

[Enclosure]

## DRAFT

STATEMENT OF POLICY BY THE NATIONAL SECURITY COUNCIL ON  
CURRENT U.S. POLICY IN THE FAR EAST

## GENERAL CONSIDERATION

1. The primary problem of U.S. policy in the Far East is to cope with the serious threat to U.S. security interests which has resulted from the spread of hostile Communist power on the continent of Asia over all of Mainland China, North Korea and, more recently, over the northern part of Viet Nam.

2. In its five years of power, the regime in Communist China has established and consolidated effective control over the mainland and has maintained and developed close working relations with the Soviet Union. [While there is now no reason to anticipate an early collapse of the regime nor any means of seeing when one might occur, inherently such regimes have elements of rigidity and instability which might produce crises or break down unexpectedly.] \* We should be ready to exploit any opportunities which might occur as a result of inherent internal weaknesses.

3. The task of the United States in coping with this situation is further complicated by:

a. The vulnerability of the non-Communist countries in the area militarily, and in varying degrees, politically, economically, and psychologically, to further Communist expansionist efforts.

b. The deep-seated national antagonisms and differing assessments of national interest which divide these countries from each other and severely hamper efforts to combine their collective resources for their own defense and welfare.

c. The intense nationalistic feelings, fed by residual resentments against European colonialism coupled with a widespread feeling of weakness and inadequacy in the face of the worldwide power struggle, which inhibit many of these countries from cooperating closely with the United States.

d. The divergencies on Far Eastern policy with our European allies, principally with respect to our posture toward China, which limit the extent of political and economic pressures which can be maintained against the Asian Communist regimes without divisive effects on the basic United States-led coalition.

*Note:* In addition to the foregoing general considerations, attention is directed to NIE 13-54, "Communist China's Power Potential Through 1957," published June 3, 1954, and NIE 10-7-54, "Communist

\*CIA does not concur. [Brackets and footnote in the source text.]

nist Courses of Action in Asia Through 1957," forthcoming at an early date.

#### OBJECTIVES

4. Pursuant to a policy of being clear and strong in its resolve to defend its vital interests, if necessary at the risk of but without being provocative of war, the principal objectives of the United States in the Far East should be:

a. Preservation of the territorial and political integrity of the non-Communist countries in the area against further Communist expansion or subversion.

b. Progressive improvement of the relative political, economic and military position of the non-Communist countries vis-à-vis that of the Asian Communist regimes.

c. Reduction of [relative] † Chinese Communist power and prestige.

d. Disruption of the Sino-Soviet alliance through actions designed to intensify existing and potential areas of conflict or divergence of interest between the USSR and Communist China.

[e. Creation in non-Communist Asia, and ultimately within Communist China, of political and social forces which will zealously spread the greater values of the Free World and simultaneously expose the falsity of the Communist ideological offensive.] ‡

#### COURSES OF ACTION

5. In order to preserve the territorial and political integrity of the area, the United States should:

a. Maintain the security of the Pacific off-shore island chain (Japan, Ryukyus, Formosa and the Pescadores, the Philippines, Australia, and New Zealand) as an element essential to U.S. security; assisting in developing such military strength in each area as is required by U.S. security and is consistent with each area's capability and maintenance of domestic stability.<sup>15</sup>

b. In the event of unprovoked attack on the Republic of Korea, employ, in accordance with Constitutional processes, U.S. armed forces against the aggressor. While supporting the unification of Korea by all peaceful means and maintaining appropriate safeguards against ROK offensive action, continue military and economic assistance programs consistent with Korea's capability and maintenance of domestic stability, subject to continued ROK cooperation.

c. Conclude a Mutual Defense Treaty with the Republic of China covering Formosa and the Pescadores, together with appropriate

† Defense, JCS and ODM propose deletion. [Brackets and footnote in the source text.]

‡ Proposed by Defense, JCS, Commerce, ODM, FOA and CIA. [Brackets and footnote in the source text.]

<sup>15</sup> On the source text, the following clause (in an unidentified hand) is added to this sentence: ", and seek to maintain a non-Communist Indonesia".



safeguards against Chinese Nationalist offensive action except by joint agreement. Pending the negotiation and ratification of such a treaty, continue the existing unilateral arrangement to defend Formosa and the Pescadores (excluding the Nationalist-held off-shore islands).

For the present, seek to preserve, through United Nations action, the *status quo* of the Nationalist-held off-shore islands; and, without committing U.S. forces except as militarily desirable in the event of Chinese Communist attack on Formosa and the Pescadores, provide to the Chinese Nationalist forces military equipment and training to assist them to defend such off-shore islands, using Formosa as a base. However, refrain from assisting or encouraging offensive actions against Communist China, and restrain the Chinese Nationalists from such actions, except in response to Chinese Communist provocation judged adequate in each case by the President.

d. In the event of Communist overt armed attack in the area covered by the Manila Pact prior to the entering into effect of the Pact, take actions necessary to meet the situation, including a request for authority from Congress to use U.S. armed forces, if appropriate and feasible. When the Pact is in effect, be prepared to oppose any Communist attack in the Treaty area with U.S. armed forces if necessary and feasible, consulting the Congress in advance if the emergency permits.

e. In the event of Communist overt armed attack or imminent threat of such attack against any other country in the area (not covered by a security treaty to which the United States is a party), this evidence of a renewal of Communist aggressive purposes would constitute such a grave menace to the United States as to justify the President in requesting authority from Congress to take necessary action to deal with the situation, including the use of U.S. armed forces, if appropriate and feasible.

f. In the event of unprovoked Communist armed attack on the personnel, aircraft or vessels of the United States, promptly take punitive action including the use of armed force if necessary and appropriate.

g. Encourage the conditions necessary to form as soon as possible and then participate in, a Western Pacific collective defense arrangement including the Philippines, Japan, the Republic of China and the Republic of Korea, eventually linked with the Manila Pact and ANZUS.

h. If requested by a legitimate local government which requires assistance to defeat local Communist subversion or rebellion not constituting armed attack, the United States should view such a situation so gravely that, in addition to giving all possible covert and overt support within the Executive Branch authority, the President should at once consider requesting Congressional authority to take appropriate action, which might if necessary and feasible include the use of U.S. military forces either locally or against the external source of such subversion or rebellion (including Communist China if determined to be the source).



i. Assist where necessary and feasible non-Communist Government and other elements in the Far East to counter Communist subversion and economic domination.

j. Maintain sufficient U.S. forces in the Far East as clear evidence of U.S. intention to contribute its full share of effective collective aid to the nations of the area against the Communist threat, and to provide assurance to the people of the Far East of U.S. intent and determination to support them in the event of Communist aggression.

6. In order to enhance the individual and collective strength of the non-Communist countries, the United States should:

a. Increase efforts to develop the basic stability and strength of non-Communist countries, especially Japan and India, and their capacity and will to resist Communist expansion.

b. Continue (1) to recognize the Government of the Republic of China as the only government of China and its right to represent China in the United Nations, and (2) to furnish direct support to its defense establishment and its economy.

c. Encourage the prompt organization of an economic grouping by the maximum number of free Asian states, including Japan and as many of the Colombo Powers as possible based on self-help and mutual aid, and the participation and support (including substantial financial assistance) of the United States and other appropriate Western countries, through which, by united action, those free Asian states will be enabled more effectively to achieve the economic and social strength needed to maintain their independence.

d. Take all feasible measures to increase the opportunities of such countries for trade with each other and with other Free World countries.

e. Provide in South and Southeast Asia, through the economic grouping referred to in c above or otherwise, such economic and technical aid over an extended period as can be used effectively to accelerate the present slow rates of economic growth, and to give to the peoples in these areas a sense of present progress and future hope, which is currently lacking. [At present, it appears both necessary and feasible to increase materially the scale of assistance to South and Southeast Asia, which are most directly threatened by Communist expansion.] §

f. Develop and make more effective information, cultural, education and exchange programs; and expand the program for training of free Asian leaders [by organizing and subsidizing education centers in the area and utilizing and supporting U.S. facilities.] ||

g. Encourage the countries of the area to use qualified Americans as advisers and develop a program for training such persons [particularly in the broad political aspects of the countries concerned.] ||

§ Treasury and Budget propose deletion. [Brackets and footnote in the source text.]

|| Budget proposes deletion. [Brackets and footnote in the source text.]

¶ ODM proposal. [ Brackets and footnote in the source text.]

h. Seek, by intensifying covert and psychological activities, and by utilizing indigenous persons to the greatest extent feasible, to (1) increase the understanding and orientation of Asian peoples toward the Free World and (2) expose the menace of Chinese imperialism and world Communism.

i. Encourage and support, more vigorously and effectively, the application of private capital to the development needs of free Asian countries under arrangements avoiding "exploitation" yet acceptable to private interests.

7. [To stimulate Sino-Soviet estrangement, obtain maximum support from our principal Allies on a common Far Eastern policy, and gain a psychological advantage from taking a positive initiative, it is proposed that study be given to (1) the feasibility of negotiating a Far Eastern settlement which might include such elements as those below, and (2) measures which would facilitate such negotiation, including adequate pressure on the Chinese Communists.

a. Recognizing the existence of two Chinas, neither of which can be wiped out without a new world war.

b. Seating both Chinas in the UN Assembly, neither to have a seat on the UN Security Council, substituting India for China as a permanent member of the Security Council.

c. Opening trade (import and export) with Communist China on the same basis as with the European Soviet bloc. (In this connection consideration might be given to raising the COCOM controls on the European Soviet bloc, both with respect to commodity coverage and stringency of control, in order to provide a more realistic basis for effective and uniform controls towards the entire Communist bloc in Europe and Asia.)

d. Admitting Japan to the UN.

e. Unifying Korea by the withdrawal of foreign forces and the holding of free and supervised elections.

f. Obtaining the abandonment of subversive Communist pressures in South Viet Nam.

g. Obtaining an undertaking by China—for whatever value it might have—to refrain from providing physical or other types of support to subversive groups in any part of Asia.] \*\*

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\*\*Proposed by Commerce and FOA (see also Annex B). [Brackets and footnote in the source text.]



8. [Meanwhile until such over-all settlement is reached and] †† in order to weaken or retard the growth of the power and influence of the Asian Communist regimes, especially Communist China, the United States should:

a. Continue to refuse recognition of the Chinese Communist regime and other Asian Communist regimes, but deal with each on a local basis and with regard to specific subjects where the regime is a party at interest.

b. Continue to oppose seating Communist China in the Security Council, the General Assembly, and other organs of the United Nations.

*Proposed by State, Treasury,  
Budget and CIA*

c. Maintain the embargo on U.S. trade with Communist China, and continue to exert our influence on other Free World countries for the maintenance of the current level of trade controls against Communist China; without, however, exerting our influence in such a manner as would be seriously divisive or lead nations needing Chinese trade to accommodation with the Communist bloc, provided that the level of controls applicable to the USSR is maintained.

*Proposed by Defense, Commerce,  
ODM and JCS (see also Annex  
B)*

c. Adopt the following policy:

(1) Continue the U.S. embargo on Communist China.

(2) Use the total bargaining position of the United States to gain acceptance of embargo or near embargo by all other non-Communist countries.

(3) Reimpose more comprehensive and effective controls by the United States and other countries over the Soviet bloc in Europe to prevent transshipments to China.

(4) Impose additional controls or limitations on exports to non-

†† Proposed by FOA. [Brackets and footnote in the source text.]

*Additional Sentence Proposed by  
FOA*

To this end begin early consultations, particularly with the U.K. and France, looking toward agreement on China controls.

Communist countries that do not go along with the above to minimize leaks.

(5) Retain the U.S. total ban on imports from Communist China.

(6) Seek the imposition of similar import controls by non-Communist countries.

(7) Refuse to purchase Communist Chinese type goods from all non-conforming countries.

d. Utilize all feasible overt and covert means, consistent with a policy of not being provocative of war, [at the risk of but not provocative of war]†† to create discontent and internal divisions within each of the Communist-dominated areas of the Far East, and to impair their relations with the Soviet Union and with each other, but refrain from assisting or encouraging offensive actions against Communist China, and restrain the Chinese Nationalists from such actions, except in response to Chinese Communist provocation judged adequate in each case by the President.

e. Continue the policy towards Indochina and Thailand stated in Annex A.<sup>16</sup>

9. a. The United States should attempt to convince the other Free World countries of the soundness of U.S. policies toward Communist China and toward the Republic of China and of the advisability of their adopting similar policies, without, however, imposing such pressures as would be seriously divisive.

b. In its Pacific role, the United States should be less influenced by European allies than in respect to Atlantic affairs.

10. a. The United States must keep open the possibility of negotiating with the USSR and Communist China acceptable and enforceable agreements, whether limited to individual issues now outstanding or involving a general settlement of major issues.

†† Proposed by Defense. [Brackets and footnote in the source text.]

<sup>16</sup> Not printed.

[b. Make clear to the Communist regimes that resumption of normal relations between them and the United States is dependent on concrete evidence that they have abandoned efforts to expand their control by military force or subdivision.] §§

[Annex B]

STATEMENT BY THE DEPARTMENT OF COMMERCE

1. Two things appear clear from the discussion of the policy papers:

a. In the political, psychological and strategic fields the proposed policy would be substantially a maintenance of the status quo with emphasis on maximum pressure in all fields on the Chinese Communists. The pressure while avoiding actions provocative of war would go so far as to risk the possibility of war.

b. The policy appears to be based upon an appraisal of the serious threat to U.S. national security posed by the growth of Communist power in Asia, and on an estimate that the best prospect of disrupting the Sino-Soviet alliance is through maximizing the dependence of Communist China on the USSR.

2. Consistent with this approach the courses of action with respect to trade controls (par. 8-c of the foregoing statement of policy) would have to be along following lines:

- a. Continuation of U.S. embargo to Communist China.
- b. Use of total bargaining position of the U.S. to gain acceptance of embargo or near embargo by all other non-Communist countries.
- c. Reimposition by the United States and other countries of more comprehensive and effective controls over Soviet bloc in Europe to prevent transshipments to China.
- d. Imposition of additional controls or limitations on exports to non-Communist countries that do not go along with above to minimize leaks.
- e. Retention of the total ban on imports from Communist China by the United States.

§§State proposes deletion. [Brackets and footnote in the source text.]



f. Imposition of similar import controls by non-Communist countries.

g. Refusal by the United States to purchase Communist Chinese type goods from all non-conforming countries.

3. It would be manifestly difficult to bring our principal Allies along with such a program. The attitude of other governments, particularly the U.K., makes it doubtful that we can hold even the present international levels of trade controls short of exerting the most severe diplomatic and economic pressures on our Allies. The dismantlement of the trade control structure on the other hand might well lead to a backdoor breakdown of the entire policy of maximum pressure. Such a breakdown would cause seriously adverse public reactions concentrated on the trade area rather than on the total policy.

4. A sharply different approach to the Communist China problem should be given consideration by the NSC in the current review of Far East policy on the basis that:

a. It would be desirable to make capital of any major trade relaxation towards China both with our Allies and with Communist China.

b. Current intelligence indicates that in the economic field no significant conflicts have arisen between the USSR and Red China. Perhaps then it may be possible to *create* potential areas of conflict or divergence by a positive approach from the United States and the Free World to Communist China.

Such different approach is set forth in par. 7 of the above policy statement.

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790.5/11-1954

*Memorandum by the Deputy Assistant Secretary of State for Far Eastern Affairs (Sebald) to the Under Secretary of State (Hoover)*<sup>1</sup>

SECRET

[WASHINGTON,] November 19, 1954.

Subject: Preparation for Cooperative Action under Article II and Article IV, Paragraph 2, of the Manila Pact

1. In accordance with Mr. MacArthur's memorandum to you of October 25 (Tab A),<sup>2</sup> and your instructions of November 13,<sup>3</sup> a De-

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<sup>1</sup> This memorandum bears the following handwritten notation: "Approved in principle by Sec. in mtg. on Nov 23 as basis for proceeding with CIA and Def. C—W[illiam] J. G[alloway] 11/23/54." No memorandum of this meeting has been found in Department of State files.

<sup>2</sup> *Ante*, p. 951.

<sup>3</sup> No other record of these instructions has been found in Department of State files.

partmental working group has been meeting to prepare recommendations with regard to cooperation under the Manila Pact in combatting communist subversion. The working group has taken account of the fact that the Department has supported a Thai suggestion that a meeting be held in Bangkok, possibly in January, on a foreign ministers level (Tab B). <sup>4</sup>

2. The working group has agreed that it is of the utmost importance that the United States demonstrate, particularly to the Asian members of the Manila Pact, U.S. interest in the Pact and U.S. intention to participate in the Pact in such a way that benefit will flow to all the members. The working group believes that cooperation in a program to counter communist subversion in the Treaty area under Articles II and IV, 2 of the Treaty could contribute importantly to convincing the Asian members that the U.S. is deeply interested in their problems and in increasing the value of the Pact to them.

3. The working group has prepared recommendations regarding possible organization both within the U.S. Government and with the other members of the Pact for carrying out a program of countering communist subversion (Tab C). The working group has also prepared a tentative outline of the type of activities that might be undertaken in such a program (Tab D).

4. The working group recommends that an inter-Departmental working group chaired by State and with representatives from Defense and CIA be constituted as soon as possible to consider these recommendations.

[Tab C]

#### ORGANIZATION FOR COOPERATIVE ACTION UNDER ARTICLES II AND IV, 2 OF THE MANILA PACT <sup>5</sup>

##### *1. Multilateral Organization*

There should be set up in the territory of one of the Asian members of the Pact a Working Group consisting of a National Representative of each of the members assisted by such small international secretariat as may be required to prepare, circulate and file documents, and minutes of meetings. It would be contemplated that each National Representative on the Working Group would devote his full time to this matter. Such Representatives, with the exception of the Representative of the host country, could be at-

<sup>4</sup> At Tab B is telegram 1745 to Manila, Nov. 13, p. 964.

<sup>5</sup> Drafted by Stelle and Higgs on Nov. 18.



tached to their respective diplomatic missions for administrative support.

It would be envisaged that it would remain the primary responsibility of the national authorities of each member to take action within their respective countries against communist subversion and that the role of the other members would be to support and cooperate with the efforts of such national authority. When the National Representative of a country reports to the Working Group his country's need for assistance in a given field, as for instance information on training of police authorities, the other National Representatives might be asked to extend assistance in those fields in accordance with the capabilities of their respective authorities.

### *2. U.S. Government Machinery*

As a means of back-stopping the U.S. Representatives on the Working Group mentioned above, it is recommended that a Committee consisting of a representative each of State, Defense, and CIA be set up in Washington. It would be the function of this Committee to furnish ideas and other support to the U.S. Representative on the Working Group, and to backstop his requests for U.S. assistance. This Committee should call upon other agencies of the Government for appropriate support and assistance where necessary. The Committee could request the designated representatives of their Departments on the OCB to seek OCB support, on an *ad hoc* basis, for a project approved by the Committee. The Committee should be chaired by the State representative, who in the light of the Secretary's request that the Deputy Assistant Secretary for Far Eastern Affairs be the point of responsibility in FE for work on the Manila Pact, would initially be that official.

### *3. State Department Organization for Back-Stopping the State Representative on the Washington Committee*

The State Department Chairman of the Washington Committee should be back-stopped by a Group of representatives of the interested bureaus and offices of the Department. These would include C, NEA, EUR, FE, S/P, R, P, and U/OP and such other experts and officials as the Group might consider appropriate from time to time. It would be the function of this Group to supply from Departmental sources information and support to the State representative on the Washington Committee. The Chairman of this Group would initially be the State representative on the Washington Committee.

[Tab D]

POSSIBLE ELEMENTS OF A PROGRAM FOR COOPERATIVE ACTION UNDER  
ARTICLES II AND IV, 2, OF THE MANILA PACT <sup>6</sup>*1. Suggested Limitations upon a Program*

a. *Economic Assistance.* Economic assistance and development is certainly one important means of countering communist subversion. From the U.S. point of view, however, it would not be useful to confine a U.S. economic program to the countries who are members of the Manila Pact. U.S. economic programs now under consideration tentatively envisage the possibility of some use of the "Colombo plan" organization. In any case, however, since Japan is not a member of the Manila Pact and since any U.S. economic program in the Far East would be devised with Japanese interests in mind we should avoid extensive discussions in the economic field within the framework of the Manila Pact.

b. *Military Assistance.* Our view of the Manila Pact has consistently been that it is different from NATO in that there is no expectation of building up important local military forces within the framework of the Manila Pact. We therefore should also discourage extensive discussion of levels of military forces within the framework of the Manila Pact.

*2. General Outline of a Possible Program*

Because of the limitations which it seems useful for us to place upon the type of activities to combat communist subversion that could appropriately be discussed and undertaken within the framework of the Manila Pact, it seems clear that the primary fields of useful effort would be: the development of adequate standards of security for classified materials; exchange of information on communist subversion; cooperative training and assistance in the development of local security forces; and cooperation in information and political warfare activities. Elements of a program in these fields might be of the following nature:

a. Exchange of information on security practices with reference to classified materials, and establishment of satisfactory standards of security in dealing with such materials. (There are useful precedents for such a program in the development of NATO security practices.)

b. Exchange of information on communist personalities, and communist subversive activities and propaganda within the states of the Treaty area.

c. Exchange of information on measures against communist subversion taken or contemplated by the Treaty members.

d. Preparation of recommendations for cooperative efforts to strengthen local police and security forces through (1) exchange of

<sup>6</sup> Drafted by Stelle and Bell, Nov. 17-19.