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C. U.S. GOVERNMENTAL PROCEDURES FOR IMPLEMENTATION

1. A decision as set forth in Alternative C in favor of aggressive waging of the world-struggle has major implications in terms of internal operations of the U.S. Government. The U.S. Government must take the steps necessary, in terms of organization and procedures, to attain the ability to prosecute this new, stepped-up, more projective type of program and policy effectively.

2. There are three major requirements:

- a. Speed of action.
- b. Continuity in policy and programs.
- c. Security of operations.

3. Present organization and procedures would not suffice to implement Alternative C successfully. The reason may be briefly stated. What is proposed is an aggressive manner and tempo of waging the world struggle. This will involve the use of conceptions and techniques of international action -- such as subversion, pressure and threat of force -- previously foreign to us. Present methods of operations of our Government are keyed to a very different -- a much more restrained -- manner of dealings among nations. The proposals of the Jackson Committee appear to provide the basis for acting more rapidly and more powerfully along the lines we propose.

4. The first requirement is speed. To seize and hold the initiative we must beat the Soviets to the punch. At the same time our actions must be coordinated, and concentrated on key issues and targets for maximum impact. Broad policy directions must be formulated and periodically

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extended at the highest policy level. In the operating departments a careful balance must be struck between over-planning which destroys flexibility, and under-planning which results in too little too late where long-lead time is involved, for example in the development of military forces.

5. In this matter, it is output that counts. All the vehicles for transmission of impact upon selected targets must be appropriately employed. Covert means of all kinds, propaganda and psychological warfare, diplomatic and political maneuvers, economic measures, the use or threat of use of military force, demonstrations and shifts of military formations -- all must be considered, and specific operations laid on, executed, modified, and repeated within the framework of short-term and longer-term action programs.

6. One point should be kept clear. It is what comes out of the great U.S. Governmental machine that is significant. No amount of internal turbulence and frenzy if it results in too little too late can substitute. In fact, the result, through fragmentary press accounts, of such difficulties may be such that the over-all impact is harmful rather than helpful to the ends being sought.

7. In our opinion, the adaptation called for is probably within the power of our country to make -- it is certainly within its power if the needs for aggressive conduct of the struggle are as we believe them to be, and are accepted by our people. But the adaptation will not be easy. Military services, by tradition and experience focused on preparing for, planning, and conducting combat, will find it difficult to accept and then to carry out the complicated and unfamiliar tasks of participating in the cold-war struggle,

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and reconciling the requirements incident to that participation with the requirements of preparedness for combat. The State Department may find it difficult to combine on the one hand the flexible diplomacy of accommodation within a fundamental world order -- specifically, e.g., the relationships with our NATO partners -- and on the other the aggressive diplomacy of planned pressure on the Soviets incident to a cold-war struggle which negates the existence of a world order. Strong leadership to assure the subordination of agency interests and criteria to the larger national effort will be required; the task of that leadership will be heightened by the fact that inaction is an effective and often invisible mode of opposing such subordination.

8. The inference should not be drawn that no progress has been made toward developing governmental competence for the aggressive conduct of the world-struggle. Such is not the case. For example, the need for "follow-up" on NSC decisions has been recognized. What is now being proposed is the need for a sequence, series of flow of actions and decisions. It is not enough that these simply fall within the framework of a coordinated policy objective. They must constitute a coordinated plan or program of actions in rapid-fire sequence.

9. The second major requirement is for continuity in policy and programs. It takes ten years to build a covert apparatus. Basic shifts in balance of military forces reflecting new weapons, such as guided missiles, may take years between conception and actuality. Moreover, an essential feature of Alternative C is the development of a momentum which comes from

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the steady application of pressure on our enemies and influence on our allies toward constant ends with maximum continuity of specific programs and policies. Over-fluctuation and inability to set a line of policy and hold to it, particularly in military preparedness and propaganda, can be extremely wasteful, and could vitiate Alternative C.

10. A third major requirement is for security of operations. A careful program of time-phased disclosure of our operations and objectives is an essential feature of our proposal. Only in this way can we gain the advantage of tactical deception. The implications in terms of covert operations and apparatus are obvious. One lapse could destroy years of work. Ours is a policy of the initiative. If we disclose the content of our policy and program to the Soviets or to our allies, we will have surrendered the initiative.

11. These three requirements are absolute. Alternative C cannot work without them, in our opinion. They can, in large part, be met by actions within the Executive Branch. Certain aspects however involve the Legislative Branch, and specifically the linkage between the Executive and the Legislative. For Alternative C to succeed, this linkage must be effective in permitting the speed, continuity and security that are essential.

12. We have not attempted in the time available to do more than frame this problem and suggest our faith in the feasibility of its solution. We are willing to state, however, that its solution is a prerequisite to the adoption of Alternative C.

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VIII -- EVALUATIONS OF RESULTS, RISKS, AND COSTS

A. Analysis of Soviet Reactions and Evaluation of Risk

1. We turn next to evaluation of the course of action which we have just presented to you in outline. Our concern here is with the effects of various possible Soviet reactions and the risks involved in pursuing this line of action, the results reasonably to be expected, the costs to be sustained, and the problems of allied relationships, legislative action, and public opinion, which must be resolved.

2. The question of risks and Soviet reactions has several aspects. First, what are the major lines of reaction available to the Soviets, and what risks would be involved in each of them? Second, what indications are there as to the probability of their adopting each particular one of these lines? Third, what is the probability that the adoption of Alternative C by the U.S. would cause the Soviets to choose a line of action substantially more adverse to us than would otherwise be the case? Last, what general observations may be made as to the U.S. expectancy of risk under Alternative C as compared to the other Alternatives?

3. With the adoption by the U.S. of the broad course of action in Alternative C, the following principal ways of reacting are open to the Soviets:

a. To accept the indicated consequences of our actions, either agreeing and cooperating in our efforts, or disregarding their results and remaining passive. A good example of the last might be where they judge our efforts too feeble to do them any real harm, e.g., in Red

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China in the short-term.

b. Actively to oppose our line of action. The Soviets might;

(1) Initiate general war through an attack upon us;

(2) Attempt to weaken the free world and particularly the U.S. by a policy similar to our Alternative C in reverse. Under such a policy, the U.S.S.R. might take actions to reduce our power, will, and cohesion, for example, through propoganda against the use of atomic and bacteriological weapons, and through attempting to detach and subvert France and Italy, they might also seek to cause us to abandon our plan and over-all policy.

(3) Attempt to frustrate the particular efforts we undertake against them, through a kind of "containment" policy. They might oppose our efforts in Poland or Albania through more stringent police controls; also they might set up diversions in "in-between" areas, such as, for example, an invasion or subversion of Iran.

4. These are the major forms which might be taken by Soviet "intentions" when applied to our proposed line of action. Our directive gave three such possible intentions to be analyzed: general war; aggressive pressure on issues and targets of their choosing; and a defensive attitude relying on Western internal strains. A fourth possible intention -- true peace -- was mentioned. These intentions are represented in the possible lines of reaction set forth above.

5. The risks involved in each of these major lines of Soviet reaction may now be considered. Since the first -- acceptance of our efforts

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would involve essentially no risk to us at all -- only those opposing us are considered. The risks and costs inherent in the second line of action -- general war -- do not require extensive elaboration. While prediction is uncertain, the probability of our ultimate defeat appears quite small. Wartime losses through damage of the continental United States, and through losses of personnel and expenditures of effort and materiel, would be extremely high. Money cost alone has been estimated of the order of a thousand billion dollars -- three times the cost to us of World War II. The costs in terms of destruction of the fibre of the free world, particularly Western Europe, when measured in the difficulties of establishing a viable world order after such a war, would be extremely great. With respect to the Soviet Union itself, one must gravely doubt whether the creation of a Russia with which the U.S. could be at stable peace would be possible after such a war. Most of these results cannot be stated mathematically, but the money cost alone -- a thousand billion dollars -- will give a basis for evaluating this Alternative.

6. Should the Soviets elect to adopt their third line of action -- to concentrate upon weakening us, without recourse to general war, it would appear that they would be doing little more than they have done over the past years. Barring overt use of force by the U.S., against them or their satellites, or a threat in the form of an ultimatum, it seems likely that they could make the Iron Curtain even stronger, could possibly subvert Iran and could possibly overwhelm Japan in time and move

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by successive stages southeastward through Southeast Asia and the East Indies. It does not appear that measures available to them would of themselves be adequate to subvert any of the countries of Western Europe. They could, however, reduce Finland to the status of a satellite. (If the U.S. were to use force overtly against the satellites, it is difficult to see how the Soviets could avoid recourse to general war. If the U.S. were to use overt force in Southeast Asia, Soviet Russia might find it desirable not to respond in kind, but to attempt to hold U.S. forces there, possibly through use of the Chinese.)

7. One major success the Soviets might well attain through such a course of positive pressure on various countries of the free world might be to cause the allies of the U.S. in Western Europe to press the U.S. so strongly to change its plans and relieve its pressures on the U.S.S.R., and to oppose the U.S. so vigorously as to cause us to abandon Alternative C.

8. The final line of action available to the Soviets-- to meet our efforts at the point of contact, combat them, and seek to frustrate them is likely to be widely used, particularly in our early phase when it is necessary to act in a preparatory way in East Germany, Austria, Korea, and Indo-China. The Soviets, by applying their capabilities short of general war in these areas, can seriously limit what we achieve, and probably in some cases entirely block us.

9. As to the relative probabilities of Soviet adoption of these various lines of action, it may first be observed that they are likely to

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combine acceptance of less important U.S. efforts with attempts to frustrate the more important, and with attempts to weaken the free world, concentrating particularly on the allies of the U.S. With respect to general war, recent experience provides an indicated area within which the U.S. could move with some assurance. At the outbreak of war in Korea, the West was at its all-time weakest, the counteraction of the U.S. the strongest and most aggressive, and the challenge to the U.S.S.R. the most provoking. The U.S. forces defeated the North Korean puppet armies and thoroughly thrashed the Chinese army in Korea. Four U.S. divisions were deployed into the European area. The point to note is that the Soviet Union did not consider these events as adequate cause for resort to general war. The threshold of provocation, we conclude from this, is a relatively high one. Below this threshold the Soviet Union has confined its efforts to seeking to weaken the West, and to frustrate such efforts as we have from time to time rather feebly projected. Through political pressure, propaganda, subversion, and all the other tools of active, aggressive, cold war.

10. There are powerful deterrents against deliberate resort to war working on the Soviets. The first of these is an inability -- which they can hardly fail to recognize -- to launch and sustain a war against a coalition including the United States with any hope of ultimate success. Although Soviet armies moved into Eastern Europe, and satellite armies moved against Greece and North Korea, the Soviets withdrew from

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Iran and did not press the war in Greece or their threats to Turkey once U.S. involvement was made clear. Until the Soviet industrial base is stronger in relation to that of the U.S., and until the great U.S. superiority in atomic capabilities has been offset, the Soviets are strongly deterred from outright challenge.

11. In weighing the tendency the Soviets might have to shift their lines of action in response to U.S. adoption of the aggressive tactics of Alternative C, we cannot go beyond tendencies, since we cannot predict how the minds of the Soviet leaders will work.

12. There is no question, however, that Alternative C will tend to force the Soviets toward a more aggressive line of policy if their present policy is a move toward "true peace," or is one of passive "containment" of a free world military threat. But if the present policy is really one of aggressive pressure, with merely a temporary tactical lull, then the policy seems unlikely to change, although the lull might give way to more active prosecution of the cold war. It should be noted, however, that a tactic of temporary lull may be an extremely effective way for the Soviets to dissuade the allies of the U.S. from cooperating in an Alternative C program.

13. Essentially, the question in adopting Alternative C seems to be less one of provoking general war than of sacrificing a possible Soviet shift toward less bellicose "co-existence" or even "true peace." Alternative C in effect postulates that such a shift does not exist, and is not likely to occur.

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14. In weighing the risks involved in Alternative C against those in Alternatives A and B, it is clear that the more aggressive action of Alternative C brings closer the threshold of war than does Alternative A. The risk of weakening ourselves through loss of allies is uncertain, as the strain on this relationship will be offset in some measure by the tendency of our successes to draw allies to the winning side. The comparison of Alternative C with Alternative B is somewhat more difficult, in that the major risk of war in Alternative B would appear to arise, not from Soviet resort to war, but from U.S. resort to war because of the breaching by the Soviets of a security line determined and safeguarded by the U.S. Alternative C, to a greater extent than Alternative A and B, is subject to the charge of not capitalizing on any real shift toward co-existence or peace which the Soviets may have in mind. However, Marxist-Leninist-Stalinist doctrine is incompatible with such a shift.

15. These considerations apply to the short term. In the longer term, if Alternative C achieves the results for which it aims, the risk of war, as well as the destruction and loss arising from such a war, should be substantially reduced through the resultant diminution of the Soviet threat and Soviet military power.

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B. EVALUATION OF RESULTS

1. We view Alternative C as a mission assigned to the operating departments of our government, and have assessed the extent to which our program is likely to accomplish this mission. We have also considered the over-all U.S. security problem resulting from success of the program or from a mixture of success and partial failure of some particular elements.

2. In order to be able to develop concrete courses of action, Task Force C has woven into policy Alternative C a time-scale of concrete required achievements. Alternative C was not specific in quantitative terms nor in time-phasing. Because this action makes the policy considerably more definitive and more ambitious, we recognize that even if some of our programmed objectives are not met in full or on time, we may still have complied with the policy as originally stated. We have put forward an ambitious schedule for two reasons: first, because the Soviet development of atomic capability argues strongly for reduction of the Soviet threat at its source, in a short period of time - there should be a great saving in costs in the long-term, as well as the creation of a snowballing tendency among our allies; and second, in order to establish a wide bracket on the scale between "containment" and "liberation", within which you may assess the relative merits and costs of various policies.

3. We think our program will satisfy the primary policy objective assigned - of disrupting, disturbing and weakening the Soviets and turning their attention to holding what they have rather than attempting to expand further. We are much less sure of our second objective - to accelerate the

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consolidation of allied strength at a high level. There are inherent tendencies in our policy and in our program seriously to strain our relations with our allies, and hence Free World cohesion. These may, however, be offset by "climate of victory". We do believe, in any case, however, that our allies will consolidate sufficient strength, and there will be sufficient international military coordination, to more than meet the minimum requirements of U.S. security in the event of general war. If the goal of consolidating Free World strength is carefully and cleverly pursued, we believe it can be attained.

4. A very conservative appraisal of the kind of results likely to be achieved in the first phase of our operations might run as follows:

a. In Central Europe, we do not have means to assure the maximum goals we seek. Results might, however, include withdrawal of Soviet forces, unification of Germany, with only limited rearmament permitted and perhaps neutralization of the Eastern area, together with some reduction in allied military forces. In the satellites the scale of the impact we can achieve suggests the strong possibility of defection of Bulgaria and Albania in the first phase, but that barring indigenous revolt, so successful that they engender an uprising en masse, they will continue their subservience to Moscow with, however, ever stronger currents of dissension and unrest.

b. In Northeast Asia, if the war in Korea has been resumed, we believe under our program the Chinese armies will have been destroyed, and U.N. military control up to the Korean Waist established. If a truce is in effect, we believe there will probably be simply a military occupation of a divided Korea.

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c. In Indo-China, it would appear continued French cooperation should be possible to obtain, and that the proposed allied efforts should be sufficient to secure the northern borders and reduce the Viet Minh operations to confined areas.

d. In China, it does not appear that the measures proposed give material prospect during this time period of definitively splitting Red China from the U.S.S.R., or of overthrowing the Communist regime. Nationalist control may be re-established over Hainan and other areas beyond those now held. However, they may well be sufficient to build up a record of increasingly difficult Soviet-Red Chinese negotiations, with concomitant dissatisfactions and recriminations.

e. In the Middle East, progress in establishing organized political and military relationships should be evident, notably in the Middle East Defense Organization, and will probably include organizations connected with aid programs, the formation of a Planning Group, and perhaps the association of certain Arab States with it.

f. The U.S.S.R. will be burdened and troubled by ever increasing U.S. actions directed against it, and its international apparatus impaired. However, it would appear that during the first phase such actions must be quite limited in their impact in relation to the internal stability and power of the Kremlin clique in the Soviet regime. The proposed efforts will not, of themselves, be adequate materially to weaken or disrupt the Soviet Union.

5. The emergence of a "climate of victory" in this period would depend

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chiefly upon success obtained in Korea, Hainan, Indo-China, the defection of Albania, and especially any Soviet withdrawal from East Germany. These successes should suffice to preserve U.S. leadership in the first phase and to keep the psychological initiative in the Free World. We feel that a sense of vigor will pervade our policy making and planning echelons, and that there will develop a more dynamic posture better conforming to the times in which we live.

6. Our summary evaluation is that these conditions should satisfy the directive of Alternative C, but that they indicate some probability that the concrete objectives proposed by Task Force C for the mid-term may not be achieved in full at the time appointed. The necessity for a review and reformulation of such mid-term objectives at that time is therefore apparent. We think they should be kept generally as they are - somewhat ambitious - for the present, in order to provide a target to shoot for, since it is only after such reformulation that they become the basis for expenditure of resources.

7. The specific question as to the extent to which Alternative C - and the course of action we have developed under it - safeguard U.S. and allied security, may be rather briefly answered. In our opinion, U.S. and allied security against defeat in war, given the measures we recommend, will be during this first phase. There will, however, be a somewhat greater though still quite limited probability of general war, and hence of expectation of the damage and destruction incident to war.

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8. The principal problem likely to arise from major successes of our efforts in the first phase will probably be the difficulties of achieving and maintaining internal harmony in Western Europe - especially between Germany and France, once an independent, unified Germany begins to be re-armed. This we acknowledge as a difficulty and a risk in our program, but we believe the same difficulty will be encountered in any other program which includes the rearming of Germany. A further danger which might arise from a reduction of the Soviet power would be a tendency for other states to seek by coalitions or concerted action to counter-balance the growing strength of the U.S.

9. We were also invited to consider the problems that might result from failure of our efforts. While we recognize that the partial frustration of several of our efforts by the Soviets is highly likely - particularly those in Korea, Austria, and the satellites - we believe that complete failure would probably be the result of allied non-cooperation and effective opposition. The major result of failure would tend to be centered on our allies - they would tend to oppose the U.S. leadership more strongly, and to open additional opportunities for the Soviets to weaken the cohesion of the Free World, and to strengthen their influence within France, Italy and probably the U.K., as well as throughout the Asiatic world.

10. There remains also the possibility of early successes in the first phase, launching us into the second phase ahead of schedule and radically foreshortening our winning of the Cold War.

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C. EVALUATION OF COSTS, LEGISLATIVE REQUIREMENTS, PUBLIC OPINION, AND REACTIONS OF ALLIES

1. Costs

a. Two questions will be considered in this section:

(1) What are the likely peacetime costs of a security program under Alternative "C"?

(2) To what degree can the United States stand such costs, in physical, financial, fiscal, social and political/psychological terms?

b. There are two general kinds of costs to be considered. The first is the expectation, in an actuarial sense, of the costs of general war. Because, in the short-term, the risk of general war is somewhat increased by Alternative "C" over other Alternatives, the expectation of wartime costs is also increased. We are not able to assign any numerical probability of the likelihood of general war, however, and feel that it is not possible to do more than to bring out this point qualitatively. Rough estimates of the cost to the U.S. of a general war within the next decade or so indicate that money costs alone might reach the order of magnitude of a thousand billion dollars -- or roughly 20 to 25 times the annual peacetime security expenditures now foreseen.

c. The other area of costs with which we are concerned is that of peacetime costs.

d. We have divided our consideration into two periods, the first and initial period prior to the attainment of the reduced Soviet threat, which is the aim of Alternative "C", and the second, the period after such

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reduction has been achieved. A further factor to be weighed is the likelihood that Alternative "C" will fail to attain this objective of reducing Soviet power. In the opinion of the members of Task Force "C" there is strong likelihood that this type of policy would succeed in reducing Soviet power, where other Alternatives would probably fail, since neither "A" nor "B" pursues courses of action designed to attack the power structure, but only to restrain or contain it.

e. With regard to military expenditures, the costs of arming our Allies, and bringing them to the "consolidation" of military power which is contemplated in our Alternative would result in substantially higher outlays during the next 3 to 5 years under Alternative "C" than under the other Alternatives. It would be desirable to build higher levels of forces than those envisaged -- in which case the net increase in U.S. outlays would be higher. However, we estimate the willingness of foreign countries, particularly NATO countries, to raise such forces and to provide substantial resources from indigenous sources will be quite limited; the contributions the U.S. would have to make to such forces, in order to get country agreement to raise them, would probably be unduly high, and we conclude in favor of a level of forces, and of net excess U.S. contribution, generally consistent with countries' own determinations.

f. In the three major components of U.S. forces -- the striking force, continental defense, and the general military base -- it is the view of Task Force "C" that total expenditures over the period of the next 10 years would not be far different under Alternative "C" from those under

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Alternatives "A" and "B". However, the expenditures would, in general, be carried out earlier -- in order to attain "level-off points" consistent with security for the striking force and the general military base on an accelerated schedule in consonance with the policy of Alternative "C", and in order to reduce to a minimum the period of vulnerability of the continental U.S. due to deficiencies in its defenses.

g. We have devoted a great deal of time and effort to an attempt to provide rough indications of the possible order of magnitude of peacetime costs. We have estimated what might be the aggregate of expenditures for all national security programs under Alternative "C": Military, Mobilization, MSA, Civil Defense, Stockpiling, Propaganda, Internal Security, Atomic Energy. These include increases for Continental Defense, Covert Activities, Propaganda, Economic Aid, the Freedom Corps, Reserve Components, additional deployed forces, Civil Defense, added Viet Nam forces, Japanese forces, the Hainan operation and blockade of Red China, and increased war reserves of Equipment. Expenditures to carry out Alternative "C" would, we estimate, be of the order of \$60 billion in FY 1954 and 1955, declining to somewhat below \$45 billion by FY 1958, and continuing at that level thereafter until the Soviet threat is reduced by the actions we propose. If fighting is resumed in Korea, and the operations we propose conducted, the figures for FY 1954 and 1955 would be between \$60 and \$65 billion. These figures do not include whatever might be spent on preclusive buying. This would be additional, but such buying would be highly selective and limited. With this exception, we believe that all our action-proposals have been taken into account in the

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figures just cited.

h. Peacetime costs under this program will, we believe, be higher in the short-term than under Alternatives "A" and "B", and higher also than presently proposed programs. In some cases a net increase is involved. In others, an acceleration to provide planned increases sooner is required. In the long-term, costs should be substantially lower when we have ended the cold war by winning it.

Can we Stand the Cost of Security?

i. Task Force "C" has laid out a plan of action to carry out Alternative "C", and has endeavored to estimate the order of magnitude of the costs involved in such a program. Because the program means nothing without the resources to carry it out, and because it is clear that the total of governmental expenditures in the U.S. has reached a point causing serious concern over the possibility that it poses a threat to the continued soundness of our economic system, we have attempted seriously to weigh the impact on our financial and our physical economy of such costs, and also the budgetary implications. It has proven difficult to come to grips with the problems in these fields in detail. It appears to us that this is a field in which further searching, concrete studies to bring out dimensions and inter-relationships of such problems are urgently required.

j. We have, however, attempted to reach at least preliminary and broad judgments as to the physical, the financial, and the budgetary implications of the costs of security under the action program of Alternative "C". We refer to the questions on these matters contained in

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Section IV, page 7, of the "Memorandum on Basic Issues" furnished to our Task Force.

k. A first factor giving dimensions to this consideration is the prospect of growth in the U.S. national income. We have considered the total annual security costs under Alternative "C" against the background of an expanding economy generally expected to increase steadily at a rate between 3-1/2 and 4% per year over the next decade.

l. Information available to us indicates that approximately 26% of GNP, measured in physical goods and services was withdrawn for support of governmental operations at all levels during FY 1953, with 20.6% going for support of federal government; of this 14.6% went for current security expenditures, and the rest for the charges arising from past wars and governmental activities more closely approximating normal types of consumption. As national production increases, a key question is whether resources will be withdrawn for governmental, and specifically security, purposes at the same rate as at present, or at a higher or lower rate.

m. Under Alternative "C" a larger percentage of our physical output would be used for security in FY 1954 and FY 1955 than in FY 1953 -- approximately 15.5% as against 14.6%. If taxes were to stay at the same percentage of GNP in FY 1954 and FY 1955 as in FY 1953, and non-defense expenditures were to stay constant, a total deficit of \$10 to \$12 billion in each year might be expected, of which 3/4 could be attributed, proportionately, to the defense sector. (From FY 1957 onward, the resources and finances required for security programs would be below the percentages actually devoted

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to security in FY 1953.)

n. We have the impression that the physical and financial problems involved in meeting the costs of security under Alternative "C" would be manageable. The next question is whether problems of maintaining existing tax rates are manageable in terms of budgetary and legislative actions, and conformity to the political tendencies of our country. It is in these areas, in fact, that our group believes the determinants of meeting the costs of Alternative "C" would be found, rather than in the size and tempo of the physical economy or in the area of financial policy and problems. We consider that these questions are of a different character, falling in the general field of political affairs rather than administration, and can only state here our firm conviction that our people, when they understand that their nation's security depends primarily upon their readiness and willingness to provide support through taxation, will not fail to do so.

o. In answer to the questions posed to us in Section IV, "Memorandum on Basic Issues", it appears that physical resources -- the products of the industrial plant and raw materials structure of the U.S. -- are adequate to support a program of security corresponding to policy Alternative "C". Not more than the present percentage withdrawal from total GNP would, in general, be required.

p. While we have not been able to analyze financial problems with the thoroughness we believe is required, it is our general conclusion that financial considerations do not preclude the provision of these resources. It would appear that fiscal and tax structures could provide the funds

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required without undue damage to our physical and financial economies, and specifically without resort to economic controls.

q. It does not appear that substantial social effects contrary to the pattern of American values and institutions need result from a security effort of this type.

r. In summary, it appears that the U.S. has the fiscal, financial and physical capacity to provide for security, without deleterious social effects, and that the question is one as to the willingness of the American people and their responsible political representatives to decide in favor of the associated levels of security and costs deriving from Alternative "C". The limiting factors are apparently not primarily economic, but political and psychological.

2. Legislative Requirements

a. The principal legislative requirements for Alternative "C" program are in the field of appropriations, to meet the increased expenditures by the U.S. Government for security purposes described above, and in the field of tax legislation consistent with these appropriations.

b. In the economic field, Congressional action will be necessary to make possible the tariff reductions and revision of customs procedures with a view to their simplification recommended in this report and designed to increase trade with our foreign friends and allies.

c. In the military field, it is recommended that legislation be undertaken to inaugurate some system of universal military service as a necessary means of creating a more equitable and permanent base for the

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long-term maintenance of the large U.S. military establishment envisaged in this program.

d. There is a legislative requirement in the field of immigration restriction, where greater latitude is necessary in bringing to the U.S. political refugees from Communist countries and potential members of U.S. controlled or supported anti-Soviet enterprises.

e. There is a requirement for legislation, on a standby basis, to provide an orderly transition from peacetime conditions to wartime controls so that the economy of the nation will suffer a minimum disturbance.

3. Congressional Relations

a. As set forth above, it is the conclusion of Task Force C that the U.S. has the material capacity to provide the resources necessary to support this program recommended in the interest of the country's security and that the fundamental problem of its adoption is not economic but psychological and political.

b. The program entails in its legislative requirements a radical modification of present fiscal policy as expressed in current legislation and legislative planning. It must be apparent that this new course can only be brought about as the result of a successful indoctrination of Congress and the American people, with the basic facts of our present security problem and the need for the proposed lines of action. An implication of this is the need for a new policy governing the nature of security information which can be made available to the public, particularly in such a field as that of atomic warfare.

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c. In the United States, Congressional opinion is in the last analysis a projection, sometimes delayed, of public opinion. The problem then is essentially one of public opinion and the likelihood that it could be won to acceptance and support of Alternative C.

d. In the Congressional field itself there is the clear requirement for the maximum development of bipartisan support. The character of the sustained effort and unwavering devotion necessary to pursue this program makes it imperative that the policy itself not be permitted to become a partisan issue before the Congress. It would be impossible to secure lasting support of allies for a policy that appeared to them dangerous and that was at the same time the object of reconsideration and prolonged debate before every session of the American Congress. The burden placed on executive leadership and on liaison between the Executive and the Congress is evident. In the execution of this more aggressive policy there will be periods of crisis and high tension abroad when the closest possible understanding between the two branches of the Government will be at a premium. The emphasis placed on covert warfare in Alternative "C" would appear to indicate a need for some secure consultative and informational relationship in this field with Congressional leaders along either the lines of the precedent set by the Congressional committee on atomic matters or on an individual basis.

4. Public Opinion

a. Alternative "C" makes unusual demands for enlightened public opinion, resolute and responsive to new and changing problems and situations. For example, a change in the trend toward tax reduction would be required to

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provide for the higher cost of the initial phase.

b. Superficially, current American public opinion would not appear to be inclined to accept these burdens. There is an evident longing for peace in Korea and elsewhere and for an end to world tension. There is a strong desire for a return to "normalcy" and for an end to high taxation.

c. Yet the American people have always in the past risen and met any challenge to their independence and security. The series of crises from Iran, through Turkey, Greece and Berlin to that of Korea, all bear testimony to this fact. There is no reason to believe they will fail to do so again. The requirement is that the conviction of the governmental leadership in the necessity and rightness of this policy be fully and explicitly conveyed to the people. If the citizens of the U.S. clearly understand that the nation's security depends on their readiness and willingness to provide support through increased taxation, regular military service and other responsibilities, they will not fail to do their part. Once undertaken, the characteristic American impatience at delay and demand for results will have to be offset by evidence of progress and achievement. It can confidently be predicted that U.S. public opinion will welcome a sense of forward movement in dealing with the issue of Kremlin-directed international Communism. Fundamentally, public acceptance and support of Alternative "C" will be proportionate to public understanding of the nature and magnitude of the threat to U.S. security. Continued support of the program over the long-term will depend on the measure of success evidenced in this effort to cope with it.

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5. Allies

a. The terms of reference for Alternative "C" do not encompass courses of action of a nature to destroy our alliances. Alliances will operate as a brake on our intention to advance a continuing challenge to Soviet power, although they are an important element of our over-all strength and necessary to the implementation of our program. The Soviet Government has always been sensitive to the implications of any grouping of states not under its control, and it must be expected that it will employ all possible varieties of inducement to weaken our alliances and enlist the support of our allies in relieving the pressure on itself. The effectiveness of recent Soviet gestures in this regard is an aspect of the current political scene. Foreign scepticism of our capacity for constancy in foreign policy is another factor which will inhibit our friends.

b. The probable reactions of our European NATO allies should be considered in light of the economic and military strengthening they have achieved. They appear now to be reaching a kind of phase-line -- the attainment of a military shield and an economic foundation, which is of great significance to their psychology and their political position and activities. On the one hand, U.S. influence in Europe has tended to decrease as its goal -- a situation and a feeling of independence and national strength within a collective security framework -- begins to be achieved. At the same time, the U.S. need for the NATO partners to take positive measures -- for example, in adopting and prosecuting a policy of security and build-up of defense forces -- is not in general so acute as formerly. Exceptions are in

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Indo-China, and in the need for positive French action with respect to Germany; either to ratify EDC if that solution to German rearmament is retained or to support an alternative policy in this connection. It should be pointed out that what has been generally described as "U.S. pressure" has been in part a fiction created by the Europeans to gain bargaining advantage with the U.S. by carrying out national plans they had already themselves decided upon.

c. These points suggest that the U.S., while maintaining its general friendship and readiness to cooperate, and participating closely in measures relating to positive steps within the scope of the NATO commitment, can and should be less solicitous of specific internal problems of Western European countries, and can and should feel less constrained to subject its actions outside the scope of the NATO commitment to the veto of our NATO partners, specifically France and Great Britain. The U.S. will thus appear less in the role of seeking to solve their problems for them than of being ready to assist where their own full efforts are not enough, and in response to their requests.

d. This course would allow them to develop greater political and psychological strength through the indispensable process of exercising greater responsibility for their own problems. While the principle of discriminating consultation will not remove all strains, it will provide an improved way of evaluating them.

e. There may be some French and particularly British competition with the U.S. for Western leadership. By skill in giving them leadership

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where they provide the resources, this may be made to have an advantageous effect.

f. The measure of the success of Alternative "C" will be our ability to bring along our allies in actions where their participation is needed and to induce them to tolerate our unilateral operations elsewhere. Like the risk of general war, the danger of allied non-cooperation and effective opposition can only be estimated in each specific context against the background of a given situation at a given time. Like our own public opinion, however, it will respond to constancy of purpose and to the demonstration that each action proposed is in the long-term interest of all.

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IX — SUMMARY OF LINES OF ACTION — SHORT TERM

A. A summary of lines of action proposed in this study follows. While there will be additional courses listed in the body of the report and an expansion of the reasons for adopting those listed, the following list includes those major courses developed and evaluated by Task Force C:

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SHORT TERM

1. U.S.S.R.

POLITICAL

- a. Withdrawal of Soviet forces from East Germany and Austria.
- b. Release German and Japanese prisoners of war.
- c. Austrian State Treaty.
- d. United Germany, pro-western and rearmed.
- e. Condemn repressive measures in occupied territories.
- f. Unrelenting pressure on Soviet leaders on each political issue that arises.

MILITARY

- a. Show U.S.S.R. strong defense, demonstrating folly of attack on free world and especially on the United States with any hope of success.

ECONOMIC

- a. Apply principle of selective sanctions.
- b. Deny vital strategic materials including natural rubber, electronic tubes, machine tools, and tungsten wire.
- c. Impede shipping -- throw burden of overhaul on Soviet shipyards -- push for goods movement in only Orbit bottoms.
- d. Adopt as principle that of limited, selective preclusive buying.

PROPAGANDA

- a. Support lines set forth under political lines.
- b. Advocate student and cultural exchange.
- c. Abandon pushing merits of United States.
- d. Concentrate on evils of Soviet system:
 - (1) Slave labor camps,
 - (2) Restriction of movement within Russia.
 - (3) Inequalities of living.
 - (4) Stratification of Soviet society.
 - (5) Promotion of a phony peace.

COVERT

- a. Build both long term and crash standby apparatus.
- b. Limited penetrations for intelligence and preparatory purposes.
- c. Step up subtle sabotage of Soviet bureaucracy and economic machine.
- d. Attack key leaders through "black operations."

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SHORT TERM

2. COMMUNIST CHINA

POLITICAL

- a. Withhold recognition or any diplomatic relationship as long as they support hostilities in Korea and Indo-China.
- b. Press for a unified, independent Korea, not under Communist control.
- c. Block membership in the United Nations.
- d. Seek to drive a wedge in the Moscow-Peiping axis.

MILITARY

- a. If no truce -- defeat Chinese Communist armies in Korea.
- b. Seize Hainan and, if successful, attack one point on the mainland with the Chinese Nationalist forces, successively by 1955.
- c. Tighten blockade of the mainland, using Chinese Nationalist forces.

ECONOMIC

- a. Maintain tight economic blockade during period of hostility.
- b. Tighten restrictions on overseas contributions to Communist China.
- c. Selective and limited preclusive buying.
- d. Prevent acquisition of external assets that improve international trade position.
- e. Dery all strategic materials during belligerency period -- tighten all other materials.

PROPAGANDA

- a. Attack subservience to U.S.S.R. through ridicule -- theme "Mao is puppet."
- b. Restore family and community loyalty.
- c. Point up aggression -- Tibet, Korea, and Indo-China.
- d. Point up isolation from free world because of their own aggression.
- e. Ridicule inability to reduce Chiang Kai Shek and Chinese Nationalists.

COVERT

- a. Establish covert system based largely on Chinese Nationalist and Japanese assets in sequence: intelligence, resistance, guerrilla, sabotage, subversion
- b. Buy off fringe Army commanders.
- c. Develop Third Force Chinese elements.
- d. Discredit Red leaders through "black operations."
- e. Subtle sabotage of bureaucracy and economic system.

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SHORT TERM

3. EUROPEAN SATELLITES, EAST GERMANY,
AND AUSTRIA

POLITICAL

- a. Hamper consolidation of Soviet control over Satellites and keep alive Satellite morale and aspirations for national independence without inciting them to premature or suicidal insurrection.
- b. Maintain diplomatic relations as long as advantages outweigh disadvantages.
- c. Prepared political setting for liberation of Albania.

MILITARY

- a. Build strength on adjacent borders -- Czechoslovakia, Rumania, Bulgaria, Hungary. Pose no threat.
- b. "Recapture" the Baltic by Allied fleet visits.
- c. Maintain naval strength in Mediterranean.
- d. Decry large forces in being in the Satellites.

ECONOMIC

- a. Apply principle of selective sanctions.
- b. Permit large flow of luxury items to drain foreign exchange.
- c. Deny vital strategic materials.
- d. Open trade in items that will reduce reliance of Satellites on Soviets.
- e. Limited and selective preclusive buying.

PROPAGANDA

- a. Stress puppet status of Satellites.
- b. Advocate student and cultural exchange.
- c. Point up restrictive measures, inequality of treatment, destruction of national aspirations.
- d. Abandon attempting to "sell" the United States.
- e. Point information to receptivity of the country receiving it.
- f. Repeat free world readiness to cooperate, as with Yugoslavia.
- g. Indicate Soviet oppression on peoples with progressive free world ideas.

COVERT

- a. Install apparatus in priority: intelligence, resistance, sabotage, subversion, guerrilla.
- b. Sabotage economic system outside the Soviet Bloc.
- c. Incite small scale revolts for propaganda exploitation, carefully timed.
- d. Discredit Red leaders through "black" operations.
- e. Subtle sabotage of Red bureaucracy and economic system.

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SHORT TERM

4. FREE EUROPE -- NORTHWEST AFRICA

POLITICAL

- a. Evacuation of Eastern Germany and Austria by Soviet occupation forces.
- b. Unified Germany, pro-western and rearmed.
- c. Austrian State Treaty.
- d. Reduction of Communist Party strength, particularly in France and Italy.
- e. Adoption of progressive policy by colonial powers with respect to their colonial possessions leading to self-government.
- f. Support European regional institutions, including EDC, unless and until a choice must be made between EDC and a unified Germany.

MILITARY

- a. Set goals for European countries consistent with their capabilities and assessment of the threat. Continue the build-up.
- b. Pursue principle of regional balanced forces as opposed to national balanced forces.
- c. Increase depth of defense to include Spain in regional agreements.
- d. Improve flexibility and adequacy of logistic support.

ECONOMIC

- a. Continue marginal support of economies with emphasis on defense support.
- b. Continue effort to expand European trading system started in Schuman Plan.
- c. Seek substitute sources of materials presently coming from Satellites.

PROPAGANDA

- a. Stress repressions in Satellites as salutary warning.
- b. Point to continued presence of Soviet Armies in Central Europe as bar to peace.
- c. Support vigorous diplomatic front with tailored propaganda for respective areas.
- d. Promote greatest possible number of exchanges with United States.
- e. Ridicule as dupes those "voting Communist."
- f. Keep sense of humor as only convincing approach.

COVERT

- a. Use as base of operations against the Soviet Bloc.
- b. Develop elaborate apparatus, especially in areas that may be over-run.
- c. Develop capability of fomenting civil war in France and Italy in event of Communist victory at the polls.
- d. Ruthless attack on Communist system in France and Italy.

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SHORT TERM

5. MIDDLE EAST -- NORTHEAST AFRICA

POLITICAL

- a. Expand United States activities demonstrating long-term friendship and interest in the area.
- b. Establish a regional planning group looking to the defense of the Middle East, including initially the United States, United Kingdom, and Turkey with an invitation to other area countries to participate and notification to Pakistan.
- c. More formal relations with Israel with emphasis on less open professions of total support.
- d. More direct and indirect pressure for Israeli-Arab settlement of differences.

MILITARY

- a. Immediate steps to establish a MEDO Planning Group; invite Arab State(s) association.
- b. Plan defense of the area.
- c. Consummate bilateral agreements with those nations willing and able to participate in the area and with which we do not already have an agreement.
- d. Maintain high priority of support to Turkey.
- e. Establish safeguards to prevent improper use of military aid furnished them.

ECONOMIC

- a. Expand technical aid at the village level.
- b. Initiate project to restore productivity of Tigris-Euphrates Valley.
- c. Work to diversion of oil profits to research projects beneficial to area:
 - (1) Desalinize sea water.
 - (2) Solar power.
 - (3) Irrigation.
- d. Improve sanitation.
- e. Expand educational facilities.

PROPAGANDA

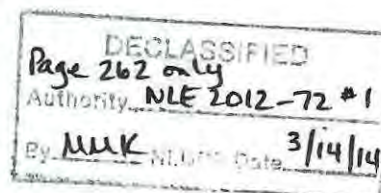
- a. Respect and stress the basic tenets of Muslimism.
- b. Stress repressions under Soviets.
- c. Keep theme simple, stressing provision of wells, schools, health benefits, with emphasis on benefits that can be seen.
- d. Avoid over-commitment to attacks on Communist ideology.
- e. Present basic solidarity of free world.

COVERT

- a. Establish covert apparatus.
- b. Emphasis in Iran on counter to Tudeh party.
- c. Covert attack on control apparatus of Kremlin controlled parties.
- d. Through "black" operations create reaction of disgust and revulsion to Communist aims throughout Islam.

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SHORT TERM

6. SUB-EQUATORIAL AFRICA -- LATIN AMERICA

POLITICAL

- a. Pursue policy of friendship.
- b. Attack Communist apparatus -- press for declarations of illegality.
- c. Support principle of self-government of all dependent peoples. Maintain in a framework of time established by agreement between colonial powers concerned.

MILITARY

- a. Military assistance to maintain internal stability and security.
- b. Where forces are provided for common defense increase degree of assistance (Colombia in Korea and Brazil in World War II).

ECONOMIC

- a. Added assistance at the performance level -- village, county agent.
- b. Development of production areas to replace Satellite contributions to world trade -- coarse grains, timber, coal.
- c. Preclusive buying to prevent critical materials from reaching Soviet Bloc.

PROPAGANDA

- a. Publicize U.S. policies. Publicize results of repressions in Orbit.
- b. Extend distribution of information.
- c. Assist in raising level of education and public hygiene.
- d. Present basic solidarity of free world.

COVERT

- a. Develop apparatus for counter-Communist campaign.
- b. Destruction of Kremlin-controlled apparatus.
- c. Coup d'etat in Guatemala.
- d. Counter activities of Peron agents.



SHORT TERM

7. NORTHEAST ASIA
KOREA

POLITICAL

- a. Establish as objective unified independent, non-communist Korea.
- b. Continue suppression of Communist Party in free Korea.
- c. Press for wider internal political latitude -- deplore one party system.
- d. Establish 10 mile neutral zone at Yalu subject to international inspection with respective governments retaining jurisdiction over national territory.
- e. Include Korea in regional defense pact.

MILITARY

(NO TRUCE)

- a. Build force to inflict sound military defeat on Chinese Communists.
- b. Maintain U.S. forces in Korea as stabilizing influence.
- c. Continue build-up and support of ROK armies.
- d. Press for greater U.N. contributions as evidence of good faith. By-product is wider world support for outright defense against overt aggression.

(TRUCE)

- a. Maintain full U.N. force in Korea until acceptable peace is signed. (Objectives in political are obtained)
- b. Limit peace talks to definite period -- six months maximum.
- c. Renew and extend war under failure of peace talks and so state.
- d. Issue "greater sanctions" statement.

ECONOMIC

- a. Restore Korea to economic self-sufficiency except for heavy military hardware.
- b. Press for establishment of trade relations with Japan.
- c. Extend technical aid in improving agricultural methods -- stress village level.

PROPAGANDA

- a. Play up Korean effort in repelling aggression.
- b. Broaden student, leader, and technician exchange program.
- c. Play Korea as the show piece of the free world against the ramparts of Communist Asia.
- d. Present basic solidarity of the free world.

COVERT

- a. Develop and consolidate apparatus sympathetic to U.S. interests.
- b. Develop machine that can go underground in peacetime to continue fight against Communist apparatus in North Korea.
- c. Support Korean nationalism as device to attain anti-communist unification.



SHORT TERM 7. NORTHEAST ASIA (Continued)
JAPAN

POLITICAL

- a. Press for constitutional changes that will permit re-arming.
- b. Press for outlawing Communist Party.
- c. Continue close ties with Japanese Government.
- d. Press for Japanese inclusion in U.N.
- e. Demand of Russia a peace settlement with Japan.

MILITARY

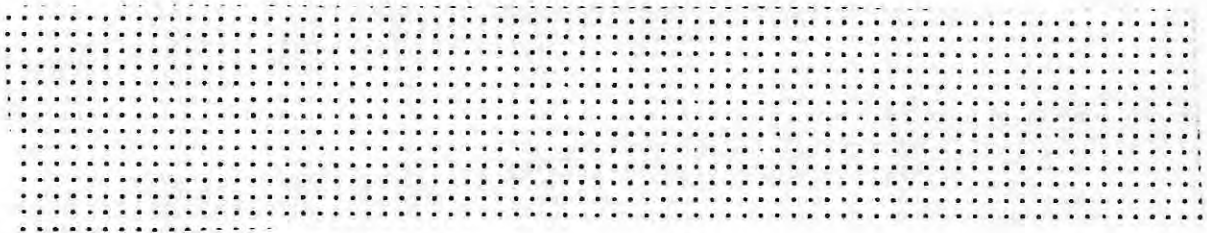
- a. Push development of minimum ten division National Safety force with sea and air forces of appropriate size in point of defense mission involved. Expand Japanese forces when United States forces are withdrawn.

ECONOMIC

- a. Seek trade outlets for Japanese industrial output.
- b. Seek raw material sources for Japanese industry.
- c. Expand technical aid seeking self-sufficiency in food-stuffs.

PROPAGANDA

- a. Stress repressions of Soviets.
- b. Keep prisoners held by Soviets before Japanese people.
- c. Expand student exchange -- make this a two-way street.
- d. Present basic solidarity of free world.



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SHORT TERM

7. NORTHEAST ASIA (Continued)
FORMOSA

POLITICAL

- a. Maintain support of Chiang regime.
- b. Seek support of oversea Chinese for Chiang -- more for effect of denial on Mao.

MILITARY

- a. Require positive military act by Chiang -- against Hainan or mainland.
- b. Build-up naval capability of blockade of mainland.
- c. Build air defense capability.

ECONOMIC

- a. Continue effort to make Formosa self-sufficient except for heavy military hardware.

PROPAGANDA

- a. Play up Chiang's fight for freedom.

COVERT

- a. Develop covert organization for support of Chinese Nationalist seizure of Hainan and preparations for later invasion of the mainland.
- b. Initially, limit penetrations of mainland to espionage, preparatory and propaganda purposes.



SHORT TERM

8. SOUTHEAST ASIA
INDO-CHINA

POLITICAL

- a. Insist on full independence for Indo-Chinese States by February 1954.
- b. Support Indo-Chinese affiliation with French Union, as the best safeguard against Communist encroachment after independence.
- c. Seek admission of Indo-Chinese States into the United Nations.
- d. Inclusion of the Indo-Chinese states in a regional pact involving other states of Southeast Asia and the Southwest Pacific.

MILITARY

- a. Develop increased military force to win outright victory in Indo-China.
- b. Inclusion in mutual defense pact for Pacific area after freedom is attained.

ECONOMIC

- a. Continued economic aid.
- b. Economic reforms within the Indo-Chinese States.
- c. Expanded trade relationships with Asiatic countries -- emphasis on Japan.

PROPAGANDA

- a. Ridicule useless sacrifices of duped Viet Minh.
- b. Conduct subtle campaign against reactionary colonialists in Indo-China.
- c. Emphasize indoctrination of armed forces to assure future loyalty.
- d. Create regional consciousness in Southeast Asia.
- e. Present basic solidarity of the free world.
- f. Promote exchanges with neighboring countries, especially the Philippines.

COVERT

- a. Develop organization to combat Communist apparatus.
- b. Develop stay-behind and guerrilla forces in case of Communist military or political victory.