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EAST ASIA IN THE MID 1970's

I. INTRODUCTION

East Asia is in a state of transition between a generation of rigid confrontation of two power blocs requiring deep U.S. involvement and an uncertain future in which power will be dispersed and Asian nations will be capable of, and will in fact insist upon, more say in their own affairs.

Historically the U.S. has sought to prevent any hostile nation or combination of nations from achieving domination of East Asia. In the post-World War II period the principal threat appeared to emanate first from a unified Communist movement and subsequently from a resurgent China. Today the threat of hegemony in East Asia is reduced, and efforts to avert it need not dominate our policies in the area. Smaller countries in the region, motivated by intense nationalism and armed with the techniques of guerrilla warfare, are not readily controlled from abroad.

More broadly speaking, a multipolar balance of forces in East Asia is emerging, and this is fully consonant with our interests. Our policies are now directed toward modifying the polarization of power in East Asia between ourselves and China and toward strengthening other elements in the looser multilateral equilibrium. This creates opportunities for a more flexible U.S. diplomacy, but at the same time we face real problems in this transitional period. There is reasonable doubt even now that we have the military capability to meet our commitments, and -- with continued inflation and budgetary stringency -- this situation is likely to get worse rather than better. Added to this is continued concern among the American public and in the Congress over the extent and cost of U.S. involvement in Southeast Asia.

This paper seeks, in the light of this situation, to identify U.S. interests and objectives in the area, the new configuration of power and the allocation of U.S. resources to meet our goals during the next five years. It rests on the following assumptions:

A. Continued uncertainty in Indochina will complicate the U.S. approach to East Asia. With the withdrawal of U.S. ground forces and reductions in U.S. air support, North Vietnam will continue the war at about present levels in South Vietnam and Cambodia.

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While Laos might be moved to the negotiating table, we cannot count on this and must, for planning purposes, assume continued uncertainty there as well.

B. Friction between Moscow and Peking will continue to the extent that we will not, during this period, face a unified communist threat in East Asia.

C. The U.S. budgetary situation will not improve and domestic opinion will continue to oppose deep and direct involvement in Asian affairs.

II. U.S. INTERESTS IN EAST ASIA

A. General

There is an urgent need to rethink our national interests in East Asia in the light of Japan's emergence as a major power increasingly inclined to pursue independent policies, China's return to international politics and adoption of a more supple diplomacy, the interest of the Soviet Union in expanding its presence and power in the East Asian area, growing nationalism in several states and cooperation in the region as a whole, and continued pressure within the United States against the extent and cost of our involvement in the region.

B. Japan and China: Vital Interests

Only two nations in East Asia are vital to the national security of the United States: Japan on positive grounds because of its economic and potential military power and mainland China, so far negatively, because of its size, prospective strength and ideological dedication to disrupting the status quo. The power and influence of these two nations, together with the United States and the USSR, will determine the structure of power in East Asia for the foreseeable future. A sturdy alliance between the U.S. and Japan is and will remain by far our most important relationship in East Asia; this tie will affect significantly the stability of the four power system and, thereby, the risk of war directly affecting big power interests. In addition to its vital security role (discussed further later), Japan -- our largest overseas trading partner -- is the only East Asian nation which would qualify for inclusion in the top rank of U.S. interests on the basis of trade -- see Annex #1 which surveys our trade with and investment in East Asian nations.

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C. The Outer Line: Important Interests

Although of a lesser order of magnitude than those relating to Japan and China, the United States has important interests in the "outer line" of Asian nations stretching south from Korea through the western reaches of the Pacific, including South Korea, Taiwan, the Philippines, Indonesia, Australia and New Zealand. Singapore and some areas of Micronesia might also be included.

Nations and areas included in this category are important, among other reasons, for the access they give the U.S. to the region at a price and risk we consider acceptable; their security and economic importance to Japan (South Korea especially); their natural and human resources; their economic and in some cases real or potential political role in the area; their historical ties with the U.S. (the Philippines); and in the case of Australia the additional weight of U.S. private investment -- see Annex #1.

D. Mainland Southeast Asia: Limited Long-Term Interests -- Extensive Short-Term Commitments

Continental Southeast Asia ranks behind other areas of East Asia in its basic long term importance to our interests. Our trade and investment stakes in this area are small, we rely on it for no strategic goods which cannot be obtained elsewhere, and such military bases and intelligence facilities as are maintained in the region are expedient primarily in relation to the Vietnam war. In the hands of a hostile power, this region would not necessarily be a serious threat to our vital or important interests. While we would certainly like to retain access to mainland Southeast Asia, we should be willing to accept greater risk here than in the other two that we might not achieve our objectives.

There is, however, an important short-term dimension to this issue. Though our basic interests in mainland Southeast Asia are limited, our vital interests in Japan (and perhaps outside East Asia) and our important interests in the "outer line" could be seriously damaged if we withdrew too quickly, clearly repudiating our formal security commitments. We will therefore need to retain some of our military facilities for a transitional period to deter our adversaries and to reassure our friends and allies and enable them better to work out their long term relationships with Hanoi and Peking.

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III. U.S. OBJECTIVES

Against this background, the following would seem to be our broad U.S. objectives in East Asia:

A. To help preserve an East Asia which is not dominated by any single power or combination of hostile powers.

B. To maintain and strengthen our mutually productive political and security relationships with Japan.

C. To reduce frictions with China, in search of a modus vivendi leading to long term peaceful coexistence.

D. To discourage additional Asian nations from developing, producing, and deploying nuclear weapons.

E. In line with the Nixon Doctrine, to look to countries of the area to do more for their internal defense and to help them do so.

F. To rely increasingly on Asian self-help and regional cooperation for security and development with minimum U.S. direct involvement in Asian initiatives and decisions.

IV. INTERPLAY OF THE FOUR POWER BALANCE

We must seek to accomplish these multiple and occasionally conflicting purposes within an emerging quadrilateral balance among ourselves, mainland China, Japan, and the Soviet Union. Our capacity to shape our commitments to our contemporary and future interests thus requires a correct assessment of the power and purposes of those states. Their objectives in the area are surveyed briefly below, and the implications for U.S. policy appear in a following section.

A. Japan

The sources of Japanese power are familiar. So, too, are the statistics on Japanese potential. While spending less than 1% of its GNP for defense, Japan is able to finance 12 to 15% annual increases in defense spending on the margins of growth, thereby moving swiftly toward the establishment of an impressively modern military establishment capable of autonomous conventional self-defense. By exporting "work" to labor surplus areas in East Asia, and importing vast quantit of raw materials, Japan will continue to be the first or second largest trading partner of every East Asian country.

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Japan's primary interests in East Asia appear to be:

1. The avoidance of war or a high level of international tension or internal turmoil in the region which would create political/security problems and interfere with trade.

2. The preservation of free access to overseas markets and sources of supplies to fuel future Japanese growth.

3. The maintenance of a loose multipolar balance of forces in East Asia and a credible U.S. nuclear commitment, thus assuring Japan continued access to the rest of East Asia without the necessity of shouldering military obligations abroad.

In the light of these interests, Japan maintains a vital stake in the U.S. Security Treaty (as does the United States), seeks to develop more intensive relations within the Pacific Basin Community, hopes to improve political and commercial relations with the Communist states, and reserves its future defense options by pursuing an orderly defensive rearmament program.

B. China

Many of China's goals appear currently to be in conflict with those of the United States. Moreover, China cannot get from the U.S. its prime need -- military support against the Soviet Union. But Peking seems to be coming to the realization that multipolarity of power and a reduction of tensions can serve China's interests.

Since the fall of 1969, Peking has displayed a rather supple and dextrous diplomacy: It has:

-- Moved to limit the risks of conflict with the Soviet Union through the opening of border negotiations and improvements in state-to-state relations.

-- Encouraged Japanese hopes of future improvements in governmental relations and preferred access to the Chinese market in return for the avoidance of moves designed to enhance Taiwan's independent and separate status.

-- Begun opening the door to improved relations with the U.S.

-- Extended relations with European states to remind the

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Soviets that they have problems on their Western flank and to encourage Western European countries to adopt policies more independent of the United States.

-- Displayed a more benign visage to many Third World countries in order to enhance Peking's drive for international recognition and UN membership at Taiwan's expense.

This drive suggests mainland China's awareness of the superiority of Soviet power, its concern at the appearance of Japan as a formidable competitor for regional ascendancy, and its hopes of encouraging further American retraction from areas close to China.

We do not know nearly as much as we would like about China and its basic drives, but broadly speaking Peking's goals would seem to be:

A. Acquiring control over Taiwan by any means which would not provoke war with a great power.

B. Strengthening Peking's position, as compared with that of Moscow, in national Communist movements.

C. Reducing the U.S. role in East Asia.

D. Establishing along China's southern border states which are dependent in large part on Chinese good will, which look northward for guidance, which do not strike postures inimical to Chinese interests, and which do not harbor hostile military bases.

E. Supporting subversive or insurgent movements in a number of Third World countries.

In comparison with the other major powers, China is inferior in the basic elements of strength to carry out these objectives. Peking's marginal economy will continue to limit its maneuverability. Its nuclear development program, while impressive for a state of limited resources, remains rudimentary, and it is unlikely to employ or recklessly brandish those weapons in view of Chinese strategic inferiority vis-a-vis both the Soviet Union and the U.S., the vulnerability of its nuclear installations, and its fears of triggering a Japanese decision to "go nuclear."

Chinese conventional military power is formidable. Its forces, however, are primarily defensive in character -- designed to maintain internal security and defend the homeland. Deficiencies in naval, air and logistic capabilities, the obstacles posed by geography, and the

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presence of militarily superior powers on several fronts should inhibit China's capacity and incentives to attempt to project military power overtly beyond its borders. For these reasons, and assuming there is an effective deterrent to aggression against Taiwan, it seems likely that China during the period under consideration will seek its goals through political means and through promoting subversion, training revolutionaries, and offering succor and support to insurgent movements in Asia and elsewhere.

C. Soviet Union

Moscow is preoccupied by the fear that China's political and economic power will grow at impressive rates; that Peking's foreign policy will become increasingly vigorous and effective; and that China will damage Soviet interests in East and South Asia as well as elsewhere.

Moscow's most immediate basic interest is thus the protection of its long frontier with China and obstruction of the growth of Chinese influence and power in East Asia. For the moment the Soviets seem content to buy time to improve their position on the border, to fashion and refine a containment policy for Asia, to develop further the Soviet Far East, and to attempt to convince Mao's successors that China's future must lie with closer relations rather than a festering confrontation with the Soviet Union. For the longer run they are apprehensive about the growth of Japanese power.

Moscow has no important security interests directly at stake in Southeast Asia except for concern over freedom of passage through the Straits of Malacca. Quickening of its interest in the Indian Ocean probably reflects its strategic interests as a Great Power as well as regional aims against China.

Aside from their efforts to limit Chinese (and in the future Japanese) influence, the Soviets seek in East Asia to manifest their role as a Great Power, capitalize on the withdrawal of the British and the declining American involvement, and establish beneficial arrangements -- trade, air transit rights, etc. -- with the countries of the region. Aside from their relations with China, the Soviets are not likely to press their interests to the point of crisis and confrontation.

Soviet objectives deriving from this mixture of motives include:

1. Obstruction of Sino-American and Sino-Japanese rapprochement.

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2. Reduction of U.S. influence in East Asia (within limits in view of the Sino-Soviet dispute).

3. Discouragement of accelerated Japanese rearmament.

4. Establishment of a closer identity with North Vietnam and North Korea.

5. Widening of cooperative efforts with Asian neutrals.

6. Promotion of firmer links with pro-Western countries, e.g. Japan, Philippines, Indonesia, Malaysia, and Thailand.

V. U.S. RESOURCES AVAILABLE TO MEET OUR OBJECTIVES

A. Military

The way in which we seek our objectives will be determined to a large degree by the resources available to us and the way these are employed. Given the nature of our current problems in East Asia, the size, nature and deployment of our military forces will be of particular importance.

In this connection one fact is crucial: due to budgetary stringency we no longer have the flexibility we once had. Current policies call for military capabilities for an initial defense of NATO Europe or a joint defense of Asia (Korea or SEA) together with support of Asian allies against non-Chinese communist attacks. In other words, this 1 1/2 war concept allows major military operations in one theater at the expense of the major capability in the other, leaving reduced capability in the non-war theater. For example, we could assist our allies in Asia against a non-Chinese attack while simultaneously providing an initial defense of NATO. We could not conduct an initial defense of NATO and a joint defense of Asia simultaneously. If, while involved in a joint defense of Asia, an attack were to occur on NATO -- we would be required to disengage in Asia to conduct an initial defense of NATO.

As of this moment, we have a fairly good picture of the forces that will be in or available for East Asia through the end of FY-72. We do not yet have the projections for the five year period beyond that, nor will we have them before next fall. At that time, the FY-73 Defense budget with a five-year projection of forces will be in its final stages of preparation. The European force requirements have been fairly well defined partly as a result of an exhaustive NSC

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study that was conducted late last fall. Similar analysis is now underway for East Asia and presumably will have a bearing on the Defense budget that will be presented to the Congress in early 1972 on the five year Defense program.

1. Army Forces

Despite these uncertainties, certain force planning assumptions seem fairly firm. First, the total U.S. Army size, in divisions, and the deployed Army combat units in the Western Pacific will, as withdrawals continue, fall below pre-1965 levels. (See Annex 2 for a comparison of total U.S. force levels in East Asia in 1965, 1969 and 1971.)

By the end of FY-72, the Army will have 13-1/3 active divisions vice the 16-1/3 that existed in the mid-1960's. In the Western Pacific, we should expect all U.S. Army units to be out of Vietnam by the end of FY-73, perhaps sooner, except for continuation of an advisory force. By FY-73 or 74, a second major army reduction will probably occur in Korea. The Army is tentatively planning to leave a so-called special mission brigade in Korea for an indefinite period. The PACOM ground force reserve will consist of the Marine Division (less one regiment) on Okinawa and a Marine regiment together with an Army division, in Hawaii.

A significant aspect of the changes outlined above, that will not be readily apparent to Asian allies but which will affect U.S. planning, is that any additional multi-divisional requirement for ground forces in Asia will generate, automatically, a requirement for partial mobilization in the U.S. First, with a zero draft and a smaller Army, most of which is either committed to NATO or required as a ready reserve in the U.S., units sent to Asia must be replaced in the force structure by activated reserve units. Secondly, even to maintain the 13-1/3 Army divisions under current projected Defense budgets, will probably require that some essential support units be placed in the active reserve. The commitment of the divisions will, therefore, involve calling up their support through some form of mobilization. Obviously, this will pose a difficult political problem for the President.

2. Air Force

Current Air Force projections for the mid-1970's show a total fighter-attack force of 21 wings vice 23 wings. This two-wing cut should not prevent substantial peacetime deployment in the Western Pacific.

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Currently, Air Force planning is something like 3 fighter/attack wings in the Western Pacific: one in Korea, one in Okinawa and one further south. Its location is not yet fixed, nor presumably will it be for another 18 months or so, since decisions on this wing will inevitably be tied to the larger force decisions on Southeast Asia and, of course, we will want to weigh in with political considerations. One Marine air wing will continue to be based in Japan.

Air Force problems are somewhat different from those of the Army since so long as a base structure exists, deployment of substantial reinforcements over fairly long distances is feasible. The massive and very speedy deployments into Korea following the Pueblo incident (involving some 180 aircraft in about 10 days) are a fair measure of our capabilities. We must recognize, however, that air base availability (not only in the immediate operations area but more generally in the Western Pacific to provide the necessary tanker, airlift and other support) is critical. In this respect, air facilities in the Philippines, Taiwan, Okinawa and Japan are particularly important. For a variety of political reasons, it is precisely these areas where we are potentially vulnerable.

3. Navy

With regard to the Navy, there are major uncertainties over the next five years. An obvious critical item will be the attack carrier force level. For the next year or so , a 15 carrier force is projected; this will allow the normal 3-carrier deployment in Asia. Any reduction below the level of 15, however, will most probably be taken in the deployed Pacific carriers, given the President's explicit commitment to maintain force levels in Europe -- a commitment that automatically includes the two carrier task forces of the Sixth Fleet.

Substantial cuts in other forces, notably in the destroyer forces have already occurred, and more are possible. In general, these escort forces are divided equally between the Atlantic and Pacific, so there is no special burden imposed on Pacific forces.

Like the Air Force, base availability in Japan and the Philippines is critical in maintaining Naval WESTPAC deployments. Access to Japan seems reasonably secure over the long term but may be less so in the Philippines.

A major preoccupation of the Navy, at the moment, is its investigation of home porting a number of Seventh Fleet ships in the Western Pacific. The advantages of this move in terms of naval operations and personnel retention are obvious, but there are substantial liabilities

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as well. It is highly questionable that it can be arranged on any significant scale, if at all, in the areas of greatest interest to the Navy, i.e., Singapore and Japan. At some operational cost, because of the distance, Australia might provide a feasible alternative.

4. Qualitative Changes in All Forces

Force size, while extremely important for foreign policy reasons, is only one measure of merit that must be examined for the future. Another important factor is the quality of the forces, and in this area several developments are worth noting. In the Army, one of the most interesting new ideas is the development of career specialists in the military aid field. This would involve not only specialized training but a career track and thus an incentive for talented officers to enter the aid field. If implemented, this might make possible smaller but better military aid groups. Another new concept is the Tri-cap division which embodies, infantry, air mobility and armor in a single division structure.

The Air Force is continuing to push the "bare base" concept designed to allow rapid tactical fighter deployments to existing but untenanted fields. This involves moving the entire support for a tactical unit -- its navigation aids, mess halls, repair facilities, fuel trucks and so, by C-141 transport into any unoccupied air strip which would then be fully operational in a few days.

This spring the Navy will test turning an attack carrier into a dual purpose attack and anti-submarine warfare carrier by changing the composition of its air wing. With the retirement this year of the last four ASW carriers, successful development of this concept would allow the Navy to maintain an important sea-based ASW capability.

The Navy is also experimenting with a new concept -- the air capable ship -- which is designed to replace the ASW, patrol early warning and other functions of the destroyer by substituting helicopter-borne sensors and weapons for the hull-mounted sonars, missiles and radars of the destroyer. The capabilities of this concept may be further enhanced in the future by the addition of vertical take off attack aircraft. Aside from potential gains in capability, significant cost advantages are possible.

5. Main Issues

Against this general background, several issues arise. The most important is the degree to which residual, post-Vietnam forces,

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operating within the general policy concept of the Nixon Doctrine, will provide adequate reassurance to allies, impose the requisite caution on enemies, and be sufficient to fulfill our outstanding commitments. Clearly, U.S. military capabilities in East Asia are declining, particularly in ground forces. At the same time, those of our allies have increased to keep the over-all allied military troop strengths comparable to 1965 levels. But the issue is not just a technical one of maintaining in combined allied and U.S. forces some constant capability, but rather maintaining confidence in that capability in the eyes of friends and enemies alike. Inseparable from the concept of deterrence is the reliance we put, or that our enemies assume we will put, on nuclear weapons to make up for presumed deficiencies in U.S. and allied conventional forces. As a practical matter, first use of nuclear weapons by the U.S. in Asia, or anywhere else, would be an immensely difficult decision, despite their availability and probable effectiveness. The decision becomes the more difficult over time, as Chinese capabilities to retaliate against allies and the U.S. itself grow.

Whether, in contemplating some aggressive action, an enemy could feel secure enough that we would not use nuclear weapons to avoid defeat is another matter, however. There is general agreement that maintenance of some nuclear weapons forward in a reasonably visible mode will have an impact on this calculation. What is at issue is their specific numbers and locations. Taiwan is the major problem, since placement of weapons there that are withdrawn from Okinawa could have awkward political implications for this Administration's general objectives for US-PRC relations.

Finally, a third unresolved but important issue is what kind of combat role we might envisage for U.S. forces, given the emphasis on allied manpower in the Nixon Doctrine. Do we assume early intervention of U.S. air and naval forces, or should we attempt to build toward allied capabilities here as well as in ground forces. The resource implications for both the U.S. and its allies are significant if we wish to raise the threshhold of U.S. intervention. There are evident political problems as well, since the U.S. will lose a substantial element of control over tense situations, if capability for early U.S. support no longer exists. Answers to these and similar questions are not yet in hand but are under active study in Washington.

6. Bases

We can expect continuing changes in the U.S. base structure in Asia over the next five years, but it is difficult to be precise on just what will occur. On the basis of current planning, the following developments seem probable.

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Japan

No major changes beyond those already announced are expected. An on-going review of intelligence activities could lead to some personnel reductions in this area.

Okinawa

No major changes are expected, except those required to make room for Japanese self-defense forces after reversion. These are expected to focus on Naha.

Korea

Changes will occur if and when additional U.S. ground force withdrawals are decided on. This withdrawal could occur any time from FY-73 onward.

Taiwan

A decision has been made by DOD to consolidate the U.S. Air Force presence at CCK and abandon Tainan. The ultimate size and composition of the future U.S. presence on Taiwan is being examined at the NSC level (NSSM 106), and planning guidelines regarding this presence could be forthcoming over the next few months. The Department's position is to reduce to at least pre-1965 levels, in the post-Vietnam period.

Philippines

No changes are currently planned.

Thailand

In the case of Thailand, the possible requirements for support in Vietnam and Laos and domestic U.S. political attitudes introduce major elements of uncertainty. Tentative planning suggests closure of one air base in FY-72 (in addition to Takhli, where our operations closed out in FY-71) and closure of the remaining northern bases by the end of FY-73. Some thought is being given to maintaining the U Tapao-Sattahip complex in the post FY-73 period if the RTG were agreeable. The Thais just might find such a presence useful as reassurance and also perhaps for bargaining purposes with Hanoi or Peking when and if a serious attempt at accommodation should take place.

Vietnam

Base closures here can be expected to follow troop reductions

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The post FY-73 structure has not been defined. However, we will not need base complexes if our role is purely advisory in the post FY-73 period.

Australia

No changes expected, unless the Navy's home porting examination leads to a decision for basing in Western Australia -- at the moment an unlikely possibility.

TTPI

There are no plans for significant base development in the TTPI but central to the U.S. negotiating position on the future status of Micronesia is contingency access to potential base lands. Potential requirements are now in the process of being defined.

7. Possible Situation in 1975

Though highly speculative, it may be useful to project these trends into the mid-70's. Unless present trends change appreciably (and we doubt they will), our military posture may look something like this by 1975.

Other than a brigade or less in Korea, there will be no U.S. Army west of Hawaii (a Marine division will probably remain on Okinawa). The Navy will have only two carriers in the western Pacific with only its nuclear submarine force matching present strengths.

As for the Air Force, it is likely that three wings will be available in the Pacific stationed in Korea, Okinawa and the Philippines. The most abrasive of our basing problems in the 1975 period may be Okinawa. If the Japanese government fails to reduce Okinawan antipathy toward a major U.S. military presence, we could be forced to reduce considerably the U.S. Marine Corps presence.

B. Aid

As we reduce our presence in East Asia, it becomes more important than ever that we be able to continue the various types of aid and maintain the levels that will be required. In fact, our reduced presence will likely call for more, not less, aid over the next few years.

At the same time, proposed organizational and program changes will make it more difficult to assure an adequate level and mix of aid -- at least outside Indochina and Thailand. If pending legislation is enacted,

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Security Assistance (MAP, FMS, Excess Defense Articles, Supporting Economic Assistance, Public Safety, and the Contingency Fund) will be combined into one legislative program whose administration will remain largely unchanged. The bulk of supporting economic assistance is to go to Indochina and Thailand, and economic aid for the rest of East Asia will come from so-called "development" assistance.

Changes in the programming and handling of development assistance will be extensive. Under present plans, AID is to be dissolved and the development assistance component, principally development lending and technical assistance, will be lodged in separate public institutions or corporations. A greater proportion of such aid will be channeled through such multilateral agencies as the IBRD, ADB and UNDP. AID Mission staffs would be reduced drastically with greater reliance placed on multilateral agencies for country analysis and programming. The actual implementation of bilateral activities will be done primarily by private contractors and grantees rather than official U.S. Government employees

Clearly, the problems of obtaining a proper mix of resources and assuring effective programs will be increasingly complex and difficult under the above conditions. At the same time, however, the Presidential decision that the Secretary of State shall be responsible for the continuous supervision and general direction of all internationl security programs provides opportunities, as well as challenges, for us.

The major goal in providing development assistance must be the ultimate self-sufficiency of the recipient country. With this goal, a move away from bilateral programs is natural since multilateral channel can be effective to this end and have the added advantage of reducing the U.S. presence and the degree to which the USG becomes involved in sensitive areas of foreign governmental operations. On the other hand, Supporting Assistance is aimed primarily at advancing U.S. security interests, albeit perhaps with self-sufficiency as an expected outcome, and will undoubtedly continue to be administered bilaterally.

There is much merit in multilateral (or multinational) giving and, fortunately, there are a number of institutions (ADB, IMF, IDA, IBRD, ECAFE, Mekong Committee, Colombo Plan) so that new ones need not be created. What is needed is a Congress convinced that this channel should be increasingly utilized. The sad tale of our inability to contribu to the ADB Special Fund is a stark reminder of the problems we face in Congress with regard to such types of giving. Congress, not being able to influence or examine the policies and actions of such bodies, has beer reluctant to appropriate money to them. To convince the Congress

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otherwise will be a long and continuing process.

To date we have, with justifiable pride, pointed to the Inter-Governmental Group on Indonesia (IGGI) as a model for multilateral giving. Though something like the IGGI formula would be desirable for East Asian countries such as the Philippines, Cambodia and Vietnam, the IGGI grew out of circumstances and relationships unique to Indonesia; the likelihood of another such group being established is slim. Also, it must be remembered that the IGGI is not multilateral aid but rather bilateral aid, multilaterally coordinated.

During the 1970's and beyond, various assistance mixes will be of crucial importance to East Asia if we are to maintain our influence. Serious problems would result, for example, from drastic or premature reductions in military assistance to Korea, the Philippines or Thailand, or in economic assistance to Indonesia, Vietnam or Laos. With the demise of AID and responsibility for Security Assistance being levied on the Secretary of State, we must meet the challenge and responsibility of carrying out such programs effectively.

Attached are tables projecting military (Annex 3) and economic (Annex 4) assistance for the next five years prepared on the basis of the breakdown between military and economic aid now in use. Projections such as these are, of course, subject to many uncertainties and become highly tentative when extended past two or three years. These projections do, however, represent our best judgment of, on the one hand, what is politically and militarily desirable and, on the other, what is economically feasible -- in terms both of our requests to the Congress, likely aid from other donors, and the capabilities of recipient countries to absorb and properly utilize this assistance and to finance defense needs from their own resources.

The two major uncertainties affecting these projections are the impossibility of forecasting international developments, e.g., the Cambodian crisis of 1970, and of forecasting the amount of funds which Congress will actually appropriate (these generally run between 10% and 20% below the Executive's request). Congressional restraints and the restructuring of foreign assistance funds in FY-1971 can be cited as an extreme example of factors which call for continued reordering and reprogramming.

The rough estimates of economic aid in Annex 4 include all forms of assistance presently administered by AID and are predicated upon:

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A. Stabilization of the situation in Vietnam.

B. A continued receptivity in Congress to the East Asia program.

C. The avoidance by aid recipients (especially the Philippines and Indonesia) of actions which would jeopardize the trade and investment climate for U.S. private investors. Such actions could easily result in negative Congressional reaction to future programs in these countries.

D. A growth in Japanese aid which would make their programs in the Philippines, Korea, Thailand and Indonesia larger than that of the U.S. Total Japanese aid to the region (excluding Vietnam) is projected at $1.6 billion in 1976 as compared to $1.3 billion for the U.S.

By 1975, Security Assistance (as described earlier) is likely to comprise our major effort in East Asia, with military assistance to Thailand, Laos and Vietnam included in the program rather than the DCD budget. As the projection at Annex 3 indicates, grant aid levels will have declined by some 40 percent due particularly to reductions in Korea where our five-year modernization program, which is front-loaded, will be phasing down. The Republic of China represents the only other significant decline in grant aid, which will be almost entirely offset by FMS.

While increased use of Foreign Military Sales credits and guarantees is desirable, such a shift would create grave problems for a number of East Asian nations such as Indonesia and the Philippines. With such countries in mind, consideration might be given to establishing a transitional range of interest rates and terms which would help move such countries from full grant MAP into the FMS program.

Excess Defense Articles (formerly known as Long Supply and Excess -- LS & E) are increasingly becoming available as we redeploy from Vietnam. Although not reflected in the projection, these articles will be a significant factor in our future assistance programs. Unfortunately, our ability to identify, acquire and provide such items for our assistance programs is not keeping pace with availability. A major effort should be mounted to establish realistic procedures under which these items can be channeled to those aid recipients who need them and can use them effectively. This should include civil as well as military use.

As reflected in the projection at Annex 4, the various forms of assistance now administered by AID will generally remain high but can be expected to shift in magnitude, source and direction.

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The costs of Vietnamization and reconstruction will require an expanding AID program at least through 1974. Although AID funds may decline after 1974, Vietnam will remain the largest AID program in East Asia.

A very significant growth in regional programs is forecast, but this is based to a large degree on the receptivity of the Congress to this type of assistance. Indonesian levels will remain fairly stable, although PL-480 levels might decline as the result of anticipated growth in that country's food crop production.

In the case of Cambodia, the U.S. will continue to be the major AID donor. Levels should decline toward the end of the period as stability is restored. U.S. assistance to the Philippines should rise somewhat through 1973, then begin to decline with Japanese and international assistance taking up the slack.

VI. IMPLICATIONS FOR U.S. POLICY

Redefinition of our interests, the diffusion of power, the growth of nationalism and of economic and military strength in Asia, and budgetary stringency at home require a reappraisal of our approach toward the region. Two major (and oversimplified) alternatives emerge: (1) we could emphasize deterrence to aggression and work to expand collective security arrangements (even though we may not be members) or (2) we could let existing alignments become loose and allow the containment line to blur. There is no easy answer. But if the assumptions in this paper are correct -- that we have limited interests in SEA, that a balance of power would work to our advantage, that direct aggression is unlikely and that our own resources will continue to be tight -- then the second alternative clearly seems preferable. The following factors bear on this judgment.

A. The Problem of Our Commitments

The United States has commitments to assist the following Asian countries or areas against armed attack: Japan, South Korea, Taiwan and the Penghus, and the Philippines under bilateral treaties; Thailand, Pakistan, Australia, New Zealand and the Philippines under SEATC (which specifies communist aggression); and Australia and New Zealand under ANZUS. The precise nature of these commitments and a more detailed discussion of their interpretation is attached at Annex 5.

As far as immediate policy implications are concerned, it seems certain from the foregoing discussion (DCD budgetary problems, the 1 and 1/2 war concept, attitudes within the U.S., etc.) that our commitments, taken literally, exceed our resources and the will within this

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country to meet them. There is reason for real doubt, to take only one example, that public and Congressional opinion would under most conceivable circumstances go along with the introduction of U.S. ground troops to defend Thailand -- assuming that these troops were available, which is also far from certain.

At the same time, we cannot repudiate these commitments. There are, however, two avenues open. First, we might more clearly signal to our Asian allies that we interpret our commitments to entail Asian self-help and regional cooperation to the maximum degree before major U.S. resources are called into play. Secondly, and related to this, we should carefully avoid any actions which might put our Asian allies in a position in which our treaty commitments would be invoked.

Our Asian friends and allies are aware of our budgetary problems and of public attitudes within the U.S. This in part underlies gestures toward Hanoi or Peking (in the case of Thailand) and recent statements about neutrality (Malaysia). Our problem is to find the right mix between actions which encourage these trends but do not at the same time create panic on the part of those who have made their own basic foreign policy decisions on the assumption that we will act consistently and responsibly.

B. The Nixon Doctrine and U.S. Force Posture

The Nixon Doctrine assumes that, in a regional sense, increased Asian military capabilities, by offsetting U.S. reductions, will produce an over-all military strength roughly comparable to 1965 levels. It implies further that free Asian nations will cooperate with one another in defense against a common aggressor. Some argue that this will not work; that there will be a serious net reduction in non-Communist military forces in the area.

We will not know for certain until all bets are in, but it seems likely -- with the possible exception of Vietnam and Laos where meaningful pre is not possible--that these forces will prove adequate to the task. We as that direct, large-scale aggression is unlikely; for the type of threat the East Asian nations face, pre-1965 levels should be adequate. And reduct of U.S. forces, which will be forced by the budget whether we want it or not, will reduce the friction produced in some areas by a large U.S. presence. Moreover, augmented local forces in South Korea and South Vietnam, for example, may show a potential aggressor that he will face immediate, formidable defense and that the local forces will not be at his mercy pending the arrival of American troops. An additional benefit to the United States may be greater flexibility and a clearer

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view of where and when our remaining military power might most effectively be employed.

Deterrence, to be effective, requires a range of military and political actions but does not necessarily require a first strike capability. Nuclear weapons will remain an essential element of our deterrence but it is difficult to envisage situations in East Asia where the use of these weapons would be in our interest. In any event, as U.S. forces decline we should increase our reliance on friends and allies, not on nuclear weapons.

C. Resistence to New Regional Security Arrangements

If the major threat to the security of the East Asian nations is subversion and internal instability, then we should do whatever we can to help remove economic, social and other disabilities in the area. Much has been and can be done through multilateral organizations. We would hope to see ASEAN, ASPAC, SEAMEC and other regional groupings expand the scope of their activities in the fields of trade, industry, agriculture, health, and education in order to derive the fullest advantage for the entire region from all external aid.

It is highly questionable, however, that this type of regional cooperation can be -- or perhaps should be -- parlayed into a new, broad regional security alliance. Asian states have problems already in operating the more limited organizations in non-controversial fields; they are weak individually and collectively and would not present an effective deterrent even if they joined in a security organization. Perhaps more importantly, many of these nations themselves seem more interested in spreading their options, in opening dialogues with Hanoi, Peking and others in an effort eventually to seek an accommodation in the region. For these and other reasons, it would not seem in the U.S. interests for us to press, directly or indirectly, for the formation of a new security grouping.

The long-term future of the existing multilateral security arrangements in the area is, in fact, not bright. The Five Power grouping has been most useful to provide shelter for Malaysia and Singapore, but it is questionable that this arrangement will survive more than a few years. But even this will be useful and it may be enough to get Malaysia and Singapore over the transitional period in the area.

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SEATO is useful to bolster Thailand as long as we find it in our interest to concentrate many of our security activities in SEA on Thai real estate. But we should make no move to expand the organization or provide additional window-dressing and should restrict its activities to low-key meetings and projects. At the same time, formally to dismantle the organization now would gain little and might give the wrong signal to potential adversaries. We might, however, in a year or so (assuming we see a continued need to keep some life in the organization) consider cutting the schedule of high level meetings and otherwise reduci its visibility.

The most promising developments in this field are likely during the next five years to be informal, perhaps largely bilateral, cooperative arrangements without benefit of formal agreements or structures. A number of these, in fact, already exist. Indonesia and Malaysia coopera effectively on the Sarawak-Kalimantan border. Indonesia, Malaysia, Thailand and to a lesser extent Cambodia are beginning in various combinations to exchange views on security matters, send military officers to each other's service schools and within limits to compare intelligence information. These trends, taken in conjunction with the growth of nationalism, are very much in our interests. They should be encouraged by us -- but not taken over -- and, where absolutely essential, discreetly funded. If these trends are to flourish, however, they must to the greate extent possible represent local initiatives.

D. Need for a New Concept of U.S. Interests in Asia

A multipolar balance of forces in Asia is emerging and this is fully consonant with our interests. Our policies are now directed toward modifying the polarization of power in Asia between ourselves and China and toward strengthening other elements in the looser multilateral equilibriu This new direction of policy affects not only our military posture (Section V A) but also our relations with other Great Powers and our posture in the zones of potential conflict -- Taiwan, Korea, and Southeast Asia.

1. Major Power Relations

(a) Japan

Maintenance of a mutually beneficial, cooperative relationship with Tokyo is, as mentioned earlier, essential to the achievement of our other objectives in the area. Our military posture in Asia will continue to hinge on the accessability of Japanese bases. Our trade relationship is of tremendous economic importance. Severe frictions in that field alread exist and are likely to increase. Their early and amicable adjustment should be one of our primary objectives. Coordinated U.S. and Japanese

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aid and investment policies are crucial to the future development prospects of East and South Asia. Our hopes for averting the further proliferation of nuclear weapons depend on Japanese confidence in the continuing validity of the security treaty and the credibility of our nuclear posture in the Pacif

Fortunately, U.S. and Japanese interests are largely convergent or coincident. We have joint interests in peace, stability, economic growth and unhindered commercial access to East Asia. Japan's stake in the Security Treaty is at least as great and perhaps greater than our own, though less clearly perceived by the Japanese people. Both our interests are served by expanded and more generous Japanese economic assistance in the region. The interests of neither would seem to be advanced by Japan's assumption within the foreseeable future of overseas security obligations.

(b) China

Though some of China's fundamental objectives are in conflict with our own, improved relations with us may have real advantages for Peking. It is in this context that we seek some relaxation of tensions with China and the encouragement of a live-and-let-live attitude toward one another.

This will not obviate the need to maintain a deterrent to attack on Taiwan (so long as that issue remains unresolved) or against the unlikelihood of overt Chinese aggression in Southeast Asia. The anticipated lower level of general purpose forces we can maintain in Asia will require the retention of a nuclear option. This deterrent capability is also important to reinforce our friends and allies during this transitional period but must not become an end-all which leads us to oppose all change out of unjustifiable fear of exploitation by Peking.

This deterrent can be progressively moved off-shore, thereby eliminating the need for a large, forward U.S. military presence on the mainland of Southeast Asia, diminishing pressures for formal alliances, and promoting conditions which encourage the nations of the area to work toward some mutually acceptable modus vivendi with China.

(c) Soviet Union

Soviet interests in East Asia are parallel in some respects wi our own, while in others we are in conflict. Soviet efforts to create counte weights to Chinese influence on Southeast Asia, to cite one positive example serve U.S. objectives.

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Where U.S. and Soviet interests converge, we indirectly derive benefit from their policies. But we do not need to offer any gratuities to them in return, for their efforts are inspired by Soviet interests rather than any desire to be helpful to us. We need not induce them to expand their links to Asian states; but we also need not discourage East Asian countries from expanding commercial and diplomatic relations with Moscow.

2. Reducing Tension in the Intermediate Zones of Conflict

In the past many small states relied for their defense upon unilateral guarantees provided by the U.S. With additional centers of power, they may now find security through more traditional types of diplomatic maneuvering among the larger powers. Allies are now inclined to diversify their dependence, to get a foot in several camps, to multiply their own options, and to hedge against uncertainties about our future posture in the area.

Perhaps the sharpest tests of American policy during the next five years will occur in the areas of residual polarization -- Korea, Taiwan, and Southeast Asia.

(a) Korea

Korea is located at the nexus of Chinese, Soviet, Japanese, and American military power and interests. All the Major Powers share an interest in seeing that local adventures do not occur, for they could quickly turn into Major Power confrontations.

The local balance of power and incentives has recently improved the chances of stability. The ROK enjoys a favorable balance of relative military and economic strength with North Korea, and its position is likely to become comparatively stronger yet. While China and the USSR will continue competing actively for influence in North Korea, both share an interest in restraining Kim Il-sung's adventurist tendencies in order to avert possible conflict with the United States and to avoid provoking Japan into active military involvement on the mainland of Asia.

Our own objective is to build up South Korean defensive strength and continue phasing down American involvement without misleading our potential adversaries. ROK self-sufficiency on the ground seems a feasible five-year objective. If self-sufficient air capability should prove too expensive -- and for the near term too risky -- to provide, we can continue to rely upon U.S. airpower for large scale hostilities,

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facilitating some economies on MAP expenditures while still permitting the gradual phasing out of U.S. ground combat forces.

Greater ROK self-sufficiency in defense should be accompanied by further consolidation and reduction of our base presence (while retaining access rights), trade policies which support South Korea's dynamic export growth, and encouragement to the South Koreans to expand the range of their diplomatic and commercial links, including links with Eastern European countries and perhaps the Soviet Union, to promote the relaxation of tensions on the peninsula, and to gradually draw North Korea into the international community. If such efforts bear fruit we should look for opportunities to promote mutual and balanced arms reductions to stabilize the balance at less costly and dangerous levels of defense.

(b) Taiwan

Taiwan has often been regarded as essentially a bilateral issue between the U.S. and China. It is not. The USSR is not anxious to see Taiwan forcibly reincorporated into mainland China, and the Japanese stake in Taiwan is perhaps greater than our own, though again perhaps less clearly perceived by the Japanese people. The Taiwanese themselves almost certainly will oppose reintegration into China under Peking's auspices (or Taipei's for that matter), and with the passing of time more and more of their numbers are attaining positions of prominence in political and economic life.

At some point the Taiwan problem could pose an awkward choice between our China interests and our Japan interests -- the former counseling removal of a major obstacle to improved relations with Peking; the latter demanding a reassertion of our defense commitment to keep Taiwan independent. We have a strong interest in preventing this stark choice from being presented to us.

The President has reaffirmed the validity of our security commitment. Fortunately Taiwan's insular location and Peking's limited air and naval power make it unlikely that it will be forcefully challenged in the near future. Beyond upholding our commitment there is no reason why we should assume responsibility for determining Taiwan's future juridicial status. Since the governments in Taipei and Peking insist there is but one China, we have no interest or need overtly to challenge that contention. On the contrary, we can continue to affirm that the relationship between Taiwan and the mainland is for the people directly concerned to determine, that we would not oppose reconciliation between them if it should come, that in the meantime we must deal in practical

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terms with the reality of two separate political entities (whatever their ultimate legal status), and that our commitment is simply to prevent a decision being imposed on Taiwan by force of arms. Meanwhile, our military force posture on Taiwan should be such that we do not become a hostage of the GRC.

(c) Southeast Asia

One consequence of multipolarity is a growing recognition of the advantages of neutralizing areas where the costs of Great Power confrontation are too great and where successful implementation of their military pursuits adds little to their supply of material power. Southeast Asia is clearly one candidate for truly neutral status, but the obstacles to neutralization remain formidable -- at least on the mainland.

A neutral Southeast Asia presumably requires the absence of alliances, bases, and active military intervention by major external powers; and local regimes willing and able to preserve their own integrity without countenancing or inviting Great Power military involvement in their affairs.

Some of the conditions for removing Southeast Asia from the area of active Great Power military competition have begun to emerge. The major powers increasingly recognize that the area's geography is of limited strategic value in contests among them. For external powers seeking to control developments there, Indochina will continue to be an economic drain rather than a source of enrichment. Its resources are useful to all the powers; they are indispensable to none.

We have also become increasingly aware in recent years of the capacity of the peninsular and insular Southeast Asian states to insulate themselves from the adverse consequences of conflict in Indochina. Indonesia, Malaysia, and Singapore have displayed a healthy measure of confidence, a growing self-reliance, relative prosperity, and increasing diplomatic dexterity. All three actively proselytize to some extent for the concepts of non-alignment and/or neutralism.

In mainland SEA, on the other hand, neutralization is both more attractive and more elusive. Thailand might at some point decide that non-alignment was in its own interests; we for our part should not discourage this and should in no way leave ourselves open to blackmail to prevent it. However, the evolution of a general pattern of non-alignment is presently hindered by the fragile character of the non-Communist regimes in Indochina. Their survival without considerable outside

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military support will remain questionable for the foreseeable future. At least as long as its goals in South Vietnam elude the reach of its own military power, Hanoi will probably continue to violate Cambodian and Laotian neutrality and call upon the Chinese and USSR for assistance. At least as long as American military power is engaged actively in Indochina, the outside Communist powers will find it difficult to resist North Vietnam's entreaties for aid and encouragement. As long as we continue to deploy air power in the Laotian and Cambodian trail corridors, we will have a continuing need for air bases in Thailand. A U.S. military presence on the ground in Thailand may be regarded as one useful guarantee of an internationally neutralized Indochina -- but the elimination of such military bases on the mainland may be among the essential inducements to the Chinese to join in support of a neutralized region. Thus the uncertain prospects for early neutralization of mainland Southeast Asia.

There are still some tender shoots of hope. Moscow continues to pay homage to the Geneva accords for Laos and maintain diplomatic representation in Phnom Penh. Chinese road building in Laos and "hospitality" tendered Sihanouk are subject to various interpretations; they may provide evidence of China's desire to limit Hanoi's influence in Indochina -- motives which could lead them to a conciliatory stance should serious negotiations ever commence. The Japanese have long been willing to contemplate a much wider range of outcomes than we. Our own long-term interests in Southeast Asia relate more directly to the external conditions in which a South Vietnam -- whatever its internal composition -- would not be an invitation to Northern subversion or a threat to its neighbors than to the survival of a particular regime in Saigon.

The attractiveness of neutralization is its potential for freeing the Great Powers from pressures applied by the small. In Indochina the capacity of small countries to defy the Great Powers is substantial. Any gain in Great Power flexibility offered by neutralization schemes will therefore be partially offset by a loss of control. This clearly brings us back to the necessity of coming to terms with a wider range of local outcomes -- reflecting the play of local political forces in Indochina -- than either we or the Chinese have heretofore been prepared to accept.