**The original documents are located in Box 39, folder "NSSM 235 - U.S. Interest and Objectives in the Asia-Pacific Region (1 of 2) (1)" of the National Security Council Institutional Files at the Gerald R. Ford Presidential Library.**

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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November 5, 1976

MEMORANDUM FOR

The Secretary of State
The Secretary of Defense
The Director of Central Intelligence

SUBJECT: U.S. Interests and Objectives in the Asia-Pacific Region -- Part I, NSSM 235

The response to Part I of NSSM 235, the proceedings of the June 4 Senior Review Group meeting on the subject, and the recommended revisions of State and Defense submitted in State's memorandum of August 2 have been reviewed.

The attached NSSM response as revised is circulated as a useful reference for U.S. interests and objectives in the Asia-Pacific region.

Brent Scowcroft

cc: The Chairman, Joint Chiefs of Staff



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NSSM 235: US INTERESTS AND PHILIPPINE BASES - SECTION I

I. US Interests and Objectives in the Asia-Pacific Area

A. Identification of US Interests

1. Preliminary Discussion

2. Interest in Preventing the Domination of East Asia by a Hostile Power or Combination of Powers

3. Interest in Preserving Peace

4. Interest in Promoting Viable Friendly Governments

5. Promotion of a Favorable Climate for US Economic and Trade Interests

6. Interest in Preserving Continued Access to Sea and Air Lanes

7. Other Interests

B. US Security Objectives

C. Examination of Some Factors in the Current East Asian Environment

1. The End of the Indo-China Conflict

2. Security Perceptions in Southeast Asia in the Post-Vietnam War Period

A. Identification of U.S. Interests

1. Preliminary Discussion. In that which follows, it is our intention to identify certain broad categories of U.S. interests in East Asia; to discuss the post-Indo-China environment in which these interests must be pursued and, in light of the foregoing, to suggest the methods and style in which these interests should be pursued. We do not intend to treat U.S. interests in a mechanical or overly detailed way and we place some stress on the philosophy of how U.S. interests should be regarded. A basic theme is that there is a spectrum of U.S. interests in East Asia, as elsewhere in the world, that range from vital interests that we would prefer to pursue through peaceful means, but for which we would be prepared to employ force if need be, through lesser degrees of interest ranging down to our interest in encouraging favorable trends even in remote or hostile societies that we can affect but marginally and indirectly. What we should do or be prepared to do in pursuit of U.S. interests depends on a variety of ever-shifting factors such as the importance of a

country to the U.S., its will to act on its own behalf, the ability of the U.S. to influence the situation, the costs of various available U.S. options, the risks, and finally the constraints within the United States itself and in the international environment. Interests are also not immutable in degree or in form and situations cannot be dealt with on the basis of a mechanical appraisal of our interests but require both perceptive and hard-headed judgement at the time.

2. The General U.S. Security Interest. Our first and most fundamental interest is the security of the United States and a Pacific defense policy is an essential link in the global chain which ensures that interest. A strong defense depends on the forward mobility and readiness of our forces and this, in turn, depends on an appropriate base structure.

The base structure must continue to have the capability of being expanded in the event of greatly increased tension or hostilities. Moreover, it is impossible to maintain a Pacific strategy

without considering such interrelated factors as the location of our bases relative to friends and adversaries, the mission of our forces, the characteristics of modern equipment, and the long lead times involved in an expansion or change in basic force structure. Without repair facilities and resupply bases in the Western Pacific, our naval forces could not operate without a much greater number of ships and at much greater operating costs. Without air bases our air operations would be severely constrained. The distances which separate our allies from each other are a major factor in considering our defense system.

At the same time, any assessment of the general U.S. security interest in East Asia must relate not only to relative capabilities and to the contingency of conflict but also to the existing psychological and political environment of the region.

U.S. security is concerned not simply with maintaining assets but with the political objectives of balance and stability. Thus a U.S. retrenchment from any particular deployment may be destabilizing in one period but realistic and wise at another time.

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U.S. security is concerned not simply with maintaining assets but with the political objectives of balance and stability. Thus a U.S. retrenchment from any particular deployment may be destabilizing in one period but realistic and wise at another time.

3. Interest in Preventing the Domination of East Asia by a Hostile Power or Combination of Powers. The theme of preventing the domination of East Asia by a single hostile power or combination of powers has been and remains our most fundamental interest in East Asia. It is an interest that forms a part of a global interest in preventing the rise of an excessive aggregation of hostile power.

Because of the Sino-Soviet dispute, the gradual development of less militant policies by both the USSR and the PRC, the continuing strength of the U.S.-Japan alliance, and the current relative stability of most non-communist East Asian societies, the threat of East Asia succumbing to the hegemony of a single power or combination of powers now appears unlikely for the next few years at least. Following the communist take-over in Indo-China, continuing communist pressure - particularly in the form of subversion and insurgency - is probable in certain areas such as border areas of Thailand and Malaysia and possibly elsewhere in Southeast Asia, but this encroachment is not likely to alter the fundamental balance among the major powers in

East Asia.

Short of actual domination of East Asia by a hostile power or combination of hostile powers, it is also in our interest to prevent or inhibit, if we can, any significant extension of their influence detrimental to U.S. interests. The means we would use and the extent of our effort should depend on the importance of the area concerned, the directness or ambiguity of the circumstances and the domestic and international constraints in existence at the time. Japan is of vital importance. Korea is of lesser but critical importance, largely because of its relationship to Japan's security. Australia and New Zealand are important due to their location, value as allies and potential for positive influence on Southeast Asia. Non-communist Southeast Asia varies in importance from country to country, ranging from the Philippines at one extreme to Burma at the other. Even if we were constrained in the choice of response in a given situation, we should still be aware of our interest in pre-

venting or limiting hostile encroachment. In the meantime, it is clearly in our interest that the essential Sino-Soviet rivalry continue, but short of an armed confrontation which could be seriously destabilizing.

It is important to note the balance of power is directly affected by perceptions of U.S. credibility, and thus we have a fundamental interest in maintaining confidence in a continuing U.S. role and presence in the region.

4. Interest in Preserving Peace and Stability. We have an interest in preventing the outbreak of armed conflict, particularly where the conflict could be massive or involve the U.S. It is possible that the considerations of other interests, particularly strategic interests, would outweigh our interest in preserving peace in some situations. We have a vital interest in avoiding nuclear war, but we also have a similarly vital interest in preventing hostile powers from dominating Japan or establishing hegemony or quasi-hegemony over the region as a whole. A clear and overwhelming threat to our forces in Korea could also require actions on our part that would risk nuclear war. It will

costs although it should be noted that there may be conflicts between overzealous pursuit of some of these specific interests and the pursuit of the strategic political and economical interests mentioned earlier. But in a more general context, these miscellaneous interests can best be pursued with friendly governments that are willing to cooperate with us and thus tend to blend with the kinds of security and political interests mentioned earlier.

B. U.S. Security Issues and Objectives

The U.S. will be faced by a number of specific security issues in East Asia over the next few years:

1. The extent to which the U.S. military presence should be modified to counter Soviet military power in the region.

2. The extent to which qualitative changes in the US-PRC relationship would affect the realization of US security objectives in the Asian/Pacific region and worldwide.

3. The future of US forces in Japan including the large Marine element in Okinawa, and the enhancement of US-Japan defense cooperation and of Japan's self-defense capabilities under the Mutual Security Treaty. An assessment of whether there is any change in Japanese or other Asian perceptions of the role Japan can play in East Asia. /DOD

would replace the preceding sentence, which is supported by State, with the following: "The prospects for a greater Japanese role in promoting Asian security, for example the provision of equipment to the armed forces of friendly Asian states."7

4. The US security role in Korea, which will necessitate a continuing review of the level of direct US involvement, taking into account changes in ROK military strength and in the international situation as it affects the Korean peninsula.

5. Force levels and military installations in Taiwan and our arms transfer policy with regard to the ROC in the light of our developing relations with the PRC.

6. U.S. security interests in the future status of the Trust Territory of the Pacific in light of the Northern Marianas Covenant and the trend toward political disunity of the other five districts.

7. The level of military assistance to friendly regimes in the region.

The Inter-Agency group believes that the foregoing issues should be considered in the light of the following U.S. security objectives in East Asia and the Pacific over the next three to five years.

1. Maintenance of U.S. and allied military strength in the Western Pacific capable of:

a. Contributing to U.S. national defense posture and the great power balance;

b. Deterring military conflicts that could threaten significant U.S. interests;

c. Promoting the friendly orientation of non-communist Asian countries;

d. Countering Soviet naval and air forces in the Pacific in the event of a U.S.-Soviet war.

e. Inhibiting Soviet forces in the Far East from reinforcing Soviet forces in Europe in the event of a war in the West.

f. Protecting air and sea lanes against Soviet and emerging Chinese capabilities.

g. Providing surveillance and emergency reaction capabilities in the Western Pacific.

h. Supporting Indian Ocean operations and contingencies.

i. Defending themselves and supporting the defense of our treaty allies from overt external attack as directed by the President and in accord with our constitutional processes.

2. Continuation of our partnership with Japan and cooperation on implementation of the Mutual Security Treaty

in order to maintain Japanese confidence in its strategic reliance on the U.S., afford the U.S. continued access to our key military facilities in Japan, and prevent Japanese political relations with China or the USSR in a manner damaging to the US-Japanese relationship. Discouragement of major Japanese armament while encouraging the Japanese to increase their own self defense efforts.

3. Improvement of relations with the PRC, including establishment of diplomatic relations and in the process finding a satisfactory solution to the Taiwan question. Encouragement of the PRC to continue to perceive common strategic security interests with the U.S., to value the maintenance of the US-Japan Security Treaty, and to pursue parallel policies where possible. In particular, recognition in our policies of the importance of the PRC as a counterweight to the USSR. Encouragement of the PRC to continue peaceful state-to-state relations with non-communist governments of Southeast Asia.

4. Prevention of hostilities on the Korean peninsula while endeavoring to bring about a reduction in tensions and the creation of more durable arrangements to preserve peace and security. Assistance to South Korea in acquiring the conventional weapons necessary to attain greater self-sufficiency and achieve a stable military balance on the Korean peninsula.

5. Discouragement of Soviet employment of its growing military power to influence political alignments in East Asia to our disadvantage.

6. Strong discouragement of any attempt to develop nuclear explosives by Korea or Taiwan, or by any other non-nuclear country in the area.

7. Maintenance of friendly relations with the non-Indochina nations of Southeast Asia, supporting their independence and development but avoiding new security commitments, and providing security and economic assistance as we are able to those nations desiring it and demonstrating a willingness to face their own problems. Gradual normalization of relations with Vietnam and Cambodia, subject to the manner in which they behave toward the U.S. and toward their neighbors.

8. Maintenance of our bilateral defense relationship with the Philippines and access to and unrestricted use of military bases in the Philippines.

9. Maintenance of access to military air and naval facilities in Singapore.

10. Maintenance of close security cooperation with Australia and New Zealand bilaterally and within the context of the ANZUS treaty.

11. Resolution or containment of local and regional

conflicts, while discouraging big-power involvement and using diplomatic efforts to solve such disputes when feasible.

12. Promotion as possible of viable and effective, but non-communist and non-radical, regimes while relying primarily on the efforts and policies of the regional states themselves.

13. Encouragement of economic development and regional cooperation.

14. Development with the countries of the area of trade and investment relations which are beneficial to the U.S. and consonant with our political and security interests.

C. Examination of Some Factors in the Current East Asian Environment

1. The End of the Indo-China Conflict. The communist victories left Hanoi with the largest and best disciplined army in SEA, a large stock of armaments, revolutionary fervor and great influence in Laos. The manner in which the Indo-China conflict came to an end, i.e. with the United States drastically reducing assistance to South Vietnam and making clear in advance that continuing North Vietnamese aggression would meet with no effective American response, cast some doubt on the credibility of U.S. commitments. This effect was felt in various parts of the world, but was most marked in Southeast Asia, especially Thailand. There was an understandable increase of apprehension in South Korea that the North might be tempted to try somehow to unify the peninsula by threat or use of force. Pyongyang's posture after the Indo-China debacle did nothing to allay these suspicions. The impact on U.S. credibility was mitigated by the fact most nations considered Vietnam a lost cause in the long run whatever the U.S. did, and by strong reaffirmation of our commitments by the President and the Secretary of State as well as by concrete

evidence of our continued willingness to support our interests in the area and to maintain forward deployed forces there.

The Thai Government, responding to the reassertion of Thai nationalism which had been growing for some years, and fearing Hanoi's intentions and weakened U.S. resolve and support, called for a massive reduction of the U.S. forces in Thailand. U.S. combat forces in Thailand were mainly related to Vietnam. However, the loss of the use of Thai bases represents some reduction in our capacity to project U.S. strength in this area, [redacted] and reduces our military options, for example in the Indian Ocean area.

The position of the PRC in Southeast Asia was improved as Thailand and the Philippines established diplomatic relations with Peking. They were carrying out long-term plans set in motion somewhat earlier and designed to balance their relations with the major powers. The expansion of the PRC's

state-to-state relations tends to encourage the PRC's pursuit of its objectives through peaceful and diplomatic means and does not seem detrimental to our interests. Southeast Asian nations have also expressed a desire to have friendly relations with the new Indo-China regimes, but relations are developing slowly. This development is not necessarily against our interests and could be of some value in the establishment of a stable structure of peace in the sub-region.

In general the events in Indo-China have caused the non-communist countries in Southeast Asia to re-evaluate their foreign policies, including their relations with the U.S. and to accelerate their efforts to cooperate through ASEAN. The Southeast Asian nations are adopting more independent positions, although some have made additional modest requests for military assistance. The U.S.-Japanese and U.S.-Korean security ties have been reaffirmed. Non-communist Asian nations still look to the United States as a counterweight to the mistrusted communists, and as a highly desirable economic partner.

With the end of U.S. involvement in Vietnam, a divisive issue was removed from the Japanese internal political scene, greatly facilitating closer security cooperation with the United States on the part of this key ally.

In sum, except for the loss of Indo-China itself, the impact of the end of the conflict has largely been to accelerate existing trends in the Asia-Pacific region. There remains great continuity with the past and in the short term drastic changes elsewhere in the region are unlikely.

The major power equilibrium - among the U.S., USSR, China and Japan - has not been radically altered. Factors underlying this equilibrium are Sino-Soviet rivalry, the U.S. military presence in the region, the U.S.-Japanese alliance, developing U.S.-PRC and Japan-PRC ties, American and Japanese predominance in the region's economy, and limited PRC, Soviet and Japanese ability to project their power. These factors are likely to remain substantially valid for at least the next

several years, but as time goes on the equilibrium could be disturbed by Soviet ambitions coupled with a growing navy and airlift capacity, lessened Sino-Soviet tension that could result from PRC and Soviet leadership changes, shifts in Japanese attitudes, substantial U.S. force reductions or withdrawal to a narrow Pac[illegible]c island strategy, or local conflicts which could develop into major power confrontation.

The U.S. withdrawal from military involvement on the mainland of Southeast Asia begins a new era of some uncertainty in Southeast Asia. Much greater responsibility has been thrust on the nations of Southeast Asia to determine their own destinies. It remains to be seen how they will measure up and rally to meet new challenges. The U.S. will still be able to give its friends some help in the form of military and economic assistance as well as political and moral support but our role is likely to be modest. In Northeast Asia the end of the conflict in Indo-China has brought little fundamental change as we continue a close relationship with Japan and stand firm in Korea while seeking to reduce tensions and move toward

negotiations which would maintain the Armistice Agreement and consider more fundamental long-term arrangements for the Korean peninsula.

2. Security Perceptions in Southeast Asia in the Post-Vietnam War Period. In accordance with the wishes of the two regional members, the SEATO organization is gradually being phased out and will cease to exist by late 1977. The Manila Pact which gave rise to SEATO will remain, primarily at the wish of the Thai for whom it is their sole security link to the U.S. Only the Philippines, which has its security treaty with the U.S., has expressed reservations about retaining the Manila Pact, believing it hampers Philippine relations with the PRC and Philippine efforts to take on a more non-aligned image.

The general movement in non-communist Southeast Asia toward a more non-aligned posture springs from the fact that perceptions in the area of both threats and options have altered over the last several years. Since the Nixon Doctrine, and particularly after the War Powers Act, it has been

clear that there would be serious constraints on a U.S. military role in Southeast Asia, especially on the mainland. The defeat of the U.S. allies in Indo-China has strengthened this perception.

Meanwhile, the Sino-Soviet dispute, U.S.-Chinese detente, and China's own pursuit of accommodation with the states of Southeast Asia have virtually eliminated the perception of an overt Chinese threat in the foreseeable future. The non-communist Southeast Asian states also do not appear to see any near-term overt threat from the Soviet Union. Although some residual distrust of Japan remains, the Southeast Asians do not perceive a military threat from Japan.

These perceptions contributed to a general reassessment in non-communist Southeast Asia following the end of the Indo-China war. These states, to different degrees, now see their security served by adoption of a more non-aligned image, by developing such vehicles as ASEAN, by friendly gestures toward Asian communist states and by resort to the more

flexible policies of power balance and equilibrium. Nevertheless, the hope of these nations that there will continue to be a non-threatening and reasonably stable distribution of great power interests in the region is based upon their view of the United States as the continuing predominant power relative to other major powers and the one most favorable to their own interests. Nations with Western security ties wish to retain them: the Philippines through its bilateral treaty tie to the U.S., Thailand through the Manila Pact, and Malaysia and Singapore to the UK, Australia and New Zealand in the Five Power Defense Arrangement.

The value of U.S. power as perceived in non-communist Southeast Asia will in the future reside primarily in the relevancy of such power to external threats and to the overall great power balance in the region, with our capacity to provide military equipment on a concessional or cash basis an important additional factor. The Philippines does not perceive any serious direct or indirect external threats in the fore-

seeable future but does find American equipment provided under the Military Assistance Program useful in fighting Muslim separatism. While Malaysia recognizes that communal strife is the basic threat to its stability, it is also concerned about possible external support to its communist insurgency. Indonesia is concerned about subversion in the longer run, especially if its neighbors should come under communist control.

Thailand perceives the possibility of a serious threat to its stability if external support to its insurgencies were markedly increased. And Singapore is concerned with the possible breakdown of government control in Malaysia and a threat to Singapore that would require the latter to consider moving militarily into the state of Johore. Neither the Thai nor the Singaporeans anticipate that their security and political connection with the United States would bring about direct U.S. involvement on their behalf. Conservative and military elements in Thailand continue to believe that some U.S. military presence would provide an important psychological support and would assure a significant amount of U.S. material

assistance. Singapore favors a U.S. military presence in the region for broad policy reasons.

3. U.S. Relations with ASEAN Countries and the Potential Role of ASEAN in the Security of the Region. Following the initial shock of the collapse in Indo-China there was a move among ASEAN countries toward increasing non-alignment and away from the U.S. and U.S.-dominated organizations. This tendency was evident in such actions as the calls to phase out SEATO, to have our bases in Thailand closed down and to undertake a "re-assessment" in the Philippines. At the same time some ASEAN countries adopted a somewhat more open handed posture toward the communist countries. This trend away from the West has, however, apparently reached its height and perhaps begun to ebb.

While ASEAN has and will maintain a moderately non-aligned posture, there are a number of currents which propel its members in a Western direction: established trade and investment patterns; concern about the potential communist threat; the fear of growing insurgency in some ASEAN states; and a desire to have available a continuing backdrop

of U.S. military presence.

There are differences among the members as to the degree or even whether ASEAN should pursue any security aims. Indonesia has been the strongest proponent of security cooperation but even it does not wish to give ASEAN the image of a defensive alliance. It is accordingly likely that most military cooperation will be bilateral. At the February 1976 ASEAN summit the leaders agreed on a continuation of cooperation in security matters "on a non-ASEAN basis." Even proposals for joint arms production are hobbled by the jealousies and competitiveness of the individual ASEAN members.

The 1971 Declaration of a Zone of Peace, Freedom and Neutrality in Southeast Asia expresses a goal which has been long-term in nature and is likely to remain so.

The well being of the nations of ASEAN is of considerable importance to the United States. Because of ASEAN's desire to project an image of independence and non-alignment it is not in our interest to overly identify ourselves with the organization, however, or to become

involved in any way which could entangle us in intra-ASEAN disputes. In any case, the U.S. interest is only peripherally engaged in ASEAN as an organization; our essential interest in this area is the vitality and security of the five non-communist countries themselves.

4. Japan's Objectives and Potential as a Political and Economic Force in Asia. Japan's primary interests are the maintenance of its security, its partnership with the U.S., stable relations with China and the Soviet Union, mutually beneficial relations with other nations in East Asia, and a regional and world environment facilitating Japan's trade, access to raw materials and foreign investment.

Its basic objectives are accordingly to maintain the U.S.-Japan partnership as the keystone of its foreign policy, to promote friendly and cooperative relations with non-communist governments in East

Asia including the provision of economic aid to them and support for regional cooperation, and to develop stable and balanced relations with the PRC and the Soviet Union as well as mutually beneficial relations with other communist countries in the area.

Two matters of vital concern to Japan are maintaining stability on the Korean peninsula and ensuring the continued availability of raw materials, especially oil. Japan can be expected to attach great importance to all aspects of these two issues.

Japan's policies toward the PRC and the Soviet Union complement and are parallel to our own. The GOJ seeks increased political and economic relations with both communist powers, and like the U.S., wishes to avoid entanglement in Sino-Soviet differences. Japan, however, views the Soviet Union as the greater long term security threat, and for this reason as well as greater cultural

affinity, tends to "tilt" toward the PRC. Japan's attempt to improve its relations with both communist neighbors is, naturally, not fully agreeable to either. The Chinese would like to lock the Japanese into a more overtly pro-Peking posture by gaining Japanese agreement to an anti-Soviet ("anti-hegemony") clause in the still pending PRC-Japan Peace and Friendship Treaty. The Soviets have made clear that they would look with considerable disfavor on such a development, and in addition are maintaining their traditional hard line on the question of the Northern Territories.

Apart from its direct bilateral relationships with Peking and Moscow and the problems those relationships entail, the GOJ would be deeply concerned by any significant growth of Soviet, and to a lesser degree PRC, influence in the region as a whole. In this connection, the GOJ is worried by the growth in Soviet naval activity in the Pacific.

Japan is the major economic power in East Asia. Although slow to recover from the world-wide recession, it nevertheless carries on a high level of global trade and possesses by far the largest industrial base in the area. This and the natural advantage of Japan's proximity give it a prime potential for expanding both aid and trade in Asia. All the countries of the region, including the new communist governments, expect and want a Japanese role in their development. In fact, Japanese trade and investment are all but indispensable to the non-communist nations of East Asia. However, at present Japan seems to have no desire to translate its economic influence into significant political influence, and the Southeast Asian nations would resist such Japanese attempts.

Unforeseeable developments could induce Japan to reconsider both the limitations it has imposed on its security policy and its present

heavy reliance on its alliance with the United States. Japan might simply adjust politically to a significant change in the regional balance of power without substantial remilitarization. On the other hand, such a change could compel Japan to rethink its security alternatives. Chief among such factors would be a loss of confidence on the part of Japanese leaders in the ability or willingness of the U.S. to defend Japan or to act as a stabilizing force in Northeast Asia. A forcible communist takeover of South Korea would probably be seen by the Japanese as evidence that the U.S. could not adequately protect Japan's security interests in the region. A serious threat to Japan's supply lines, in particular to its access to oil coming from the Middle East, could possibly prompt Japan to reassess the need for a greater naval capability to patrol sea lanes through Southeast Asia and even in the Indian Ocean, although most Japanese appear to believe that guaranteeing the security of these

supply lines by military means is impossible. Nuclear proliferation is another contingency of a different order that would likewise cause Japan to review its current self-imposed prohibition against a nuclear weapons capability. Japanese doubts about ratification of the Non-Proliferation Treaty probably stem in part from a feeling that further proliferation cannot be excluded. If the Japanese came to feel threatened by the Chinese nuclear capability, or if either of the Koreas were to acquire a nuclear weapons capability, Japan's doubts in this regard would be multiplied.

5. The Policies, Intentions and Capabilities of the People's Republic of China. Peking currently attaches top priority to limiting the USSR's presence and influence in Asia. It is also concerned to avoid conflict and instability in neighboring countries particularly in ways which would provide an opening

to the Russians. The Chinese also have a long term objective of constraining Japan's political-security role in East Asia. In concrete terms, this has meant:

-- Accelerated efforts to establish and solidify normal state relations with countries on China's periphery, especially with Japan and in Southeast Asia. In so doing, the PRC has sought their agreement to joint expressions of opposition to "hegemonism" (a term which Peking uses to describe Soviet expansionism) as a way of aligning these countries against the Soviets.

-- Adoption of a liberal non-chauvinist policy toward overseas Chinese.

-- Abandonment of attacks on the U.S.-Japan alliance and on Japan's economic role in Asia; together with efforts to increase Japan's economic stake in good relations with China.

-- Greater emphasis on state-to-state relations than on support for local insurgencies. It should be noted, however, that Peking's domestic dynamics and its ideological commitments constrain it from dropping such support altogether.

-- Repeated warnings to Asian leaders on the dangers of Soviet expansionism, coupled with efforts (especially vis-a-vis Japan) to exploit differences with the USSR.

-- Implicit support for a continuing U.S. military and political presence in Asia for the time being as a means of retarding an expansion of Soviet influence into the region.

-- Successful efforts to isolate Taiwan diplomatically but avoidance of a threatening posture toward the island and of public pressure on the U.S. position.

-- Economic and military hardware assistance and political support for North Korea, but discouragement of violent action by Pyongyang.

Outside of the Soviet Union and the United States, Japan is the most important country in China's foreign policy calculations. China wishes to profit from the compatibility of the Japanese and Chinese economies; increase Japan's stake in good relations with China; discourage Japan's adoption of an assertive and militaristic role in East Asia; and minimize Soviet influence in Japan as well as Japanese activities

and economic ties with the Soviet Union. Peking may eventually seek the creation of a "special relationship" between Japan and China; but for the time being, Peking believes that the best possibility of Japan continuing to follow a non-intervention policy in Asia and cooperative relations with China lies in Japan's continuing alliance with the United States.

Chinese interests in Korea are potentially contradictory. On the one hand, a major PRC objective is to maintain its present favorable political position in North Korea, but it also seems to appreciate that destabilization of the situation on the Peninsula could create a grave risk of major power confrontation on Chinese borders, play into Soviet hands,and have an extremely adverse effect on Japanese attitudes. Competition with Moscow for influence in Pyongyang is an important determinant of PRC policies and has helped deter Peking from playing any useful role in brokering compromise solutions to the Korean issue in the United Nations. While the Chinese have apparently sought to discourage the North Koreans from undertaking offensive military moves against the South, they have become the major

supplier of military equipment to Pyongyang. If the North should launch military action against the South, limited or otherwise, the Chinese would find themselves under strong pressure to provide moral and material support for Pyongyang and could not be counted on to limit their arms supply, despite their concern over the U.S. reaction and the political reverberations in Japan.

Serious contradicitons exist between Hanoi and Peking in Indo-China and Southeast Asia, and in the wider arenas of world politics and the international communist movement. The Chinese are concerned with the extent of Soviet influence in Vietnam and Laos and see the Soviets as trying to encourage the emergence of an Indo-China bloc under Hanoi's dominance as a counter to China. As discussed later, fundamental differences exist between China and Vietnam in their orientation to Thailand.

Over the longer term, Peking's preferences with regard to Southeast Asia are undoubtedly colored by both ideological and practical considerations. Ideally, Peking would like to bring Southeast Asia within its own sphere of influence. For now, however,

Peking's approach to the region is shaped primarily by broad policy considerations including its basic security interest, its rivalries with Moscow and Hanoi, and its relations with Japan. The PRC's concern over the opportunities which would be presented to Moscow and Hanoi by any further weakening of the U.S. position in Southeast Asia has, for the time being, caused it to favor the continuation of a U.S. political and security role in the region. At the same time, Peking has given its blessing to the concept of Southeast Asian neutrality--as espoused by ASEAN--in the apparent hope that this will help keep local states from establishing overly intimate ties with extra-regional powers, such as the Soviet Union or Japan. Under existing conditions, Peking appears to believe that a period of relative stability in Asia will reduce security threats to China, minimize opportunities for the USSR, constrain Japanese political involvement, provide a favorable climate for trade, and allow Peking to consolidate its relationships with regional governments.

The PRC has vigorously asserted its claim

to various island groups in the South China Sea, including the Spratly Islands, which are also claimed by the Philippines, Vietnam and the Republic of China (Taiwan). In 1974 the PRC used force to occupy certain islands in the Paracels which had been garrisoned troops from the Republic of Vietnam, but at present Peking has only a limited capability to project its military power as far south as the Spratlys. While the PRC is unlikely to force the issue for the foreseeable future, the discovery of large oil deposits in the Spratlys area or a significant increase in the presence of other elements could prompt the PRC to reassess its options.

A final note of caution is appropriate. Changes in PRC leadership and possible power struggles within the PRC could fundamentally impact upon the external policies of the PRC as well as its ability to pursue such policies. For example, domestic developments in China or actions by Hanoi (perhaps backed by the USSR) could alter Peking's present policy toward insurgent groups. Moreover, should serious regional

conflicts arise, the PRC would face policy dilemmas.

6. Vietnamese Capabilities and Intentions. Vietnam now possesses the largest, best trained, best equipped, and most experienced armed forces in Southeast Asia. (There are few signs of demobilization per se, although evidently some units are being ed in agricultural production and public works repair.)

Vietnamese economic prospects are based upon the considerable agricultural potential of South Vietnam, a small but growing industrial sector in North Vietnam, and the possibility that Vietnam possesses significant oil reserves both on-and-off shore. Southern agricultural productivity may decline in the short term, because of population dislocations, shortages of fertilizer, fuel, etc., and inefficiencies in the new socialist planning and distribution systems.

Political integration of South Vietnam into the Northern-imposed socialist system is proceeding relatively smoothly so far, but ideological, regional, and historical contradictions remain. Resolution of them will absorb a good deal of a reunified Vietnam's political energies for the next few years.

The latest national slogans reflect an emphasis on internal problems. This does not preclude, however, a concern for territorial security which will cause the new regime to attempt to consolidate its position of pre-eminence in Laos and endeavor to extend its influence in Cambodia. Nor does it preclude increasing Vietnamese support to the insurgency in Thailand. Vietnam has a large stake in avoiding exacerbation of its territorial and other disputes with China and in not antagonizing the Chinese with regard to the degree of Soviet influence or strategic presence. Nevertheless, the potential for deterioration exists.

Although Vietnam's principal concerns will remain domestic, its ideological commitments will require some continuing support for the Thai insurgents. Support may at some later time be given to other "revolutionary" movements or countries. Vietnamese capabilities in this regard include political support, cadre training in Vietnam, and provision of experienced advisers as well as of captured weapons and supplies suitable for guerrilla warfare. Given the priority Hanoi seems to have assigned to domestic reconstruction, it will probably

keep such support low key and seek to avoid being drawn into a "big-power" confrontation or jeopardizing access to foreign economic assistance and recognition of what Hanoi sees as a legitimate claim to be the leading regional power in Southeast Asia.

7. Soviet Capabilities and Intentions in the Region. The Soviet Union has continuted to increase its military capacity available for East Asian contingencies as well as its ability to project physical power far from its borders. This raw military capability is most obvious in the development of the Soviet navy, techniques for resupply of vessels at sea and increased air transport capacity as well as the continued improvement of Soviet strategic and conventional forces.

At the same time, the Soviet Union faces enormous problems in having a meaningful political impact on the region. The disarray or decline of revolutionary movements in non-communist East Asia (other than Indo-China) over the last decade or two, and the proclivity of existing communist or pro-communist revolutionary movements to look

inward or to East Asian communist models, have made Soviet dreams of major influence in the area difficult if not impossible to achieve for the foreseeable future. The governments of non-communist Southeast Asia reject Soviet pretensions to a major role in the area. The very fact that Moscow has little or no prospects to exert significant political influence in Southeast Asia paradoxically may make it more acceptable in respect to trade, cultural exchange and the establishment of marginal improvement of state-to-state relations.

In Northeast Asia, the Soviet Union has no prospect for significant alteration of the status quo short of general war. There is some prospect for Japanese participation in Siberian development - but under conditions that do not give rise to significant political change. Return of the four islands of Etorofu, Kunashiri, Habomai and Shikotan to Japan would improve relations but would not alter fundamentals, a factor that enters the Soviet calculus of its interest in this matter. This also relates more directly toward Soviet fear of the precedent for other disputed Soviet territorial

acquisitions. Furthermore, Japan will not wish to compromise its alliance with the United States or offend the PRC. Moscow also has little hope of significant alteration of the China relationship. Even if a limited reduction of tensions becomes feasible, its basic premise would have to be non-interference in China's basic policies nor would such a limited rapprochement afford either the USSR or the PRC much opportunity to alter the basic orientation of Japan or other non-communist countries. If the dispute goes on at a relatively high level of acerbity, Moscow may be tempted to flirt in a semi-covert (and easily disavowed) way with Taiwan or South Korea but this kind of game would be extremely limited as a scare tactic against the PRC (or possibly a recalcitrant North Korea) and would likely prove to be counter-productive. To do so would be to sacrifice too much of the Soviet Union's ideological posture, the negative effects of which would be far too great elsewhere. At the same time Moscow has an interest in preservation of stability in

the peninsula and would not be likely to encourage North Korean adventurism.

Even in Indochina, the USSR role is limited despite the visible increase in Soviet "presence" and apparent influence following Hanoi's triump The problem here is that Hanoi is independent-minded and even its flaunting of its Soviet connection is not for Soviet benefit but for Hanoi's own political defenses against China. Although there is some room for Vietnamese miscalculation, Hanoi surely understands the broad limits of Chinese toleration - a factor that tends to constrain the granting of a Soviet base, for example, even if Hanoi saw an interest for itself in such a Soviet role. But more important than Hanoi's presumed reluctance to push China too far is Hanoi's own interest in using the Soviet Union as a counter-foil only up to a point far short of Soviet dominance. Moscow is too far removed geographically to control this game; it is as manipulatable by Hanoi as it is able to manipulate. Moscow is not dissatisfied to have gained even this limited role given an even lesser role as the only real alternative.

In short then, while Moscow undoubtedly retains

costs although it should be noted that there may be conflicts between overzealous pursuit of some of these specific interests and the pursuit of the strategic political and economical interests mentioned earlier. But in a more general context, these miscellaneous interests can best be pursued with friendly governments that are willing to cooperate with us and thus tend to blend with the kinds of security and political interests mentioned earlier.

B. U.S. Security Issues and Objectives

The U.S. will be faced by a number of specific security issues in East Asia over the next few years:

1. The extent to which the U.S. military presence should be modified to counter Soviet military power in the region.

2. The extent to which qualitative changes in the US-PRC relationship would affect the realization of US security objectives in the Asian/Pacific region and worldwide.

3. The future of US forces in Japan including the large Marine element in Okinawa, and the enhancement of US-Japan defense cooperation and of Japan's self-defense capabilities under the Mutual Security Treaty. An assessment as well as the feasibility of the advantages and disadvantages of a greater Japanese role in promoting Asian security.

4. The US security role in Korea, which will necessitate a continuing review of the level of direct US involvement, taking into account changes in ROK military strength and in the international situation as it affects the Korean peninsula.

5. Force levels and military installations in Taiwan and our arms transfer policy with regard to the ROC in the light of our developing relations with the PRC.

6. U.S. security interests in the future status of the Trust Territory of the Pacific in light of the Northern Marianas Covenant and the trend toward political disunity of the other five districts.

7. The level of military assistance to friendly regimes in the region.

The Inter-Agency group believes that the foregoing issues should be considered in the light of the following U.S. security objectives in East Asia and the Pacific over the next three to five years.

1. Maintenance of U.S. and allied military strength in the Western Pacific capable of:

a. Contributing to U.S. national defense posture and the great power balance;

b. Deterring military conflicts that could threaten significant U.S. interests;

c. Promoting the friendly orientation of non-communist Asian countries;

d. Countering Soviet naval and air forces in the Pacific in the event of a U.S.-Soviet war.

e. Inhibiting Soviet forces in the Far East from reinforcing Soviet forces in Europe in the event of a war in the West.

f. Protecting air and sea lanes against Soviet and emerging Chinese capabilities.

g. Providing surveillance and emergency reaction capabilities in the Western Pacific.

h. Supporting Indian Ocean operations and contingencies.

i. Defending themselves and supporting the defense of our treaty allies from overt external attack as directed by the President and in accord with our constitutional processes.

2. Continuation of our partnership with Japan and operation on implementation of the Mutual Security Treaty

in order to maintain Japanese confidence in its strategic reliance on the U.S., afford the U.S. continued access to our key military facilities in Japan, and prevent Japanese political relations with China or the USSR in a manner damaging to the US-Japanese relationship. Discouragement of major Japanese armament while encouraging the Japanese to increase their own self defense efforts. Avoidance of/a Japanese regional security role pending review of this issue.

3. Improvement of relations with the PRC, including establishment of diplomatic relations and in the process finding a satisfactory solution to the Taiwan question. Encouragement of the PRC to continue to perceive common strategic security interests with the U.S., to value the maintenance of the US-Japan Security Treaty, and to pursue parallel policies where possible. In particular, recognition in our policies of the importance of the PRC as a counterweight to the USSR. Encouragement of the PRC to continue peaceful state-to-state relations with non-communist governments of Southeast Asia.

4. Prevention of hostilities on the Korean peninsula while endeavoring to bring about a reduction in tensions and the creation of more durable arrangements to preserve peace and security. Assistance to South Korea in acquiring the conventional weapons necessary to attain greater self-sufficiency and achieve a stable military balance on the Korean peninsula.

5. Discouragement of Soviet employment of its growing military power to influence political alignments in East Asia to our disadvantage.

6. Strong discouragement of any attempt to develop nuclear explosives by Korea or Taiwan, or by any other non-nuclear country in the area.

7. Maintenance of friendly relations with the non-Indochina nations of Southeast Asia, supporting their independence and development but avoiding new security commitments, and providing security and economic assistance as we are able to those nations desiring it and demonstrating a willingness to face their own problems. Gradual normalization of relations with Vietnam and Cambodia, subject to the manner in which they behave toward the U.S. and toward their neighbors.

8. Maintenance of our bilateral defense relationship with the Philippines and access to and unrestricted use of military bases in the Philippines.

9. Maintenance of access to military air and naval facilities in Singapore.

10. Maintenance of close security cooperation with Australia and New Zealand bilaterally and within the context of the ANZUS treaty.

11. Resolution or containment of local and regional

conflicts, while discouraging big-power involvement and using diplomatic efforts to solve such disputes when feasible.

12. Promotion as possible of viable and effective, but non-communist and non-radical, regimes while relying primarily on the efforts and policies of the regional states themselves.

13. Encouragement of economic development and regional cooperation.

14. Development with the countries of the area of trade and investment relations which are beneficial to the U.S. and consonant with our political and security interests.

a considerable appetite for expanding its influence, and also has military and economic assets at its disposal, circumstances, geography and East Asia's lack of sympathy for the Soviet alternative all combine to limit Soviet impact on the region.

8. The Sino-Soviet and Sino-Vietnamese Rivalries in Southeast Asia. The careful wartime balance struck by Hanoi in its relationships with Moscow and Peking appeared to shift during the latter half of 1975 to a "tilt" towards Moscow. The reasons for this appear to be a combination of the ability of the Soviet Union to provide larger amounts of aid for Hanoi's reconstruction, conflicting claims between the DRV and PRC over offshore islands, and mutual Vietnamese and Chinese suspicions regarding the other's objectives in Southeast Asia.

The desire of the DRV to "tilt" towards the USSR is limited, howver, by its intention to follow a balanced policy and by its need to avoid open conflict with its neighbor the PRC. The DRV is undoubtedly aware of Chinese fears of

"encirclement by the USSR," and because of this as well as because of its own independent posture would not wish to identify too closely with the Soviet Union. In particular the DRV is unlikely to provide the Soviet Union with access to military facilities unless it were to perceive a sharp and immediate threat from the PRC.

The Chinese-Soviet rivalry is apparent in Indo-China. Large numbers of Soviet advisors are in Laos, although Vietnam is the major political influence. China is expanding its road building projects in northern Laos and in March gave Kaysone an unusually warm welcome in Peking. Cambodia is attempting to resist North Vietnamese influence, and is using its PRC ties in this effort. There are occasional signs of competing Cambodian factions which differ on various issues including the degree to which they should tilt toward one communist power or the other for the sake of communist Cambodia's own national interest. Strong Chinese political and economic support suggests that the PRC does not want to leave that country entirely to Vietnamese influence and hopes to maintain a political

presence as insurance against more overt Vietnamese-Soviet links.

In neighboring Thailand, the Chinese have apparently encouraged the Thais to stand up to Vietnamese pressure and have explicitly warned the Thais against "letting in the wolf," i.e. the Soviet Union. There are unsubstantiated reports of Vietnamese attempts to take over entirely from the Chinese the guidance and supply of Thai insurgents.

In the immediate future, Vietnam will probably continue its role in Laos, as will China in Cambodia while Thailand and China will seek to maintain reasonably cordial relations to offset Soviet-Vietnamese presence in Laos.

In the rest of Southeast Asia, the rivalries of the outside communist powers are more muted. In Burma, the communist insurgency is largely pinned to the China border and dependent on Chinese support. China, out of an apparent desire to build cordial state-to-state relations with existing non-communist regimes, in part to prevent a possible pro-Soviet or pro-Hanoi orientation, has gradually been more forthcoming toward the Ne Win regime and unwilling

to step up support for the Burmese Communist Party. The Soviets have some attraction for the Burmese regime because of ideological and structural affinities as well as Soviet economic assistance but the almost psychopathic isolationism and suspicion of all foreign influenc that characterize contemporary Burma prevent Burma from being a locus of significant international rivalries at this time.

In "ASEAN" Southeast Asia, the real affinities are for a blend of Western and indigenous models and all forms of communism have little resonance. As noted elsewhere, local diplomacies will take advantage of communist rivalries and of opportunities to exploit communist connections in other contexts such as non-aligned politics. The Philippines is expanding contacts with communist countries with some emphasis on China. Thailand wants to play off the PRC and possibly Cambodia against Hanoi and a Hanoi-dominated Laos. Indonesia remains strongly anti-Chinese, largely for internal reasons, and will slightly favor the Soviets, but only in the most limited way. Singapore's stance is superficially similar but for different reasons. Its population prevents it from being anti-Chinese in the Indonesian

sense but it must avoid a relationship with Peking that could allow the latter more easily to influence this very Chinese population. Hence Singapore is more open to the Soviets - but with severe limits. Malaysia is the most ready to deal with the communist powers but largely to strike a more non-aligned pose. Accordingly, none of these countries is prepared for more than a limited relationship of convenience or tactics with any of the communist powers. And leaving aside the Thai insurgency, which is discussed elsewhere, external communist support for indigenous communist insurgencies may be limited under present conditions to low-key psychological support and perhaps minor infusions of arms and cadre training.

9. The Economic Climate in the Region. The East Asian region has followed the pattern of recent world economic trends. It appears that Japan is slowly climbing out of its worst post-war recession; however, the strength and speed of the recovery are as yet uncertain. Japan's business leaders predict

a continuing slow revival with "full recovery" delayed at least until autumn 1976. GNP may grow in 1976 by 4.5% but this will depend upon the strength of consumer spending and government expenditures.

The recession hit most of the other countries in the region later since the commodity boom slowed only after the major industrialized markets had turned down. Generally things are improving. Most of the East Asian LDCs are expecting growth rates in 1976 of between 4-6% with Indonesia perhaps reaching 7%.

But even this reduced rate of expansion is being bought at the cost of stresses and strains on external account. Countries like Indonesia and the Philippines have to strike a difficult balance between domestic economic and social stability and tolerable increase of the external debt burden. Concern is rising over their continued ability to finance their debts. Although the expanded IMF facilitites will help some, the availability of these resources will benefit them very unevenly. IMF assistance to Korea will be relatively insignificant compared to Korea's financing needs.

While most East Asian developing countries

are not among the world's poorest and least developed, retrenchment in development goals and accomplishment could be destabilizing. Many East Asian countries are apprehensive about their security. They are increasingly aware that healthy economic development is essential to ensure stable secure societies.

D. A General Strategy for Pursuing U.S. Interests in East Asia in Light of Current Conditions and Restraints

Despite the communist victories in Indochina, the United States still possesses a number of advantages in pursuing its interests in East Asia. The environment is changed, however, not only because of Vietnam but as the result of a number of momentous developments, some sudden and some gradual, over the last decade or two. In general, we need to pursue our interests with greater subtlety, more reliance on riding the waves of existing trends in the area, greater use of our diplomatic and, hopefully, economic tools and greater flexibility in tactics. We will probably be less often called upon to employ military force in ambiguous situations. In any event, current domestic and international constraints drastically curtail our ability to do so. Nonetheless, it remains of vital importance that the U.S. retain a flexible and strong military posture in the Asia-Pacific

area. In this regard, increases in military deployments, particularly to counter Soviet naval strength, must not be ruled out.

In Northeast Asia, we must sustain our alliances with Japan and Korea. In particular, we must build upon the foundation of our common approach with Japan over the coming years, including cooperation on international economic issues. We should also strengthen our security ties with Japan and explore ways in which Japan -- through economic, political and diplomatic means -- can complement more effectively our security efforts in the area.

We must be prepared to defend South Korea -- although in the future we may adjust our on-the-spot presence as conditions permit. We must try to maintain a favorable balance of power involving ourselves, the USSR, the PRC, and Japan. We can, however, take actions in time to show the value of the U.S. connection to each of the parties, especially the Chinese. These policies require us to be aware of the forces at work in the internal debates of the other major powers as well as their international posture -- and to do whatever we can to promote favorable trends.

In regard to noncommunist Southeast Asia, our overriding goal should be to support with sympathy and understanding the growth of stronger and more viable and independent societies, including the development of an effective economic structure. Where possible, and where they demonstrate a willingness to face their own problems, we should provide such security and economic assistance as we are able. All these countries, including Thailand, are capable of resisting communist expansion short of outright aggression and of overcoming or containing their insurgencies, particularly if they can provide stable and reasonably progressive government and reasonable progress in meeting the needs of their populations. What we do to help them economically, politically and in backdrop security terms will be important. Of even more importance is what we do not do. We must not overly embrace them in ways that embarrass them before their Third World peers or which arouse tender national sensitivities. We must take heed of their sense of sovereignty and welcome an inevitable greater independence from us that is the corollary of greater strength and maturity.

The source of future tension in many parts of East Asia may spring more from communal and territorial conflicts than from communist or other insurgencies. The U.S. should avoid direct involvement in these conflicts and discourage

intervention by other powers, while doing what it can diplomatically to help resolve such disputes peacefully. At the same time, we should seek to reduce tensions between middle level powers and to progressively reduce the major power stakes in these regional rivalries while discouraging the proliferation of nuclear weapons as an alternative.

As for Indochina, we must try to promote a continued evolution toward independent attitudes and toward moderation. We should try to identify the interests and attitudes of each Indochina entity as well as the interplay between them and the major outside powers and seek to do those things that can lead toward a favorable evolution of events. We should reject excessive communist demands but remain available for improved relations if Hanoi and the others pursue reasonable and constructive policies toward us, particularly with regard to the full accounting for MIA's, and toward their neighbors. The advantages of U.S. trade and technology as well as the U.S. as a potential political and military balance wheel, should be kept in view for the Indochina communists to consider as a quid pro quo for a more reasonable stance ontheir part.

In this environment the projection of U.S. military power in the Western Pacific is an important element of the triangular or quadrangular power balance in East Asia. While U.S. security objectives have changed, there is still a need

for a strategic military presence that maintains a great power equilibrium in which our allies and other non-hostile countries can have confidence. In addition, we need mobile and flexible forces which can deter aggression against Korea and Japan, assist in the defense of allies under existing security agreements, counter Soviet forces in the event of a U.S.-Soviet war, provide surveillance and emergency reaction capabilities and protect communication lines in the Pacific.

Any changes in the deployment of U.S. forces should take place within the context of bilateral or multilateral arrangements aimed at promoting stable evolution. Changes in deployments could, however, seriously undermine the projection of U.S. power if they were seen to be the result of weakness and indecision at home or of a hesitant and unsuccessful foreign policy.

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