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A REPORT
TO THE
NATIONAL SECURITY COUNCIL

by

THE SECRETARY OF STATE

on

U. S. POLICY TOWARD SOUTH EAST ASIA

July 1, 1949

WASHINGTON

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Date: 7 APR 1973
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NATIONAL SECURITY COUNCIL

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NOTE BY THE EXECUTIVE SECRETARY

to the

NATIONAL SECURITY COUNCIL

on

U. S. POLICY TOWARD SOUTHEAST ASIA
 References: A. NSC Action No. 224 b
 B. NSC 48

The enclosed report on the subject, prepared by the Department of State for the guidance of its officers and to serve as a basis for discussions with the British and French, is circulated herewith at the request of the Secretary of State for the information of the National Security Council.

The enclosure is also being referred to the NSC Staff for consideration in connection with the preparation of a report on "U. S. Policy Toward Asia" pursuant to NSC 48 and NSC Action No. 224.

SIDNEY W. SOUERS
 Executive Secretary

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U. S. POLICY TOWARD SOUTHEAST ASIATHE PROBLEM

1. To define U. S. policy toward Southeast Asia, including Indonesia, Indochina, Burma, Malaya, Siam and the Philippines.

ANALYSISSEA Region as a Whole

2. The Southeast Asian region is to a large extent an arbitrary geographic designation. It can be argued that the countries included in this region have little in common beyond their geographic position. Some are continental countries, some islands. Their cultures vary, both within the region and within individual countries: Buddhist, Moslem, Confucianist, Hindu, Christian and primitive animist. Three of the countries are independent; three are under varying degrees of foreign rule. Two are fairly stable; the rest are plagued by unrest varying from terrorism by a small minority to widespread warfare.

3. Yet there are pronounced common characteristics among the countries of SEA. The people of the region, if not of one family, are racially related. The native economy, for the most part, is based on rice culture. Industrially undeveloped, their foreign trade has been exportation of food and raw materials and importation of manufactured goods. Nationalism, both political and economic, is the dominant issue in all SEA countries, excepting Malaya where it is latent. Finally, it is now clear that SEA as a region has become the target of a coordinated offensive plainly directed by the Kremlin.

Regional Economic Considerations

4. SEA is the world's major source of rubber, tin, quinine, copra and hard fibre. It also contains the principal petroleum resources of East Asia. Paddy fields in three of its countries have contributed to the alleviation of food shortages elsewhere in Asia. While SEA possesses iron and coal, they have not been used to develop an important industrial base and the lack of coking coal imposes an obstacle to the creation of heavy industry. Furthermore, its labor productivity is of a low order and its capital accumulation slight.

5. The traditional role which SEA has played in world

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economy has therefore been that of a supplier of food principally for nearby Asiatic countries, a producer of raw and semi-processed materials for industrialized states and to a lesser degree a market for processed goods primarily from the imperial powers. It has also been for those powers a rich source of revenue from investments and other invisible earnings.

6. World War II and the succeeding political disturbances have caused major economic dislocations in SEA and concomitantly in the Far East as a whole. Only in Malaya, Siam, and the Philippines have production and trade approached prewar levels. Indonesian and Indochina, normally rich sources of raw materials and invisible earnings for the Dutch and the French, continue to be a net drain on the metropolitan powers as a result of the futile efforts to restore them to the prewar imperialist fold. Burma, the rice granary of the Far East, is able to export only a fraction of its normal food surplus because of widespread internal political disorders. These and comparable conditions endanger Indian and Japanese economic self-support because of their inability to obtain needed foodstuffs from Asiatic sources.

7. Once conditions favorable to economic recovery and development in SEA have been established, such recovery and development will not conform to the prewar economic framework, particularly as regards the flow of invisible earnings to European countries. This will mean considerable readjustments for the metropolitan powers. Having posed this problem, it must be left--as a European problem--to be answered elsewhere. This Dutch and French readjustment is, incidentally, long overdue: Indonesia and Indochina were lost some seven years ago. In any case, as will be seen from the subsequent sections of this paper, 19th century imperialism is no longer a practicable system in SEA excepting in the short run in Malaya.

8. This being so, a gradual change in the traditional economic pattern of SEA becomes inevitable. Political independence will give impetus to the ambitions of the SEA countries to diversify their economies, including modest industrialization. A major weakness of the SEA economy has been its overdependence on exports of a few raw or semi-processed materials extremely sensitive to changes in demand in more highly industrialized areas. As a result, depressed economic conditions abroad were greatly magnified in SEA.

9. The establishment in SEA of a rational pattern of diversification requires the expansion of developmental techniques and knowledge, the taking of steps necessary to mobilize effectively domestic resources and the investment of foreign capital. The 4th Point of the President's inaugural address can be brought into play to give impetus to such a development. Economic diversification holds forth our most substantial hopes for the eventual improvement of welfare within SEA and the calming of the extreme nationalist

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passions which now inflame much of the region. However, the attainment of U. S. objectives with respect to Japanese, Indian and Western European self-support will require continued emphasis at least over the near term, on production of foodstuffs and raw materials in this area.

10. The fact that fully half of SEA is convulsed in political turmoil makes early progress towards the achievement of these long-term goals impossible. Furthermore, so long as conditions remain unsettled in SEA, the area can make even with some external assistance only limited contributions to ERP countries self-support, to the solution of India's food problem or to the orientation of Japan's trade southward in search of survival. Therefore, the first inescapable step toward a rational economic development of the Far East as a whole is a constructive approach to the political problems in SEA. Only when a political settlement has been achieved, will gradual progress toward a rationalization of Southeast Asian economy become possible.

Regional Political Considerations

11. Politically, the SEA countries are unstable. Colonialism, nationalism, Chinese penetration and communism are unsettling forces. With the low standard of living and illiteracy of the bulk of the population and with no strong middle-class, democratic governments are far in the future of SEA. If SEA countries are to attain stability, they must for the foreseeable future be governed along authoritarian lines, whether benevolently or otherwise.

12. Colonial rule, excepting in the case of Siam, has traditionally supplied both authoritarian government and stability in all of these countries. But colonialism in an advancing world is an unnatural social relationship generating many of the frustrations and delusions which in postwar Germany and Japan we see afflicting both the occupier and the occupied. Colonialism is successful where the subject people are unsophisticated and acquiescent, as in the case of certain South Pacific islanders. Once the dependent people, even if a small minority of them, acquire a degree of worldly wisdom and personal ambition, complications set in. Discontent, resistance and political psychoses develop. A continuation of the colonial status then depends upon the capacity of the imperial power to impose its will by superior force. Sometimes this is effective, especially if the colonial reaction is relatively mild, as in the case of Malaya. If the resistance is strong, the imperial power has the alternative of (a) attempting to crush opposition, as the Kremlin successfully did in Soviet Central Asia and as France is unsuccessfully doing now in Indochina, or (b) relinquishing its claims through a transfer of sovereignty as Britain has done in Burma.

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13. The historical trend in SEA is away from colonialism and in the direction of nationalism. This trend is caused not only by the decay of European imperial power in the region but also, and even more importantly, by a widening political consciousness and the rise of militant nationalism among the subject people. This process cannot be reversed. Any attempt to do so is an anti-historical act likely in the long run to create more problems than it solves and cause more damage than benefit.

14. Nationalism, whether political, economic or both, is the most potent idea in SEA. It is, however, unevenly developed, being most aggressive in Viet Minh Indochina, in Burma and in parts of Indonesia. It is weak in the eastern islands of the Indonesian Archipelago and in Malaya. Even in areas where nationalism is rampant, it does not extend to all segments of the population. Much of the peasantry is naturally indifferent to political matters. It is the nationalist leaders and the intellectuals, including students, who are the driving force, who define the issues and who, from time to time, arouse the people from their traditional lethargy to mass action.

15. These native leaders are men who have received a westernized education and are influenced by western and Soviet political thought. While their demands for freedom from foreign domination are motivated by nationalist aspirations, they are also inspired by a desire themselves to dominate and exploit their fellow natives.

16. With the exception of Siam and the Philippines, the SEA countries do not possess leaders practiced in the exercise of responsible power. The case of Burma is sometimes held forth as a warning of what may happen if a colonial country is given its freedom before it is "ready for self-government". The question of whether a colonial country is fit to govern itself, however, has relatively little validity in practical politics. The real issue would seem to be whether the colonial country is able and determined to make continued foreign rule an overall losing proposition for the metropolitan power. If it is, no rational justification can be advanced by the metropolitan power for continued imperial rule and the colonial country may be considered ready for independence, even though misgovernment eventuates. A solution of the consequent problem of instability, if it arises, must be sought on a non-imperialist plane.

17. The 8 million Chinese in SEA constitute a minority problem afflicting the entire region. The problem is most acute in Malaya and Siam. The Chinese settle but resist assimilation. They maintain their ties with China, operate separate schools for their children, engage in Chinese politics and remit much of their wealth to their homeland. And being shrewd businessmen they have gathered into their hands a disproportionately large share of the wealth of the

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region. Indian minorities present a similar problem in Burma and, to a lesser extent, in Malaya.

18. The Chinese constitute a disturbing force in the countries of SEA and are a potential threat to the established authority in certain countries--especially Malaya and Siam. The effectiveness of Chinese influence has thus far been limited by the fact that Chinese communities are split between Kuomintang and Communist factions. With the current trend of events in China, the Chinese Communist faction in SEA may well grow in strength and the threat of Chinese aggression throughout the region assume doubly ominous proportions.

19. The Chinese Communist Party (CCP) appears to have played an unusually large role in the external guidance and support of communist movements in Southeast Asia, excepting Burma. The explanation for this is, in part, that SEA is remote from the USSR, it has been heretofore of minor strategic importance to the Soviet Union, and the Kremlin apparently has comparatively few specialists on SEA. The CCP for its part was admirably suited for this undertaking. The constant movement of Chinese throughout the region and the large Chinese settlements there made access and penetration a simple matter. Furthermore, the CCP was experienced and expert in exploiting the two principal communist issues applicable to East Asia--nationalism in colonial countries and agrarian revolt in independent states.

20. This situation was probably acceptable to the Kremlin so long as SEA was of secondary interest to the U.S.S.R. However, this is no longer the case. The Soviet horizon has expanded and the CCP has waxed enormously in strength. This growth of CCP power cannot be a wholly satisfactory phenomenon in the eyes of the Kremlin, especially as it is so closely identified not only with nationalism but also with an anti-white Asiatic xenophobia. For the same reasons that Moscow lashed out against Titoism, it may entertain long-range misgivings over the very nationalist feeling which communism is aggravating and exploiting in colonial countries. For the same reason that Moscow opposed a Balkan federation, it must disapprove CCP hegemony over SEA communism.

21. Consequently it is not surprising that the Kremlin appears recently to have begun to introduce its own direct agents into SEA. The establishment of a Soviet Embassy at Bangkok, the convocation of a Southeast Asia Youth Conference at Calcutta in February 1948 (apparently used as a cover for passing on directives to Burma and Malaya for the institution of violent direct action), and the dispatch of the presumed Stalinist, Muso, from the U.S.S.R. to Indonesia--all of these developments suggest a more direct and inter-related Kremlin interest in SEA than has heretofore been evinced.

SEA and Our Struggle with the Soviet World

22. There can be little doubt that the Kremlin seeks ultimate control over SEA as a pawn in the struggle between the Soviet World and the Free World. Let us examine the significance of the SEA region in this conflict.

23. SEA possesses in itself no important power potential nor is it a likely battleground in a possible U.S.-U.S.S.R. war. In that sense it is at best of secondary strategic significance. But to leave it at that is a gross over-simplification.

24. SEA is important to the free world as a source of raw materials, including rubber, tin and petroleum and as a crossroads in east-west and north-south global communications. It is therefore in our interest to prevent these resources and passageways from falling under a control hostile to us. It is obvious that of all the varying degrees of hostility--from anti-foreignism to Stalinism--the most immediately dangerous to us is that hostility which is coordinated and directed by the Kremlin.

25. In seeking to gain control of SEA, the Kremlin is, of course, motivated in part by a desire to acquire SEA's resources and communication lines, but its immediate and perhaps even greater desire is to deny them to us. While SEA resources could help satisfy Soviet and satellite economic needs, it must be remembered that the U.S.S.R. has never relied on SEA raw materials and markets. And although control over the SEA airways and seaways would, assuming that China is overrun by the communists, afford the dramatic spectacle of the world divided in half by communism on a north-south axis, such an achievement would be largely negative in value, a denial to us rather than a positive gain. We would have lost the nexus of a world-wide communications net and communism would have gained only a projection of a north-south line--until such time as it was able to conquer substantial areas to the west and east, including India and Australia.

26. The outstanding positive gains to be attained by the Kremlin from a capture of SEA are political in nature. The extension of communist authority in China represents a grievous political defeat for us; if SEA also is swept by communism we shall have suffered a major political rout the repercussions of which will be felt throughout the rest of the world, especially in the Middle East and in a then critically exposed Australia.

27. At this point it may be asked what relation SEA has to our overall strategic interests in Asia and the Antipodes. With China being overwhelmed by communism, SEA represents a vital segment on the line of containment, stretching from Japan southward around to the Indian Peninsula. The security of the three major

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non-communist base areas in this quarter of the world--Japan, India and Australia--depends in a large measure on the denial of SEA to the Kremlin. If SEA, particularly the Philippines and Indonesia, is lost, these three base areas will tend to be isolated from one another. If SEA is held, the links will exist for the development of an interdependent and integrated counter-force to Stalinism in this quarter of the world.

SEA and the Atlantic Community

28. If an effective counter-force to communism is to be developed in the Orient, it is essential that relations between SEA and the Atlantic Community be rationalized. This is an undertaking admittedly involving far-reaching difficulties and risks. But the alternative to such a constructive approach involves an almost certain grave deterioration of our overall strategic interests.

29. We start at a marked disadvantage. Firstly, SEA and the Atlantic Community have widely differing cultural heritages. Furthermore, there is a long tradition of mutual low opinion: from condescension to contempt on the part of the Atlantic Community; from mistrust to bitter hatred on the part of the colonial people.

30. This essentially psychopathic relationship was considerably improved in the period immediately following the surrender of Japan when the U. S. made good on its promise of independence to the Philippines, and Britain, by an act of astute and far-seeing statesmanship, yielded to the political demands of Indian and Burmese nationalists. French and Dutch imperialism have, however, tended to undo the salubrious effect created by enlightened American and British policy in SEA. Thus, the short-sighted blunders of two members of the Atlantic Community have done much to cancel out the progress made on behalf of the whole community by its two principal members.

31. The danger of white-colored polarization between the Atlantic Community and all of South Asia, including SEA, is ever present. The Asian Conference at New Delhi was convoked as a direct result of the Dutch action in Indonesia. Because of the inclination of such leaders as Nehru, Romulo, and Zafrullah Khan to avoid a break with the western traditions in which they had been reared, reinforced by the moderating influence of our Ambassador at New Delhi, the conference itself was not unfriendly toward the West and might even be considered as pointing toward the development of a type of regional cooperation which would strengthen the United Nations. However, the inspiration of the meeting and some of its emotional overtones were portents of a possible trend in the direction of polarization. If this trend develops, it will have widespread effects not only in the near future but also for decades to come.

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32. The immediate effect of an intensified polarization would be to make SEA more susceptible to Soviet blandishments. This is not so because SEA would love the Soviet World more but because it would fear it less. Therein lies one of the great ironies of our time--that already the USSR, the most voracious and evil imperialist in history, should pose and to a considerable measure be accepted as the champion of oppressed colonial peoples while the U. S., probably the most benign great power of history, should in about equal degree be regarded as an acquiescent partner if not active accomplice of decaying 19th century colonialism. The explanation for this is simple. Soviet aggression in this region has not thus far taken the form of obvious Russian encroachment while our association with the French and Dutch appears to the people of SEA, in varying degrees, as participation in the attempted reimposition of colonialism. This is true notwithstanding our excellent record in the Philippines and Siam, the sympathetic understanding and perseverance of our three successive delegates to the UN Commission for Indonesia and Ambassador Henderson's perceptive skill at the New Delhi conference.

33. The long-range damage which would be done by further polarization between SEA and the Atlantic Community is scarcely less serious. As suggesting its magnitude, it is perhaps sufficient to say that humanity would have made little progress if the Atlantic Community survives its present desperate struggle with the Soviet World only to find itself confronted by an Asia bound together in common rancor and antagonism against the West.

34. These then are the dangers which impel us to seek a rationalization of relations between the SEA and the Atlantic Community. It is apparent that the heart of the problem lies within the Atlantic Community itself, specifically in the policies now being pursued by the Netherlands and France in SEA. These policies are: (1) anti-historical in direction; (2) an economic drain on and political liability for us; (3) a vain and insupportable extravagance for the Dutch and the French; (4) a drag on the economic and military revitalization of Western Europe; (5) the greatest single immediate factor contributing to the expansion of communism in SEA; (6) the principal obstacle to the development of an effective counterforce to communism in the Far East; (7) the major cause of white-colored polarization; and (8) doomed to ultimate failure.

Toward a U. S. Policy in SEA

35. In formulating a U. S. policy toward the SEA region and particularly in pressing toward a rationalization of relations between SEA and the Atlantic Community, there are certain other considerations to be kept in mind.

36. The first of these relates to the inhibitions imposed on

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our action by the attitudes of the Dutch and French. The logic of what has been said thus far in this paper would indicate that we should forthwith persuade them to make an immediate settlement satisfactory to the Indonesian and Indochinese nationalists. This would all be very well were the Dutch and French of an acquiescent turn of mind in these matters. This, however, is not the case. Our experience with them to date has been that our remonstrances and warnings to both Governments on this score have been unavailing. Most observers believe that extreme pressures on the Dutch and French risk causing (1) a further hardening of their present attitudes, (2) internal political crises in the Netherlands and France, and (3) repercussions adversely affecting the cohesion of the Atlantic Community.

37. The fact that these attitudes are essentially irrational does not make them any less real. We are not dealing in the realm of pure reason; paranoia is no less substantial a factor in international relations than in individual associations.

38. A second consideration, which flows from what has been said above, is that we must not ride rough-shod over Dutch and French sensibilities. To do so might result in a failure to achieve our objectives not only in SEA but also in the Atlantic Community.

39. At the same time, we must not be overawed and blackmailed by the threat of our recalcitrant European partners that they would bring the Atlantic Community down around the ears of all of us--a Community in which, it is sometimes forgotten, they have a more real interest than even we.

40. This means that we must not throw up our hands at the present impasse, attempt to dissociate ourselves from a vexing issue and stand aside hoping that the Dutch and French have been right all along in their protestations that all would be well if we would only refrain from meddling.

41. This line has a certain specious appeal--it promises to get us off an uncomfortable hook. This, however, is not possible. Our predominant power and influence do not permit us to be inconspicuous. Evasion of major international issues is a real possibility for Costa Rica; for the U. S. it is an illusion. Our silence is as loud as our words.

42. But the fallacy of such a proposal goes deeper. It has its roots in ideological negativism. Now the essence of our struggle with the U.S.S.R. is ideological. And the crucial issue in SEA is clear-cut--colonial imperialism versus militant nationalism. In such circumstances to attempt evasion of an obvious ideological issue is (1) objectively, to yield much of the field of conflict to our adversaries and (2) subjectively, to subvert our own

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ideological integrity--that is, to deny subconsciously the heritage and philosophic concepts which are inner reasons that we are, for all our shortcomings, not only great but good, and therefore a dynamic force in the mind of the world.

43. At this point yet another consideration presents itself. Granted that we should discreetly but strongly press the Dutch and French to accommodate themselves to SEA nationalism, can we be sure that our western allies will be able to transfer sovereignty to moderate nationalists; has not the situation so deteriorated that the only alternative to imperial rule is chaos in Indonesia and communism in Indochina? These questions are dealt with in subsequent sections of this analysis in which Indonesia and Indochina are individually discussed. It may be said here, however, that there is no guarantee that these fears will not be realized. But the choice before us for the immediate future is not between hostile tumult and friendly stability. It is between two evils and our task is to estimate which is the lesser.

44. As has been suggested, 19th Century imperialism is no antidote to communism in revolutionary colonial areas. It is rather an ideal culture for the breeding of the communist virus. The satisfaction of militant nationalism is the first essential requirement for resistance to Stalinism.

45. It is admittedly easier to temporize with the present situation. The more difficult alternative is, however, the sounder one. It involves the risk of an interim period of possibly greater chaos and communist influence. But it is an indispensable first move toward the creation of healthy indigenous resistance to Stalinism. Such a move must then be followed through to make sure that the resistance grows and wins out. We cannot accomplish this alone; we shall need to enlist the cooperation of such members of the Atlantic and Asiatic Communities as will go along with us.

46. In view of all that has been said thus far, it is evident that the course which we must steer is both hazardous and exacting. We must with resolution and skill steer our way between Scylla and Charybdis, between exasperation and resignation, between the rocks of undue pressure and the whirlpool of letting events take their present course. The sympathetic encouragement of Asiatic nationalism is bound to be a rough passage, but it is the only channel lying between polarization and Stalinization. It is only by following this difficult course that we can hope to facilitate--in collaboration with likeminded nations--the development of an effective counter-force to communism in the Far East leading eventually to the emergence of SEA as an integral part of the free world, contributing spontaneously and fully to our welfare and security.

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Indonesia

47. For some 300 years, the Dutch were the comfortable lords and masters of Indonesia. The wealth of the Indies provided the 7 million people of Holland with one of the highest standards of living in Europe and made the Netherlands a secondary rather than tertiary power. What happened to the Dutch in the war and thereafter came as a profound psychological shock. After being crushed by the Nazis, they suffered sudden and overwhelming humiliation at the hands of the invading Japanese. Their conquerors in the Pacific, as well as in the home country, were finally vanquished by allied, not Dutch, arms. Dutch authority was reintroduced into the Indies, not under its own power, but by favor of the British. And Dutch military equipment was and continues to be predominately American. Finally, the Indonesians have behaved, to Dutch thinking, like ingrates and the international community has been critical. It is no wonder, therefore, that the Dutch attitude regarding Indonesia has shown neurotic symptoms of frustration, inferiority and over-compensation.

48. The nationalist movement in Indonesia finds its most virile expression in the Republic of Indonesia, centered on the islands of Java, Sumatra and Madura. The principal leaders of the Republic were, notwithstanding their long revolutionary ordeals, essentially men of moderation. Their anti-Stalinism was dramatically proved, while they were subjected to a Dutch blockade, by the unexcelled skill with which they liquidated the communist revolt led by the Kremlin agent Muso: they enlisted the support of the Trotskyists to crush the Stalinists and, having done so, were in the process of suppressing the Trotskyists when the Dutch launched their recent "police action". This moderate leadership could, however, continue to command popular following only so long as it was able to hold forth reasonable hope of achieving independence through negotiations. The longer the Dutch-Indonesian stalemate dragged on, the less hold the Republican leaders had on their followers, including their guerrilla units, the stronger became the voices of extremists advocating direct action.

49. This, then, was the atmosphere in which the events of the past three years have occurred. Let us look briefly at the salient developments.

50. The initial Dutch efforts to expand the enclaves turned over to them by the British resulted in hostilities with the Indonesians. As a result of British pressure, negotiations were entered into culminating in the Linggadjati Agreement of March 1947 whereby the Dutch recognized the existence of the Republic's de facto authority on the islands of Java, Madura, and Sumatra in anticipation of the establishment of a United States of Indonesia under the Dutch crown.

51. Disagreement over the implementation of this vague agreement led to a Dutch "police action" against the Republic. The U.N. thereupon intervened. Under the auspices of a Good Offices Committee, the Renville Agreement was concluded in January 1948, providing a loose formula for transition to a United States of Indonesia, with the Republic a constituent part thereof. In the absence of trust and cooperation from both sides, this formula likewise failed to produce a settlement.

52. Meanwhile, the Dutch have shown, during the past three years, ample evidence of a determination to proceed unilaterally toward the recreation of their paramount position throughout the archipelago. They have sought to strengthen the position of their native collaborators, the Federalists. During the latter half of 1948, they did not call upon the services of the GOC. And they made preparations suggestive of an intention to resort to military force. We were conscious of these trends and repeatedly warned the Dutch that an attempt to reimpose their authority by force would be a piece of folly gravely damaging to all of us. The Dutch obviously estimated that, while we might talk sternly to them, we would not exert effective pressure to deter them.

53. Therefore, on December 19, while negotiations were still continuing, the Dutch projected a carefully planned blitzkrieg, described as a "police action", on the Republic. They captured and interned the principal Republican leaders. The Republican forces, under standing orders, retired before the Dutch and are now engaged in guerrilla warfare, the end of which cannot be seen.

54. The results of this Dutch course of action are far-reaching. The only Indonesian elements in whom we have confidence have been effectively removed at least for the time being from active leadership of the nationalist movement. Conditions of chaos now prevail offering a situation ideally suited to the Kremlin's design for capturing control of the nationalist movement. Fuel has been added to the fires of Pan-Asianism. The Dutch have imposed upon themselves a military and economic burden which they cannot long continue to bear: approximately 80,000 young Dutchmen needed in the defense forces and factories of Holland itself are now committed for an indefinite period to the jungles of Java and Sumatra. The Dutch informed Field Marshal Montgomery in January that they were having difficulty in meeting their joint defense responsibilities in Western Europe because of Indonesian commitments, and the Dutch Foreign Minister in February stated that the Dutch could afford to continue the "police action" for only a few more months. Finally, the ultimate economic and military cost of this piece of adventurism will be transferred to us, if not directly in aid to the Indies, then indirectly through ERP and military aid to Holland.

55. Provided that they were for an indefinite period heavily

subsidized by us, the Dutch might be able ultimately to "pacify" Indonesia. Assumably, their rash gamble is now based on this quagmire of contingencies. Let us briefly examine them. The sovereign American people have no inclination to underwrite thus Dutch imperialism--it is already evident that even ERP aid to Holland itself is jeopardized by public and congressional reaction to the Indonesian adventure. Secondly, this Government could not, for all of the reasons set forth in this paper, embark on such a policy. And finally, even if we thus subsidized the Dutch and if they "pacified" Indonesia, the so-called solution would be temporary--historical forces can be dammed-up for a time but sooner or later they burst their bounds with redoubled havoc.

56. This being the case, it follows that the Dutch are now and in the long run the disruptive element in the Indonesian scene. The present chaos in the western half of the archipelago can be disposed of and the rapid growth of communism prevented only if the Dutch soon transfer sovereignty to a combination of the Republican leaders whom they now hold captive and representative federalists, and if this combination is accorded sufficient international support to enable it not only to crush the extremist elements now burgeoning on Dutch-created chaos but also to lay the groundwork of economic recovery. The longer the delay in doing this, the more painful and protracted will be the road to durable stability in Indonesia.

Indochina

57. The Indochinese situation is in an advanced stage of deterioration. The communists are dominant in the nationalist movement. They achieved this position by assuming the most aggressive role in resistance to French imperialism. This meant that all activist nationalist elements, including large numbers of non-communists, rallied around them to form a popular front known as the Viet Minh. The communists have maintained this dominance thanks to the constant military pressure exerted by the French, the effect of which has been to keep most nationalist elements pressed into reliance on the communists.

58. After an initial show of conciliation, French policy in Indochina was to reconquer and no nonsense. But it has simply not been in the realm of practicability for France to crush the Viet Minh by military means. The French military effort has therefore dwindled to footling punitive campaigns which have been and are a drain on the strength of France itself. As we do not contribute ERP aid directly to Indochina, the charges are passed on to us in Europe. The falseness of our position was last year made evident when, at great effort and with special Presidential sanction, we provided partial equipment for three French divisions in Germany while about 100,000 French troops with American equipment were and still are being squandered in Indochina on a mission which can be

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justified only in terms of Gallic mystique.

59. As the French came to comprehend that military measures were a delusion, they resorted to political maneuvers with native collaborators hoping to create a puppet regime which would, with French help, dispose of the Viet Minh and allow France to retain its paramountcy. But the French have been so niggardly in these negotiations that they have thus far failed to create an effective puppet regime capable of drawing nationalist elements away from the Viet Minh. Current negotiations with the ex-Emperor, Bao Dai, appear thus far to be of this description.

60. A constructive solution of the Indochinese impasse depends on the French yielding their claims of sovereignty to a native regime. Only if that is done will the false issue of French imperialism, which cements communists and non-communists in unity, be dissolved. A French withdrawal would permit the elementary indigenous forces in Indochina to come into full play. The basic conflict then would be between nationalism and Stalinism. Nationalist elements would thereupon tend to gravitate away from the present Viet Minh popular front and coalesce in a nationalist anti-Stalinist organization. The strong anti-Chinese sentiments, now submerged by the issue of French imperialism, would likewise be released and act as a force resistant to Chinese Communist influence.

61. The French claim to sovereignty over Indochina could be yielded either to a regime composed of present collaborators of the French or to the Viet Minh. Provided that it is clear-cut and expeditious, a transfer to the former is of course preferable because the non-communist elements in Indochina would thereby be given an advantageous start. A withdrawal in favor of Viet Minh would obviously be less desirable. It is debatable, however, whether it is more or less desirable than the Stalinist blind alley down which French policy is now blundering.

62. Whichever course were followed, civil war would sooner or later probably eventuate. With the dissolution of the present artificial situation, the new alignments would naturally be precipitated and come into conflict. Resistance to Soviet and Chinese communist influence would then for the first time possess deep and extensive roots in the Indochinese scene. But this new conflict, for foreign anti-communists, including ourselves, would be only a point of departure. It would then be necessary for us, working through a screen of anti-communist Asiatics, to ensure, however long it takes, the triumph of Indochinese nationalism over Red imperialism.

Burma

63. By rolling with the punch of colonial revolt and giving Burma its independence, the U.K. initially retained the substance

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of colonial benefit--economic advantage. The attitude of the socialist Government in Burma has since come to threaten British investments. However, no matter how badly British interests are dealt with, Burma is at least not the drain on British economy that Indochina is on the French and Indonesia on the Dutch.

64. The Burmese Government is weak, unpredictable and highly unstable. It is sensitive to communist pressure. The communists (whose principal contact with international communism lies through the Indian CP) are for their part factionalized, undisciplined, and far from completely Stalinized.

65. At present the Government, the Communists and one of the racial minority groups, the Karens, are engaged in a chaotic civil war. The Government has thus far made no move to ask for international intervention. In the absence of some form of intervention --or even with it--the immediate future for Burma is stormy and uncertain.

Siam

66. Siam occupies a strategically important position in Southeast Asia, flanked by Burma and Indochina and abutting on Malaya and China. While Siam capitulated to superior Japanese force during the war, it nevertheless possesses a record of wily and sturdy resistance to British, French and Chinese imperialistic pressures. Chinese penetration and resistance to assimilation are an increasingly important problem in view of the growing strength of communism in that country.

67. Because of its economic well-being and its long political experience as an independent state, Siam is relatively stable. But it is by no means invulnerable to the turmoil and revolt spreading around it. Siam must not, therefore, be neglected. It requires and will welcome our positive support.

Malaya

68. Malaya is the only country in Southeast Asia in which an indigenous nationalist movement does not threaten colonial control. This is because the Chinese and Malays both recognize that the British hold the balance between their conflicting interests. British rule is therefore not at present threatened.

69. Last summer, the Chinese communists in Malaya, together with Chinese gangster elements, embarked on a systematic campaign of terror directed at disrupting British authority and sabotaging rubber plantations and tin mines, a considerable source of British dollar-earning power. The British, applying strong suppressive measures, brought this terrorism under control, but final eradication

may require two or three years.

70. The British appear to have the capability of holding Malaya for the foreseeable future. The only alternative to British rule visible at this time is Chinese domination, which would be unacceptable not only to Malaya but also to us.

The Philippines

71. Centuries of Spanish and American influence on the Philippines have given that nation a westward orientation possessed by no other Asiatic country. Therefore, while the archipelago does not belong to the Occident, neither does it completely belong to the Orient.

72. Politically, the republic is a major asset to the United States in its relations with the rest of Asia. It represents the fruition of a colonial policy to which we have pointed with great pride and which has been looked upon as a model by much of Asia. We have much to gain from the further development of the Philippines as an enlightened political force spontaneously cooperating with us in the solution of problems in the rest of SEA.

73. Not yet having been weaned from American economic and military help, the true quality of the republic has not, however, thus far been tested. We have not by the mere edict of independence solved the basic problem confronting the Filipinos: a reorientation of their economy, particularly as regards their reliance on sugar, to a position not dependent on free entry to the American market. This question has been merely postponed and it is open to question whether the Philippines can achieve the great political and economic transformation required and emerge standing firmly on its own feet.

74. Which course the new Republic follows depends, of course, primarily on the Filipinos themselves. But it also depends in part--and perhaps that marginally decisive part--on whether this Government maintains for some years to come a practical and constructive interest in the Philippines.

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RECOMMENDATIONS

SEA Region as a Whole

75. Before proceeding to recommendations for action, certain broad principles should be established and accepted. They are:

a. It is our continuing objective to encourage the SEA region to develop in harmony with the Atlantic Community and the rest of the Free World.

b. Conversely, it is also our objective to contain and steadily reduce Kremlin influence in the region.

c. Because there is slight hope of our achieving either of these objectives through a policy limited to unilateral relations with the individual SEA countries, we should adopt a wider concept--multilateral collaboration, primarily with certain British Commonwealth countries and the Philippines, in approaching SEA as a region.

d. This concept, however, has full meaning only if viewed in the context of a larger area embracing non-communist centers of power on either side of and below SEA. We should therefore view the SEA region as an integral part of that great crescent formed by the Indian Peninsula, Australia and Japan.

76. We should accept the fact that the crucial immediate issue in Southeast Asia--that of militant nationalism in Indonesia and Indochina--cannot be resolved by any of the following policies on our part: (1) full support of Dutch and French imperialism, (2) unlimited support of militant nationalism, or (3) evasion of the problem. Because the key to the solution of this issue lies primarily with the Netherlands and France, we should as a matter of urgent importance endeavor to induce the Dutch and the French to adapt their policies to the realities of the current situation in Southeast Asia, as set forth in this paper. Our first step should be, in conjunction with the British, to set forth to the Dutch and French in candor, detail, and with great gravity our interpretation of the situation in and intentions with regard to SEA. We should make a major effort to persuade them to join us and the states mentioned in the following paragraph in a constructive overall approach to the region as a whole.

77. Having done this, we should promptly discuss with the British, Indians, Pakistanis, Filipinos and Australians a cooperative approach based on the principles laid down in paragraph 75. We should be prepared subsequently to work with a wider group, always recognizing that while the area concerned is

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primarily Asian it is in our interest to leaven the oriental nature of the collaboration with sympathetic western influence. We should at the same time attempt to discourage the extension of this cooperative effort to include Middle and Near Eastern countries on the grounds that they constitute a separate natural regional group.

78. We should avoid at the outset urging an area organization. Rather, our effort should initially be directed toward collaboration on joint or parallel action and then, only as a pragmatic and desirable basis for more intimate association appears, should we encourage the area to move step by step toward formal organization. If Asian leaders prematurely precipitate an area organization, we should not give the impression of attempting to thwart such a move but should go along with them while exerting a cautiously moderating influence.

79. We should, of course, seek to cast the multilateral approach recommended in the preceding four paragraphs within the framework of the U.N. insofar as our Charter obligations require it and, where there is no requirement, insofar as we consider it appropriate. We should, however, be willing to act cooperatively outside of that framework when that would be consistent with our Charter obligations and when to proceed through U.N. mechanisms would constitute a serious impediment to the achievement of our objectives.

80. In order to minimize suggestions of American imperialist intervention, we should encourage the Indians, Filipinos and other Asian states to take the public lead in political matters. Our role should be the offering of discreet support and guidance. Politically, Japan should be kept in the background.

81. We should seek vigorously to develop the economic interdependence between SEA, as a supplier of raw materials, and Japan, western Europe and India, as suppliers of finished goods, with due recognition, however, of the legitimate aspirations of SEA countries for some diversification of their economies. To achieve these ends we should emphasize primarily the fourth point of the President's inaugural address. Every effort should be made to initiate and expand programs of technical assistance both through bilateral arrangements and through international agencies. The propaganda value of the President's fourth point should be fully exploited.

To achieve our objectives, efforts should also be made to supplement conservatively private investment, with Governmental assistance.

82. We should greatly expand our cultural and informational

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program. It should be directed at developing an appreciation and respect for the humanistic values of western civilization and an understanding of international political and economic realities.

Indonesia

83. Keeping in mind all of the considerations discussed in the analysis of this paper, we should seek, in collaboration with like-minded states, to bring about the creation of a sovereign Indonesian state which will satisfy the fundamental demands of militant nationalism in the archipelago. As the situation with respect to Indonesia is now exceedingly confused and as it would consequently be unrealistic to prescribe a hard and fast course of action to be followed by this Government for months and years to come, our policy should be guided by the following general principles, which of course are also subject to review:

a. Timing is of prime importance in the Indonesian situation. The longer the delay in accomplishing a transfer of authority from the Dutch to representative Indonesians, the weaker becomes the position of both the non-communist native leaders and the Dutch and the stronger becomes the influence of all extremist elements including the communists. The earliest feasible cessation of hostilities and transfer of authority from the Dutch to the Indonesians is therefore imperative, and will probably require additional pressure on the Dutch.

b. As it offers the only hope of halting military action on the part of the Indonesians, we must continue to insist on the restoration of the non-communist Republican leaders to the positions of authority they held prior to December 17, 1948, free of Dutch control.

c. From our point of view the most reliable and desirable Indonesian political figures to receive a transfer of authority from the Dutch are these same Republican leaders together with certain outstanding Federalists. As it is a combination of these two groups which can command the widest popular support and provide the only chance for a moderate anti-communist government, our aim is a unified Indonesian Government built around these two elements.

d. It is, of course, basic in our thinking that we should continue to deal with the present phase of the Indonesian situation primarily through U.N. machinery. Naturally, this does not preclude direct approaches to the Dutch and other states concerned with the Indonesian problem.

e. We should not be deterred from a considered course by Dutch threats to withdraw from the North Atlantic Pact. If the Dutch should reveal an intent to concentrate upon their Indonesian situation even at the cost of neglecting their responsibilities in Western Europe, then the Dutch ability to contribute to collective security in Europe would be subject to doubt and we should reexamine the Western European situation in the light of that fact.

f. Recognizing that the loss of its Indonesian Empire would be a severe blow to the Netherlands, we should be prepared in that event to assist the Dutch by a readjustment of the ECA program for the Netherlands, in order for that country to meet the new situation.

g. When a sovereign Indonesia comes into being, we and those states willing to collaborate with us will be confronted with the problem of assisting the non-communist nationalist leaders to retain their supremacy over the communists, and fostering any trends which will lead Indonesia in the direction of political and economic stability in harmony with the free world community. We should now accept this objective in principle, conscious that it will be a considerable enterprise, the exact proportions and nature of which cannot now be foretold. At the same time we should be prepared to exert our good offices to preserve, so far as feasible, mutually beneficial phases of the Dutch-Indonesian relationship.

Indochina

84. Because we are powerless to bring about a constructive solution of the explosive Indochinese situation through unilateral action, the determination of our future policy toward Indochina should await the outcome of the demarche recommended in paragraph 76 and the earliest feasible consultation with India and the Philippines.

Burma

85. As the situation in Burma is at present so chaotic as to defy a feasible solution introduced from outside the country, we should defer any suggestions of a solution until the situation begins to be clarified. We should, however, keep in close touch with the British and the Indians regarding this problem and cooperate with them in any approach which they and we agree is likely to prove profitable.

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Siam

86. We should seek to strengthen Siam, help maintain the relative stability which its government has achieved, and generally cultivate that nation as a strategically located center of stability and positive American influence in SEA. Siamese resistance to Soviet and Chinese encroachment should receive particular American support.

Malaya

87. We should support British authority in Malaya until such time as there may occur a basic change in the Malayan situation affecting this policy. At that time, our policy should be reviewed.

The Philippines

88. We should endeavor to induce the Philippines to assume an active and constructive role in developing a counter-force to communism in SEA and otherwise to further spontaneously our major objectives in Asia. We should encourage the Filipinos to take the initiative publicly in many projects which they, as Asians can advance more effectively than we, but always to come to us for confidential and friendly guidance. This type of relationship, with which we have had little past experience, must be nurtured and exercised with patience, understanding and skill.

89. We should seek to maintain our tremendous political and cultural investment in the islands by conducting a major cultural and informational operation in the Republic and encouraging private American organizations to do likewise.

90. Because the economic health of the Philippines must be maintained if the republic is to play the role which we expect of it, we should provide such aid as may be essential to develop in the islands a viable economy independent of continuing economic assistance from the U. S. Such aid as we grant should be extended in a manner designed to further our political aims, particularly that embraced in the fourth point of the President's Inaugural Address.

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