Free Asia is to remain free and the balance of world power is not to be tipped against the Free World.

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