

POLICY OF THE UNITED STATES TOWARD FORMOSA
(TAIWAN): CONCERN OF THE UNITED STATES RE-
GARDING POSSIBLE CONQUEST BY CHINESE COM-
MUNISTS

Executive Secretariat Files

*Note by the Executive Secretary of the National Security Council
(Souers) to the Council*

NSC 37

[WASHINGTON,] December 1, 1948.

THE STRATEGIC IMPORTANCE OF FORMOSA

Upon the request of the Acting Secretary of State¹ for an appraisal of the strategic implications to U.S. security should Formosa and its immediately adjacent islands, including the Pescadores, come under an administration which is susceptible of exploitation by Kremlin-directed communists, the views of the Joint Chiefs of Staff on the subject were obtained and are circulated herewith for the information of the National Security Council.

SIDNEY W. SOUERS

[Annex]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense
(Forrestal)*

WASHINGTON, 24 November 1948.

Subject: Strategic Importance of Formosa.

In accordance with the memorandum from your office dated 8 November 1948, the Joint Chiefs of Staff have considered the memorandum attached thereto from the Executive Secretary of the National Security Council in which an appraisal by the Joint Chiefs of Staff is requested as to the strategic implications to the security of the United States should Formosa and its immediately adjacent islands come under an administration which would be susceptible to exploitation by Kremlin-directed Communists.

¹ Robert A. Lovett.

The Joint Chiefs of Staff are of the opinion that, under the assumption set forth above, the strategic implications to the security of the United States would be seriously unfavorable.

Since the basic assumption could in all probability become valid only if we have been unable to prevent China itself from becoming largely Communist-controlled, the strategically valuable areas of that country, including air base sites, harbors and coastal railroad terminals, would have little utility to the United States in the event of war. This would enhance, from the strategic viewpoint, the potential value to the United States of Formosa as a wartime base capable of use for staging of troops, strategic air operations and control of adjacent shipping routes.

Unfriendly control of Formosa and its immediately adjacent islands would be of even greater strategic significance. Unless Formosa can be denied to Kremlin-directed exploitation, we must expect, in the event of war, an enemy capability of dominating to his advantage and our disadvantage the sea routes between Japan and the Malay area, together with a greatly improved enemy capability of extending his control to the Ryukyus and the Philippines, either of which could produce strategic consequences very seriously detrimental to our national security. In the latter connection, it should be noted that the distinct possibility of unfriendly control of Formosa makes it even more essential that strategic control of the Ryukyus, as previously recommended by the Joint Chiefs of Staff, remain in United States hands.

An additional strategic implication of importance rests in the fact that Formosa is capable of serving as a major source of food and other materials for Japan, a source that would, of course, be denied under the assumed conditions. This in turn could quite possibly be a decisive factor as to whether Japan would prove to be more of a liability than a potential asset under war conditions.

Based upon the foregoing, the Joint Chiefs of Staff believe that it will be most valuable to our national security interests if, in spite of the current Chinese situation and its obvious trends, Communist domination of Formosa can be denied by the application of such diplomatic and economic steps as may be appropriate to insure a Formosan administration friendly to the United States.

For the Joint Chiefs of Staff :

WILLIAM D. LEAHY

Fleet Admiral, U.S. Navy

Chief of Staff to the

Commander in Chief of the Armed Forces

894A.00/1-649

Memorandum of Conversation, by the Counselor of Embassy in the Philippines (Flexer²)³

[Tokyo, December 7, 1948.]

Mr. Sebald⁴ had opportunity to present the personal letter,⁵ which Mr. Kennan⁶ had addressed to General MacArthur,⁷ at a private conversation with the latter on the evening of December 6, 1948, the day of my arrival at Tokyo. SCAP opened and read the said letter in Mr. Sebald's presence but did not reveal the contents to the latter beyond remarking that it left him at sea regarding the purpose of my unannounced visit to Japan. My reception was arranged for the following morning, December 7. Mr. Sebald accompanied me to headquarters at the arranged time and left me alone with the General when the presentations had been made.

The General was informed of the desire of a certain few of the high policy-making officers of the Department to have the benefit of his frank personal views upon the potential effects upon our defense plans in the western Pacific, in view of the cessation of effective opposition to the advance of the Communist armies in North China, of the possible passage of the government in Formosa to the Communists or to a group dominated by or subservient to the Communists. For background, I sketched briefly my understanding of the then-current political situation in Formosa, as hastily gathered before emplaning for Tokyo, but without mention of exploratory thoughts upon our position should Dr. Wei Tao-Ming⁸ (or General Sun Li-jen⁹) declare Formosan autonomy or ask to be taken under the wing of the United Nations upon Chiang's¹⁰ fall.

General MacArthur needed no urging. The subject evidently is close to his heart and mind.

From the strategic standpoint, he said vehemently, to permit the access of an unfriendly power to Formosa would be to invite rupture of our whole defense line in the Far East. Our Okinawan spearhead

² Fayette J. Flexer, Counselor of Embassy in the Philippines en route to the United States for assignment to the Department.

³ Copy transmitted by the Director of the Office of Far Eastern Affairs (Butterworth) to the Acting Secretary of State on January 6, 1949.

⁴ William J. Sebald, Acting Political Adviser in Japan.

⁵ Not found in Department of State files.

⁶ George F. Kennan, Director of the Policy Planning Staff.

⁷ Supreme Commander, Allied Powers in Japan (SCAP) and Commander in Chief, Far East (CinCPE).

⁸ Chinese Governor of Taiwan.

⁹ Commander in Chief of the Chinese Army Training Headquarters on Taiwan.

¹⁰ Generalissimo Chiang Kai-shek, President of the Republic of China.

would be under immediate and constant threat and would be untenable or dangerously undependable.*

SCAP sketched our line of defense: Dutch Harbor—Ryukyus (Okinawa)—Marianas (Guam—Saipan), with the Philippines (Clark Field—Fort Stotsenberg) as an auxiliary base (Note that the military usage of Japan was not suggested). With its most easterly war plants concentrated in the Urals and with its dependence for transport placed in a single-track Trans-Siberian railway, Russia, he said could not have mounted an amphibious offensive through that line within 50 years from ports within its proper territory.

The situation was changed for the worse—from the point of view of United States strategy—when Manchuria fell to the Communists and is further progressively worsening as the Communists advance down the coast of China, thus endangering the entire “left” of the line.

Adequately developed, equipped and manned, the Okinawa base itself, by the use of air power alone, could keep inoperable any air fields in eastern Asia from Vladivostok to Shanghai and could accomplish the destruction of any amphibious forces which might be embarked at ports along that coastal strip. However, SCAP strongly states, Okinawa is not being developed, aircraft are being withdrawn despite his remonstrances, ground forces are negligible. Now, assuming pursuit of the Communist advance southward from the Yangtze Kiang or the passage otherwise of South China (with Formosa) into Communist control, the advantages are about to go over to the potential adversary.

Of course, SCAP emphasized with what seemed to touch upon bitterness, if the United States has no intention of developing and holding on to its position on Okinawa, our present concern for Formosa would appear to be misplaced. He said that repeated strong recommendations to the Pentagon concerning the situation in the Pacific had been fruitless. He had even had improperly to make use of Japanese materials and resources for necessary air-field construction for which funds were not forthcoming from Washington; housing of military dependents was deficient and deplorable, contributing to the general dissatisfaction of personnel with the station. Naval forces in the Far East had been weakened dangerously; a bomber group was even then in the process of withdrawal from Okinawa for European service and a force of fighters from Guam was being transferred to the Canal Zone;

*Northeastern Chekiang Province, on the mainland, likewise would seem to offer a threat to Okinawa and the Ryukyus from the air, being only little more distant therefrom than is Formosa.

There are some 50 paved air-strips on Formosa, of which the four largest have 5000-foot runways. The harbor and naval base at Takao in southwestern Formosa is said to have easily sheltered the whole Japanese fleet on occasion. [Footnote in the source text.]

altogether, the fighting strength in the Pacific was less than on the day of Pearl Harbor.

While the Pentagon came in for most criticism for restricting its foreign outlook to the European situation, SCAP does not clear State from responsibility for allegedly holding over decision upon the future political status of Okinawa, thus delaying outlays for the island's military development (I remain impressed that SCAP's opinion comes from a hectographed paper—possibly of JCS origin—dated later than the NSC document of October, 1948¹¹).

It is to be noted that SCAP expressed no thought of necessity or desirability of establishing United States bases on Formosa. His concern, like State's, is that Russia (and presumably any other non-Chinese foreign power) shall not be permitted to establish itself on or to have the usage of the facilities of that island.

It is also to be noted that we are all indulging the assumption that a Communist-dominated government in China automatically would invite the USSR to base military activities upon Chinese territory. Does this necessarily follow?

F[AYETTE] J. F[LEXER]

893.50 Recovery/1-1449

Memorandum by the Acting Secretary of State to President Truman

WASHINGTON, January 14, 1949.

Subject: U.S. Armed Forces at Tsingtao; Problem of Formosa

The Department of State recommends, in accordance with the decision of the National Security Council on December 24, 1948,¹² subsequently approved by the President, that Admiral Badger¹³ be instructed to base aboard ship the U.S. Armed Forces at Tsingtao before the termination of the withdrawal of the Chinese Naval Training Corps and the Chinese Naval Academy from Tsingtao and that he be authorized temporarily to retain ashore the recreational facilities now being used by his command.

The Department of State also recommends the implementation of the decision of the National Security Council on December 24, 1948, subsequently approved by the President, that the existing program for training units of the Chinese Navy should be suspended upon the removal of the Chinese naval training activities from Tsingtao and

¹¹ NSC 13/2, October 7, 1948, regarding United States policy toward Japan, *Foreign Relations*, 1948, vol. VI, p. 858.

¹² NSC 11/3, not printed; substance contained in telegram No. 1895, December 28, 1948, to the Ambassador in China, *Foreign Relations*, 1948, vol. VIII, p. 344.

¹³ Vice Adm. Oscar C. Badger, Commander, U.S. Naval Forces, Western Pacific.

should not be reestablished at this time either on Taiwan or at Amoy. This recommendation is based upon the following considerations:

1. The Department of State concurs in the Joint Chiefs of Staff conclusion that it is in our strategic interest that Formosa be denied to communists.

2. The communist threat to Formosa does not lie in amphibious invasion from the mainland. It lies in (a) the classic communist technique of infiltration, agitation and mass revolt, and (b) the classic Chinese technique of a deal at the top.

3. The dispatch of U.S. naval vessels and Marines to Formosa is not likely to prove effective in countering these techniques. A show of American military strength in this manner is more likely to provide Formosan fuel for the communist fire and rally public opinion behind the Chinese Communists on the mainland.

In the light of the Joint Chiefs of Staff conclusion that political and economic measures should be taken to deny Formosa to the communists, the Department has prepared a paper on this subject¹⁴ which is now under consideration in the National Security Council. It should be noted that U.S. military aid supplies are being diverted to Formosa and that the Chinese Air Force and Navy are establishing their headquarters on the island. These actions, together with the evacuation of the families and effects of important Government officials to Formosa, indicate that the Chinese Government is building up the island as a bastion to which it may withdraw from the mainland.

Should the Chinese Communists attempt to gain control of the island by forceful means contrary to the wishes of the Formosan people, or if the Formosans themselves should revolt against their Chinese rulers, justification would exist for action by the United Nations both on the grounds that the situation represented a threat to peace and on the basis of the *de facto* status of Formosa. The Indonesian case would afford some useful parallels from the United Nations point of view. Intervention by the United Nations might be requested by the Australian or the Philippine Governments with a view to arranging for a plebiscite to determine the wishes of the Formosan people.

The Department of State fully recognizes that it may be necessary at some stage for the United States to take military action if Formosa is to be denied to the communists. It strongly believes that for political reasons, internally in Formosa and internationally, the United States should go to great lengths to avoid crude unilateral intervention. But that time is not yet upon us. The United States has not exhausted all of the political possibilities. It may still be able to foster a Chinese non-communist local government which will itself successfully deny Formosa to the communists.

¹⁴ See NSC 37/1, January 19, p. 270.

Meanwhile, the United States should, as it is now doing, prepare for the failure of the above contingency and put itself in a position to intervene with force if necessary. Such intervention should be publicly based not on obvious American strategic interests but on principles which are likely to have support in the international community, mainly the principle of self-determination of the Formosan people.

This involves the fostering of a Formosan autonomy movement which can be called into full action should it become evident that the Chinese regime on the island is unlikely to be able to deny the island to the communists.

In the light of the foregoing, the Department of State recommends that the Joint Chiefs of Staff be requested to reach a decision, in the event that the United States is unsuccessful by political and economic means in preventing Formosa from falling under communist control, whether they regard Formosa as sufficiently vital to the United States national interest that they would be prepared to advocate that the United States go to war to prevent such a development.

ROBERT A. LOVETT

893.50 Recovery/1-1449

Memorandum by the Acting Secretary of State to President Truman

WASHINGTON, January 14, 1949.

Subject: Industrial Replacement and Reconstruction Program for Formosa

The Economic Cooperation Administration has suspended procurement authorization for all industrial replacement and reconstruction projects under its China aid program. In view of the strategic importance of Formosa to the United States and its physical separation from the area of conflict, the Department of State recommends the reconsideration of this decision insofar as it affects Formosa.

ROBERT A. LOVETT

894A.01/1-1549 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, January 15, 1949—7 a. m.

[Received January 16—11:23 a. m.]

14. Re Deptel 2, January 7¹⁵ and Embassy telegram 89, January 12.¹⁶ There was never any intention despite unintended implica-

¹⁵ *Post*, p. 1214.

¹⁶ *Post*, p. 1215.

tion last paragraph take action proposed my 6¹⁷ at "this juncture". Action proposed if the suggestion in Embtel 4¹⁸ that Generalissimo would make Taiwan last stand and use it as a base materialized. In this case I consider danger most likely.

Realize Embassy and Department have sources of military information not available to me but feel I must in view seriousness express my strong personal opinion as to certain factors.

1. Chinese forces are of course sufficient cope with natives but whether forces would or could protect Americans against violent native reaction against US highly doubtful. Also consider that even if we still support Generalissimo here we are not going to be popular with at least Chinese military and have too often seen xenophobia aided and abetted these gentry to take this lightly. These factors are developing right this moment. Chinese army officers getting tough with local labor unloading munitions from US Naval vessels has added fuel to the flames of discussion of that operation.

2. As I constantly stress, we are dealing with a people with long history of unreasoned violence who rightly or wrongly will blame us for what happens here. Chen Cheng's¹⁹ treatment of the people in Wuhan²⁰ cities after VJ Day should warn us of his probable course here.

3. Studying record I conclude that Chen is one of the few generals who could be depended on to stick with Generalissimo to last ditch, hence I cannot believe Formosa would be handed over to a Chinese Government excluding Generalissimo. Army personnel closely associated with Chen are arriving here constantly, the latest General Hsueh Yo, former CinC²¹ ninth war area.

4. I am sure Wei and Sun Li-jen were skeptical reliability Chinese Navy and CAF²² and Australian general officer of high reputation familiar with latter has same opinion. This general officer also believes that although it should not be possible that in present circumstances it is feasible for Communists successfully acquire shipping and attack island. These considerations inspired mytel 93, December 8²³ regarding naval surveillance Taiwan waters. Embtel 2517²⁴ stating this seemed inadvisable apparently misunderstanding my intention which was not that navy become involved or enter territorial waters but merely that we should know what goes on in Formosa channel. Regard-

¹⁷ January 6, 3 p. m., p. 1212.

¹⁸ Not printed.

¹⁹ Governor of Taiwan in succession to Wei Tao-ming.

²⁰ Wuchang, Hankow, Hanyang.

²¹ Commander in chief.

²² Chinese Air Force.

²³ *Foreign Relations*, 1948, vol. VIII, p. 227.

²⁴ December 15, 1948, *ibid.*, p. 230.

ing munitions brought here, the men who will use them are the same inept group as in China with presumably the same top direction. This connection draw attention previous reports weakness Fukien and incompetence of CinC General Li there.

5. Informed government officer here says Chen Cheng will shortly be named CinC southeast bandits [*sic*] suppress Communists and indicating active action against Communists. My initial talk Chen and other reports support this.

6. Would seem me large wealth here and being poured in would certainly tempt Communists try to get before Generalissimo can get dug in. Communists must also be aware legal status island until Jap treaty. Seems me overwhelming advantage *de facto* possession island at time of treaty. Would also seem to hit Soviet aims.

7. To sum up, island seems safe for time being and time being only and that time may run out quickly. Except in extreme [garbled group] will of course consult before action.

Solely to help evaluation, wish say that I have consciously reported only very informed sources and anything else is plainly labeled as rumor.

Repeated Nanking as 11.

KRENTZ

894A.00/1-1849

Memorandum of Conversation, by the Deputy Director of the Office of Far Eastern Affairs (Allison)

[WASHINGTON,] January 18, 1949.

During the course of an interview on another matter Mr. Daridan²⁵ raised the question of the future status of Formosa in the event that all of China became Communist-dominated. He expressed the opinion that if China should become Communist he could not see why Formosa should necessarily remain Chinese. He said that according to information he had received a Formosan Emancipation League had recently published a pamphlet in Tokyo looking toward an autonomous movement in Formosa, and he wondered whether or not we had any definite information regarding this matter. I told him that we did know of the existence of this so-called Formosan Emancipation League in Japan, but that we did not have any great detail regarding it. Mr. Daridan stated that the problem of Formosa raised many complicated legal and practical problems and he himself had been toying with the possibility of the creation at an appropriate time of an inde-

²⁵ Jean Daridan, Counselor of the French Embassy.

pendent Formosa. I merely agreed with him that the problem of Formosa was complicated and that obviously the nations concerned would have to give considerable thought to it, but stated that so far as I was personally concerned I did not see exactly what the solution might be.

893.50 Recovery/1-1949

*The Administrator of the Economic Cooperation Administration
(Hoffman) to the Acting Secretary of State*

WASHINGTON, January 19, 1949.

DEAR MR. LOVETT: The Economic Cooperation Administration in consultation with the Chinese Government made tentative allocations for reconstruction and replacement projects on Taiwan, as shown on the attached table.²⁶ Preliminary engineering work is under way on all but one or two of these projects.

I should very much appreciate an indication of your views as to whether ECA might appropriately proceed with actual procurement on all or some of these projects, such procurement to be undertaken in each case after completion of the pre-project engineering with respect thereto.

Sincerely yours,

PAUL G. HOFFMAN

Executive Secretariat Files

*Note by the Executive Secretary of the National Security Council
(Souers) to the Council*

NSC 37/1

[WASHINGTON,] January 19, 1949.

THE POSITION OF THE UNITED STATES WITH RESPECT TO FORMOSA

The enclosed draft report on the subject, prepared in the Department of State, is submitted herewith at the request of the Acting Secretary of State for consideration by the National Security Council.

With reference to NSC Action No. 169,²⁷ Mr. Lovett requested that instead of following the normal working staff procedure in this case, the paper prepared in the Department of State be placed on the agenda for a future meeting of the Council. Mr. Lovett said that, when it came

²⁶ Not printed; tentative allocations totaled \$14,125,000.

²⁷ On January 6 the National Security Council directed its staff to prepare as a matter of urgency a report for consideration by the Council on the position of the United States with respect to Formosa, taking into consideration the discussion at the meeting, the views of the Joint Chiefs of Staff in NSC 37, and the proposals by the Army and Navy, and the forthcoming comments thereon by the Department of State.

up for discussion there would be an oral amplification of the views set forth in the enclosure.

Mr. Lovett also said he would recommend that the new Secretary of State²⁸ communicate with the Executive Secretary regarding the date of a Council meeting at which this problem could be discussed.

It is recommended that, if the Council adopts the enclosed report, it be submitted to the President with the recommendation that he approve the conclusions contained therein and direct that they be implemented by all appropriate executive departments and agencies of the U.S. Government under the coordination of the Secretary of State.

SIDNEY W. SOUERS
Executive Secretary

[Annex]

Draft Report by the National Security Council on the Position of the United States With Respect to Formosa

[WASHINGTON,] January 19, 1949.

THE PROBLEM

1. To determine U.S. policy with respect to Formosa and the Pescadores.

ANALYSIS

2. The Joint Chiefs of Staff concluded in NSC 37²⁹ that it would be in the interest of U.S. national security if Communist domination of Formosa could be denied by the application of appropriate diplomatic and economic steps. The Department of State associates itself with the general sense of this conclusion.

3. The present legal status of Formosa and the Pescadores is that they are a portion of the Japanese Empire awaiting final disposition by a treaty of peace. The U.S. position regarding the status of the islands is qualified by the Cairo Declaration by the Chiefs of State of the U.S., U.K. and China³⁰ and the policy which the U.S. has followed since V-J Day of facilitating and recognizing Chinese *de facto* control over the islands.

4. The elements involved in the Formosan situation are:

- (a) the indigenous population;
- (b) the ruling Chinese class from the mainland; and
- (c) the Communists.

²⁸ Dean Acheson.

²⁹ Dated December 1, 1948, p. 261.

³⁰ *Foreign Relations, The Conferences at Cairo and Tehran, 1943*, p. 448.

5. The indigenous population has a strong sense of regional autonomy stemming back to the nineteenth century when Formosa was independent. The Formosans are anti-Chinese, as well as anti-Japanese, and would welcome independence under the protection of the U.S. or the UN. But the indigenous population is without political experience, organization or strong leadership. The Japanese prevented the development of native political life and the Chinese liquidated most of the developing native leaders in the abortive revolt of 1947. At least one small group of Formosan autonomists of dubious quality is known to exist now on the islands. The present refugee Formosan group in Hong Kong and on the mainland is vocal but small and incapable of organizing by itself a successful revolution on its home islands.

6. The ruling Chinese class in Formosa has since V-J Day displayed a genius for mis-government. However, the present Governor of Formosa, General Chen Cheng, may be able to develop a stable non-Communist Government over the islands. But this is by no means certain. The greatest obstacle to his accomplishing this is the influx of refugee politicians and militarists from the mainland—many of them men whose gross incompetence has played into the hands of the Communists in China. The arrival of the Generalissimo, who seems intent upon building up Formosa as his final stronghold, would be particularly unsettling locally.

7. The Communists in the islands are now a weak, small group. There would seem to be two methods through which they might eventually obtain control over the islands. One is through infiltration and organization not only of the native population but also of the Chinese armed forces on the islands. The other is through a deal whereby the Communist-dominated successor government on the mainland successfully negotiated with the Chinese regime on Formosa for a take-over.

8. Alternative courses of action which the U.S. might pursue with regard to Formosa and the Pescadores are:

(a) To occupy the islands under the terms of the Japanese surrender³¹ either through negotiations with the National Government or by direct action after the collapse of that Government. It is unlikely that the Nationalists would negotiate any such transfer. Whether or not direct action encountered Chinese armed resistance on the islands, there is no doubt that it would galvanize all mainland Chinese opinion in support of the Communists, the very thing we must avoid if our political warfare is to have any degree of success in China. And no matter how earnest our protestations of good faith, such a move would be cynically viewed by the international community and might very well lead to a case being brought against us in the Security Council by China, which would be politically exceedingly damaging to us.

³¹ September 2, 1945, Department of State *Bulletin*, September 9, 1945, p. 364.

(b) To negotiate an agreement with the National Government providing for U.S. extra-territorial and base rights in Formosa. While the National Government might be willing to grant the U.S. base rights in Formosa, it would probably do so only *in extremis* for the purpose of obtaining U.S. assistance in maintaining its hold on the island. It is, however, doubtful that it would even in its present extremity grant the restoration of extra-territoriality in view of the fact that every Chinese regime for several decades has sought to abolish such special privileges for foreigners in China and since these privileges were relinquished by foreign powers so recently, the U.S. having taken the lead in negotiations to that end resulting in the Sino-American Treaty of 1943 for the Relinquishment of Extra-Territorial Rights and Related Matters.³² Any successor government of any complexion would probably cancel treaty rights of both these categories and would eventually probably be supported in the UN. In any event, such concessions would be an illusory defense against Communist capture of power through either penetration or a deal. Military bases are not a sovereign remedy against Communist infection in a foreign country. As often as not they are an aggravating factor. U.S. national interests would only be served by Formosa's being controlled by a government not friendly to the USSR.

Also, as in (a) above, the Communists would be able to exploit the granting of bases to the U.S. in Formosa to rally public support of mainland Chinese to themselves with the result that the U.S. position on the mainland would be jeopardized.

(c) To support on Formosa the National Government or a rump thereof *as the recognized Government of China*. This would increase risks of immediate local instability, provide the most fertile environment for the growth of Communism, greatly complicate our position on the mainland and hamstringing our tactical flexibility toward China Proper.

(d) To support continued *local* non-Communist Chinese control, using our influence wherever possible to discourage the use of Formosa as a refuge for National Government remnants. Working against efforts to prevent an influx of these remnants is the increasing tendency of a great many Kuomintang officials and their families to seek refuge on the island. Furthermore, the Generalissimo has recently appointed as governor a general personally loyal to him and there are ample indications that the Generalissimo is building up the island as a fortress to which he may eventually repair. However, support of local non-Communist control in Formosa would permit greater freedom of U.S. action in China, although it would involve considerable risks of failure through several factors. An important factor is that which has contributed so to our inability to bring positive influence to bear effectively in China—our lack of a counter-force in hand, an alternative to the National Government leaders which we could use as a pressure to influence Nationalist policy and administration. Lacking such a force we may find that the Chinese would continue to ignore

³² Signed at Washington, January 11, 1943, Department of State Treaty Series No. 984, or 57 Stat. (pt. 2) 767.

our recommendations and endeavor to blackmail us with their indispensability in preventing Communist control of the island. Other factors would be the danger of a turn-over to any coalition government that might be formed on the mainland and the possibility of Communist infiltration of the Chinese armed forces on Formosa.

9. The U.S. cannot leave out of account the Formosan people and their strong resentment of Chinese rule arising from Chinese maladministration and repression. Formosan discontent provides possible material for Communist infiltration and exploitation and the U.S. should be prepared to make use of a Formosan autonomous movement if and when it appears desirable in the U.S. national interest to do so.

CONCLUSIONS

10. The basic aim of the U.S. should be to deny Formosa and the Pescadores to the Communists. The most practical means for accomplishing this at the present time is by isolating those islands from the mainland of China without ourselves taking any open unilateral responsibility for them or power over them.

11. It is apparent from what has been said in the brief analysis that in seeking to achieve this aim our choice of courses of action with regard to Formosa and the Pescadores is much the same as in many other areas of Asia—the choice is not between satisfactory and unsatisfactory courses of action but rather of the least of several evils or an amalgam of the lesser of them.

Given the uncertainties of the Formosan situation, we should maintain a wide latitude of flexibility in our position.

12. When the situation in China has developed to the point where we know what governing groups we will have to deal with in Formosa, the U.S. should seek to develop and support a local non-Communist Chinese regime which will provide at least a modicum of decent government for the islands. We should also use our influence wherever possible to discourage the further influx of mainland Chinese. The U.S. should also seek discreetly to maintain contact with potential native Formosan leaders with a view at some future date to being able to make use of a Formosan autonomous movement should it appear to be in the U.S. national interest to do so.

13. This Government should make it discreetly plain to the governing authority on Formosa that :

(a) The U.S. has no desire to see chaos on the mainland spread to Formosa and the Pescadores ;

(b) The U.S. has not been impressed by Chinese administration on the islands and believes that if there is continued misrule the Chinese authorities would inevitably forfeit the support of world opinion which might be expected to swing in favor of Formosan autonomy;

(c) U.S. support for the governing authorities of Formosa will inevitably depend in a large measure upon the efficiency of their regime and the extent to which they are able to contribute toward the welfare and economic needs of the Formosan people and permit and encourage active Formosan participation in positions of responsibility in Government.

(d) The U.S. cannot remain unconcerned over possible developments arising from the influx of large numbers of refugees from the mainland and the consequent effects, including the increasing burden on the island's economy, and is disturbed at the indication of the Chinese belief that the building up of military strength on Formosa will in itself provide an effective barrier to Communist penetration;

(e) The U.S. expects that the lessons to be drawn from developments on the mainland and from previous Formosan reactions to Chinese rule will not be overlooked by the Chinese authorities in dealing with the problems of the island and with the Formosan people.

893.00/1-2149 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*³³

WASHINGTON, January 22, 1949—3 p. m.

84. Dept would appreciate your obtaining from JUSMAG³⁴ (your 183 Jan 21³⁵) more detailed info. re disposition US milit equipment landed Formosa.

ACHESON

893.00/1-2549 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, January 25, 1949—noon.

[Received January 25—9:51 a. m.]

204. Chief³⁶ JUSMAG informs us, your 84, January 22, that JUSMAG loses control equipment when Chinese take physical delivery and has no knowledge its subsequent disposal.

Sent Department 204, repeated Taipei 13.

STUART

³³ Repeated to the Consul General at Taipei as No. 5.

³⁴ Joint U.S. Military Advisory Group.

³⁵ Vol. VIII, "Political and military situation in China", chapter I.

³⁶ Maj. Gen. David G. Barr.

893.00/1-2649 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, January 26, 1949—4 p. m.

[Received January 26—1:37 p. m.]

20. Reurtel 5.⁴⁰ Majority US military equipment remains Keelung dock but local government making effort disperse through island. Railways choked with unloaded cars. No sign plans reship mainland. Repeated Nanking as 17.

KRENTZ

894A.01/1-2649 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, January 26, 1949—9 p. m.

[Received January 27—12:01 a. m.]

263. Joshua Liao, Formosan Re-emancipation League leader, (mytel 2449, November 17 to Department,⁴¹ repeated Nanking 1855) has again approached Consul General. Expressing concern over reported recent arrival Taiwan of American military equipment, Liao protested against further American aid serving to "facilitate oppression" Taiwanese by Central Government "SS troops" and voiced appeal that US assist or at least remain neutral toward "spontaneous" Taiwanese revolt which Liao professed to expect near future. Also stressed his hope following the revolt American army units in Formosa would assist in disarming Government forces.

Liao claimed natives well armed and trained and sure of success "this time". Intimated that revolt would likely start upon fall of Nanking taking open underground form (sabotage and assassination) depending on revolutionaries' strength. He implied he himself would prefer await establishment new Chinese Nationalist coalition government before making decision to launch revolt but that some of his associates were growing restive. He insisted that revolt will be neither anti-American nor Communist inspired.

Liao admitted knowledge Nationalists have 6 divisions in Formosa. View this admission and of other remarks, it is suspected that he may envisage "success" in terms less of military victory than of world dramatization of his people's predicament which will gain attention and sympathy of UN.⁴²

⁴⁰ See footnote 33, p. 275.⁴¹ *Foreign Relations, 1948, China*, vol. VII, p. 585.⁴² United Nations.

Sent Nanking 202, repeated Department, Taipei 13, pouched Hong Kong.

CABOT

893.00/1-2749 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, January 27, 1949—11 a. m.
[Received January 27—2: 17 a. m.]

21. Remytel 20 to Department,⁴³ 17 to Embassy, Nanking. General Pan, local SOS⁴⁴ officer in charge, says one-third transshipped to mainland ports, third dispersed on island, third still Keelung.

Repeated Nanking as 18.

KRENTZ

894A.00/1-2749 : Telegram

*The Consul General at Hong Kong (Hopper) to the Secretary of State*⁴⁵

HONG KONG, January 27, 1949—11 a. m.
[Received 5:55 a. m.]

20. Formosan League reports receipt urgent reports from leaders Taiwan asserting uprising imminent owing determination Formosans to forestall further development island as Kmt⁴⁶ stronghold in face present Nanking crisis. Liao sending Philip Huang to Taiwan by air January 28 to investigate and attempt defer plans for uprising, immediate approval of which now sought by FLR⁴⁷ leaders on island. Liao anxious for information Department's attitude particularly if uprising occurs and whether possible SCAP intervene maintain order and take over control from Chinese. Asserts Communists now very active spreading rumors and increasing popular unrest and predicts Communists will participate in and attempt seize control uprising. Says FLR will do utmost prevent such control and to combat violent anti-US propaganda now featured by Communists.

As Liao frequently in past has suggested fall Nanking suitable moment for uprising, possibly disorders Formosa are imminent.

HOPPER

⁴³ January 26, 4 p. m., p. 276.

⁴⁴ Services of Supply.

⁴⁵ Repeated by the Department to the Consul General at Taipei as telegram No. 8, January 28, 3 p. m.

⁴⁶ Kuomintang (Nationalist Party).

⁴⁷ Formosa League for Re-emancipation.

893.00/1-2849: Telegram

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

TOKYO, January 28, 1949.

[Received January 28—3:39 a. m.]

33. Reur 26, January 26.⁴⁸ General MacArthur will be glad to cooperate fully with Department's desires as suggested in reference telegram.

Reur 27, January 27.⁴⁸ Krentz request just received but as plane under JUSMAG control, Barr requested by priority radio give necessary authorization direct Consulate General, Taipei.

SEBALD

893.50 Recovery/1-1949

The Under Secretary of State (Webb) to the Administrator of the Economic Cooperation Administration (Hoffman)

WASHINGTON, January 31, 1949.

MY DEAR MR. HOFFMAN: I refer to your letter of January 19, 1949 to Mr. Lovett in which you requested his views as to whether ECA might appropriately proceed with actual procurement on all or some of the reconstruction and replacement projects on Taiwan as indicated on a table attached thereto. It is the Department's view that it would be desirable for ECA to undertake procurement for such of the projects on Taiwan as are approved by ECA after completion of necessary engineering surveys.

Sincerely yours,

JAMES E. WEBB

894A.01/2-249: Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, February 2, 1949—4 p. m.

[Received 10:15 p. m.]

27. At Governor's request with his wife as interpreter, had 2-hour conversation largely economic affairs, et cetera, but several significant remarks. Said "I will not allow a Communist or a coalition government or any other mainland government take over here; I will need your experience, help and that of US enable me do best for people's welfare. Hope you can spare time frequent visits.[""] Said [""]if an autonomous people's government can be built up, and I will try to

⁴⁸ Not printed.

build, I would be happy to assume role of private citizen.["] Discussing Chiang,⁴⁹ said ["]latter most despondent, under better times, other circumstances might resume leading role but not now as 'not for the welfare of the people'. Taiwan must be seed bed for a new China; many good people have come here; they will be utilized; many bad, who will be rigidly controlled. Hu Shih⁵⁰ has consented come here advise me."

Conversation generously interlarded flattery or with oft-reiterated theme, "We need much advice and help from US. It is a shame we mis-managed US aid but I promise better results here."

Said I probably had heard he was making many new appointments, that he had so contemplated but had changed mind as he found most present officers good men.

Chen's wife highly intelligent. Believe highly influential. I suggest consult biographical data her background. Chen is most typically old school, she is not.

Sent Department 27; repeated Nanking 22.

KRENTZ

Executive Secretariat Files

*Memorandum by the Director of the Office of Far Eastern Affairs
(Butterworth) to the Secretary of State*

[WASHINGTON,] February 2, 1949.

Since the preparation and submission to the National Security Council of the Department's paper entitled "The Position of the United States with respect to Formosa", contained in NSC 37/1 of January 19, 1949 (Tab A), further reports have been received from U.S. official sources in China bearing upon the conclusions of the Joint Chiefs of Staff concerning the strategic importance of Formosa and their belief that it would be important to U.S. national security interests if Communist domination of Formosa could be denied by diplomatic and economic steps.

Ambassador Stuart reports in his despatch no. 11 of January 10, 1949⁵¹ (received on January 26) as follows: "Communists are infiltrating into these armed forces (the Chinese Air Force and Navy on Formosa) and the laboring classes. They have some airplanes and may have more with further desertions. His (the Generalissimo's) sea-girt stronghold is therefore by no means impregnable."

⁴⁹ Generalissimo Chiang retired as President on January 21 in favor of Vice President Li Tsung-jen as Acting President.

⁵⁰ Former Chinese Ambassador to the United States and Chancellor of National Peking University.

⁵¹ Missing from Department of State files.

In a telegram dated January 26, 1949⁵² General Barr expresses the opinion that "should the Chinese Air Force and Navy remain loyal to the Generalissimo, which is doubtful, and should they really fight, which they have not done in the past, he should be able to hold Taiwan for some time."

In a telegram dated January 28⁵³ Consul General Cabot at Shanghai reports that General Barr has expressed serious doubts that Formosa could be held with the Chinese Air Force and Navy in their present state of inefficiency. He further reports that Mayor Wu of Shanghai in reply to General Barr's question stated that the Chinese felt reasonably confident of the loyalty of the Air Force and Navy but admitted that there was considerable Communist agitation among the crews of merchant ships and agreed that disparities between Chinese Army and Air Force pay should be lessened.

The foregoing reports point to the possibility that the application of diplomatic and economic measures suggested by the Joint Chiefs of Staff may not succeed in preventing Communist domination of Formosa.

S94A.01/2-349 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, February 3, 1949—10 a. m.
[Received February 3—4:35 a. m.]

30. ReDeptel 8⁵⁴ and Shanghai 263.⁵⁵ Believe analysis last paragraph latter telegram close to mark.

FLR small influence and other groups disunified. Suspect all of them hope to force outside action by exaggeration.

However, some evidence organization sabotage plus demonstrations to provoke retaliation upon which latter I spoke forcibly to those concerned.

My staff, missionaries, et cetera, traveling [on] island see no signs popular feeling except where provoked by small clashes which must increase.

Leadership is so compounded of patriotism, irresponsibility and greed as give doubt effectiveness beyond flash in pan. Korean history closest parallel.

Cannot yet assess Communist work but believed gaining ground all circles.

⁵² *Post*, p. 481.

⁵³ Telegram No. 280, vol. VIII, "Political and military situation in China", chapter II.

⁵⁴ See footnote 45, p. 277.

⁵⁵ January 26, 9 p. m., p. 276.

Sent Department 30; repeated Shanghai 28, Hong Kong unnumbered, Nanking 24.

KRENTZ

Executive Secretariat Files

*Note by the Executive Secretary of the National Security Council
(Souers) to the Council*

NSC 37/2

[WASHINGTON,] February 3, 1949.

THE CURRENT POSITION OF THE UNITED STATES WITH RESPECT TO
FORMOSA

At its 33rd Meeting the National Security Council considered a draft report on the above subject (NSC 37/1⁵⁶) and adopted the enclosed conclusions for consideration by the President.

The National Security Council recommends that the President approve the conclusions contained herein and direct that they be implemented by all appropriate executive departments and agencies of the U.S. Government under the coordination of the Secretary of State.

The National Security Council also has in preparation studies regarding further U.S. actions with respect to Formosa which may be deemed desirable in the interests of U.S. security.

SIDNEY W. SOUERS

[Annex]

*Report by the National Security Council on the Current Position of
the United States With Respect to Formosa*

[WASHINGTON,] February 3, 1949.

1. When the situation in China has developed to the point where we know what governing groups we will have to deal with in Formosa, the U.S. should seek to develop and support a local non-Communist Chinese regime which will provide at least a modicum of decent government for the islands. We should also use our influence wherever possible to discourage the further influx of mainland Chinese. The U.S. should also seek discreetly to maintain contact with potential native Formosan leaders with a view at some future date to being able to make use of a Formosan autonomous movement should it appear to be in the U.S. national interest to do so.

⁵⁶ January 19, p. 270.

2. This Government should make it discreetly plain to the governing authority on Formosa that:

(a) The U.S. has no desire to see chaos on the mainland spread to Formosa and the Pescadores;

(b) The U.S. has not been impressed by Chinese administration on the islands and believes that if there is continued misrule the Chinese authorities would inevitably forfeit the support of world opinion which might be expected to swing in favor of Formosan autonomy;

(c) U.S. support for the governing authorities of Formosa will inevitably depend in a large measure upon the efficiency of their regime and the extent to which they are able to contribute toward the welfare and economic needs of the Formosan people and permit and encourage active Formosan participation in positions of responsibility in Government.

(d) The U.S. cannot remain unconcerned over possible developments arising from the influx of large numbers of refugees from the mainland and the consequent effects, including the increasing burden on the island's economy, and is disturbed at the indication of the Chinese belief that the building up of military strength on Formosa will in itself provide an effective barrier to Communist penetration;

(e) The U.S. expects that the lessons to be drawn from developments on the mainland and from previous Formosan reactions to Chinese rule will not be overlooked by the Chinese authorities in dealing with the problems of the island and with the Formosan people.

3. The U.S. Government, through the most flexible mechanisms possible, should conduct a vigorous program of economic support for the economy of Formosa, designed to assist the Formosans in developing and maintaining a viable, self-supporting economy.

Executive Secretariat Files

Memorandum by the Executive Secretary of the National Security Council (Souers) to the Council

WASHINGTON, February 4, 1949.

Subject: The Current Position of the United States With Respect to Formosa

Reference: NSC 37/2⁵⁷

The President has this date approved the reference report and directs that it be implemented by all appropriate Executive Departments and Agencies of the United States Government under the coordination of the Secretary of State.

SIDNEY W. SOUERS

⁵⁷ February 3, *supra*.

Executive Secretariat Files

Memorandum by the Executive Secretary of the National Security Council (Souers) to the Secretary of State

WASHINGTON, February 4, 1949.

Pursuant to the action of the National Security Council at its 33rd Meeting, it is requested that the Department of State furnish, for the use of the NSC Staff in preparing a report on Formosa supplementary to NSC 37/2,⁵⁸ a statement of specific and immediate steps which the U.S. should take with respect to Formosa.

SIDNEY W. SOUERS

894A.01/2-849 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, February 8, 1949—4 p. m.
[Received February 8—5:59 a. m.]

35. Evidence increasing Generalissimo's hand operating here. Trend to harsh police government marked in many actions. Economic situation worsening. C-C⁵⁹ retainers active. Population restive, resentful military, especially CAF bad behavior. Good authority Chen to appoint General Lo Cho-ying, a deputy garrison commander, and that General Peng⁶⁰ urges appointment General Sun Li-jen, also a deputy under him. Lo's bad record well known. Chen Cheng has told high officials here he will govern here as he did in Hupeh, i.e., Kmt reactionary style. Wholesale replacements by generals believed held up partly for consolidating position and partly with one eye on US. All liberal Chinese [who] deplore trends have no recourse. Taiwanese opinion seems be that revolt before further Kmt digging in [is] advisable or golden opportunity lost. I attempt counsel patience and am urging Chinese moderation but feel situation deteriorating rapidly. Taiwanese action believed aimed wholesale sabotage, avoidance direct clash.

Over 80 members Legation [*Legislative?*] Yuan here, being paid locally, engaging politics.

Sent Department 35, repeated Nanking 30, PolAd Tokyo.

KRENTZ

⁵⁸ February 3, p. 281.

⁵⁹ The brothers Chen Li-fu and Chen Kuo-fu, leaders of a faction of the Kuomintang.

⁶⁰ Lieutenant General Peng Meng-chi, Deputy Commander of the Taiwan Peace Preservation Headquarters.

Executive Secretariat Files

*Note by the Executive Secretary of the National Security Council
(Souers) to the Council*

NSC 37/3

[WASHINGTON,] February 11, 1949.

THE STRATEGIC IMPORTANCE OF FORMOSA

Pursuant to NSC Action No. 179-b,⁶¹ the Secretary of Defense has forwarded the enclosed memorandum from the Joint Chiefs of Staff, containing their views on the subject, supplementary to those contained in NSC 37.⁶²

The enclosure is accordingly circulated herewith for the information of the National Security Council and for use by the NSC Staff in preparing a supplementary report on Formosa pursuant to NSC Action No. 179-d.⁶³

SIDNEY W. SOUERS

[Annex]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense
(Forrestal)*

WASHINGTON, 10 February 1949.

Subject: The Strategic Importance of Formosa

In accordance with your memorandum dated 7 February 1949, the Joint Chiefs of Staff have considered the action (No. 179b) adopted by the National Security Council on 3 February 1949 in which the Joint Chiefs of Staff are requested to furnish the Council an estimate of the extent of the threat to United States security in the event that diplomatic and economic steps to deny Communist domination of Formosa prove insufficient, and recommendations as to what, if any, military measures should be taken in that event.

The Joint Chiefs of Staff are of the opinion that, under the assumptions set forth above, the extent of the threat to the security of the United States would be serious. Their appraisal of the strategic im-

⁶¹ Agreement by NSC on February 3, 1949, that the Joint Chiefs of Staff furnish the National Security Council an estimate of the extent of the threat to the security of the United States in the event that diplomatic and economic steps to deny Communist domination of Formosa prove insufficient, and recommendations as to what, if any, military measures be taken in that event.

⁶² December 1, 1948, p. 261.

⁶³ Directive to the NSC Staff to prepare a supplementary report on Formosa.

plications of Communist domination of Formosa, contained in their memorandum to you dated 24 November 1948,⁶⁴ is directly applicable. Points made therein may be summarized as follows:

a. Loss, present and prospective, of availability of strategically valuable areas of China would enhance the strategic value to the United States of Formosa in view of the potentialities of that island as a wartime base capable of use for strategic air operations and control of adjacent shipping routes;

b. Unfriendly control of Formosa and its adjacent islands would be of even greater strategic significance since this would result, in the event of war, in an enemy capability of dominating the sea routes between Japan and the Malay area and an improved enemy capability of extending his control to the Ryukyus and the Philippines, and

c. Unfriendly control of Formosa would further be detrimental to our national security interests in that Formosa would be lost as a potential major source of food and other materials for Japan, which might well be a decisive factor as to whether Japan would prove to be more of a liability than an asset under war conditions.

In general terms, it having become more apparent than ever that the United States faces the prospect of strategic impotence on the continent of Asia, our military capabilities in the Western Pacific must rest primarily on control of sea lanes and maintenance of strategic air potential from strategically tenable island positions. Enemy control of Formosa would seriously jeopardize our capabilities in these respects while constituting, on the other hand, a major contribution to enemy capabilities.

In their appraisal of 24 November 1948, the Joint Chiefs of Staff reached the conclusion that it would be most valuable to our national security if Communist domination of Formosa could be denied by the application of appropriate diplomatic and economic steps. In this conclusion, resort to military measures was tacitly excluded.

The Joint Chiefs of Staff are still of the opinion that any overt military commitment in Formosa would be unwise at this time. In spite of Formosa's strategic importance, the current disparity between our military strength and our many global obligations makes it inadvisable to undertake the employment of armed force in Formosa, for this might, particularly in view of the basic assumption that diplomatic and economic steps have failed, lead to the necessity for relatively major effort there, thus making it impossible then to meet more important emergencies elsewhere. In this connection the distinction between the Formosan problem and the Iceland situation, where direct action is contemplated, if necessary to prevent Communist control, lies in the fact that Iceland is directly vital to our national se-

⁶⁴ *Ante*, p. 261.

curity while the importance of Formosa cannot be said to be in that category.

The Joint Chiefs of Staff believe, however, that Formosa's strategic importance is, nevertheless, great. Consequently, they are of the opinion that some form of military support should be made available now for assistance in vigorous prosecution of the approved diplomatic and economic steps set forth in NSC 37/2⁷³ for developing and supporting in Formosa a non-Communist Chinese regime. This support should not involve commitment to the employment of force. It should consist of the stationing of minor numbers of fleet units at a suitable Formosan port or ports, with such shore activity associated therewith as may be necessary for maintenance and air communication and for the recreation of personnel.

The Joint Chiefs of Staff, in their memorandum to you dated 20 December 1948, agreed that American naval forces should not at that time be established ashore at Formosa. They stated, however, that their agreement was without prejudice to future determination, if developments so justified, that this decision should be modified. The present proposal would involve only minor modification as necessary for the continued basing afloat of mobile fleet units.

The Joint Chiefs of Staff are aware of the possibility that unfavorable diplomatic repercussion might result from undue resort to what might be termed a show of force. They realize also that it may be difficult to negotiate successfully the necessary arrangements for basing fleet units in Formosan waters. On balance, however, and in view of the threat to United States security implicit in Communist domination of Formosa, they believe that every reasonable effort should be made to keep Formosa in friendly hands, and that diplomatic risks and difficulties are thus justified.

Accordingly, they recommend favorable consideration of the proposal outlined above that, beginning as soon as appropriate arrangements can be made, minor numbers of fleet units be maintained at a suitable Formosan port or ports, with shore activities associated therewith limited to those necessary for maintenance, air communication and recreation, and that the mission of these units be that of exerting, in support of approved diplomatic and economic objectives, all possible stabilizing influence without the employment of force.

For the Joint Chiefs of Staff:

LOUIS DENFELD
Admiral, U.S. Navy

⁷³ February 3, p. 281.

893.50 Recovery/2-1349 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, February 13, 1949—2 p. m.

[Received February 13—4:59 a. m.]

508. Re AP despatch datelined Shanghai February 11 quoting statement about nine paragraphs by "anonymous" Formosan re need close supervision ECA Taiwan to ensure aid reach people instead island's new "conquerors" and pocket officials.

Joshua Liao when shown this article by officer ConGen readily admitted his authorship and confirmed accuracy AP version. Liao expects see Lapham⁷⁴ soon and meanwhile hopes his statement will reach Hoffman. In view Liao's prominence among leaders of Taiwanese opposition Gimo's regime, believe statement should be given some weight.

Liao says information he gets from Taiwan indicates that anti-Chinese Government elements becoming increasingly restive to start rebellious activities. Students and discharged military personnel who fought in Japanese Army and picked up new ideas while imprisoned Singapore, et cetera, are chief agitators. Liao suspects considerable Communist infiltration into Taiwan recently but cannot confirm.

Liao reiterated regret that Hong Kong group of his Taiwan Re-Emancipation League (including his brother) failed consult him before sending petition to SCAP giving four alternatives in descending order desirability, namely, full independence, UN trusteeship, US trusteeship, return Japanese rule. He feels so many alternatives confuses and weakens Taiwanese cause and that reversion Japanese rule should never be considered. Thinks much wiser concentrate on working for plebiscite to determine between either full independence or autonomy in federated Chinese framework.

Liao leaving shortly for brief visit Fukien, then return Shanghai.

Pouched Canton, Nanking, Hong Kong, USPolAd Tokyo.
Sent Department 508; repeated Taipei 23.

CABOT

123 Merchant, Livingston T.: Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, February 14, 1949—7 p. m.

211. For Merchant.⁷⁵ Dept wishes you to assume special responsibility with respect to Taiwan. Wording in first sentence of immedi-

⁷⁴ Roger D. Lapham, Chief of ECA Mission in China.⁷⁵ Livingston T. Merchant, Counselor of Embassy in China.

ately following tel ⁷⁶ is occasioned by accounting regulations. Dept desires you retain title of Counselor of Emb and indicate that you are merely going to Taiwan to oversee expanded US representation on that island which milit events on mainland have occasioned and in particular with respect to ECA. Implication that you have been transferred Taipei should be avoided. Accordingly you should feel free to visit Nanking and Shanghai but should not find yourself immobilized on mainland should Nanking or Shanghai pass into hands of Commies.

ACHESON

Executive Secretariat Files

*Note by the Executive Secretary of the National Security Council
(Souers) to the Council*

NSC 37/4

[WASHINGTON,] February 18, 1949.

THE CURRENT POSITION OF THE UNITED STATES WITH RESPECT TO
FORMOSA

Pursuant to NSC Action No. 179 c,⁷⁷ the Secretary of State has furnished the enclosed memorandum setting forth the views of the Department of State with respect to specific and immediate steps which the United States should take with respect to Formosa.

The enclosure is accordingly circulated herewith for the information of the National Security Council and for the use of the NSC Staff in preparing a supplementary report on Formosa in accordance with NSC Action No. 179 d.

SIDNEY W. SOUERS

[Annex]

*Memorandum by the Secretary of State to the Executive Secretary
of the National Security Council (Souers)*

[WASHINGTON,] February 18, 1949.

Subject: The Current Position of the United States with respect to
Formosa

Pursuant to the request contained in the memorandum of February 4, 1949 from the Executive Secretary of the National Security Council that the Department of State furnish for the use of the NSC

⁷⁶ Not printed.

⁷⁷ Agreement by NSC on February 3, 1949, that the Department of State should prepare a statement of specific and immediate steps which the United States should take with respect to Formosa.

staff a statement of specific and immediate steps which the United States should take with respect to Formosa, the Department sets forth hereunder its views on this subject.

1. The Department of State should strengthen and increase its representation on Formosa, and to that end should immediately detail a high-ranking officer to Taipei.

2. Upon the arrival of this high-ranking officer at Taipei, he should approach General Chen Cheng, Governor of Formosa, along the lines set forth in paragraph 2 of NSC 37/2 of February 3, 1949.

3. Following these representations to General Chen and the receipt of assurances from the latter that the governing authorities on Formosa are prepared to implement such assurances, the ranking Department of State officer should inform General Chen that the United States Government is prepared, under legislation approved by the Congress and by such other means as may be feasible, to give economic support for the economy of Formosa, designed to assist in developing and maintaining a viable, self-supporting economy on the island.

4. Upon the receipt of appropriate assurances outlined in 3 above, the Economic Cooperation Administration Mission to China should proceed with arrangements for completing the pre-project engineering surveys of the industrial projects on Formosa which will contribute to the above-mentioned objectives and the Economic Cooperation Administration should undertake procurement for such of these projects as are approved after completion of the surveys.

5. The Economic Cooperation Administration should also make a study of and submit recommendations for an over-all program of economic assistance to Formosa.

6. In the initial stages every care should be exercised to minimize the appearance of United States official activities on Formosa and every effort should be made to discourage the further influx of refugees from the mainland.

DEAN ACHESON

893.50 Recovery/2-2549: Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, February 25, 1949—noon.

[Received February 25—6:51 a. m.]

51. For Butterworth. Have talked to Lapham, Moyer,⁷⁸ others at length re ECA plans here. I strongly believe any major plans should be deferred time being and no firm commitments made beyond normal

⁷⁸ Raymond T. Moyer, American member of the Joint Commission on Rural Reconstruction (JCRR).

fertilizer program preproject surveys and small continuing selected RRC projects such as serum stations, etc.

Under deteriorating conditions plus nebulous and changing political conditions I consider aid should not precede larger policy decisions. On last point I also consider that picking Taiwan as isolated area divorced from mainland holds danger Department will know.

I believe we should now mark time hoping for changes which may enable us obtain self-help conditions on more certain terms than hitherto.

Sent Department 51, repeated Nanking 44.

KRENTZ

893.002/2-2549 : Telegram

The Consul General at Taipei (Krentz) to the Secretary of State

TAIPEI, February 25, 1949—5 p. m.

[Received 9:04 p. m.]

52. Chen Cheng is now governing by a kitchen cabinet of generals, notably Lo Cho-ying, with nominal department heads ineffective, frustrated while deterioration all fields visible daily.

Repeated Embassy 45.

KRENTZ

Executive Secretariat Files

Note by the Executive Secretary of the National Security Council (Souers) to the Council

NSC 37/5

[WASHINGTON,] March 1, 1949.

SUPPLEMENTARY MEASURES WITH RESPECT TO FORMOSA

The enclosed report by the Executive Secretary on the subject, prepared with the advice and assistance of representatives of the Departments of State, the Army, the Navy, and the Air Force, and of the National Security Resources Board and the Central Intelligence Agency, is submitted herewith for consideration by the National Security Council as Item 2 on the Agenda for its next meeting on Thursday, March 3, 1949.

It is recommended that, if the Council adopts the enclosed report, it be forwarded to the President with the recommendation that he approve the conclusions contained therein and direct their implementation by all appropriate executive departments and agencies of the U.S. Government under the coordination of the Secretary of State.

SIDNEY W. SOUERS

[Annex]

Draft Report by the National Security Council on Supplementary Measures With Respect to Formosa

ANALYSIS

1. At its 33rd Meeting the National Security Council directed that a report supplementary to NSC 37/2⁷⁹ be prepared on the basis of: (a) the discussion at the meeting; (b) the JCS estimate of the threat to U. S. security, in the event diplomatic and economic steps to deny communist domination of Formosa prove insufficient, and the military measures, if any, which should be taken in that event (NSC 37/3⁸⁰); and (c) a Department of State statement of the specific and immediate steps which the United States should take with respect to Formosa (NSC 37/4⁸¹).

2. The Joint Chiefs of Staff are of the opinion that any overt military commitment in Formosa would be unwise at this time. In spite of Formosa's strategic importance, the current disparity between our military strength and our many global obligations makes it inadvisable to undertake the employment of armed force in Formosa, for this might, particularly if diplomatic and economic steps had already failed, lead to the necessity for relatively major effort there, thus making it impossible then to meet more important emergencies elsewhere.

3. The Joint Chiefs of Staff believe that Formosa's strategic importance is, nevertheless, great. Consequently, they are of the opinion that: (a) some form of military support should be made available now for assistance in vigorous prosecution of the approved diplomatic and economic steps set forth in NSC 37/2 for developing and supporting in Formosa a non-communist Chinese regime. (b) This support should not involve commitment to the employment of force, but should consist of the stationing of minor numbers of fleet units at a suitable Formosan port or ports, with such shore activity associated therewith as may be necessary for maintenance and air communication and for the recreation of personnel.

4. It has been the consistent position of the Department of State, as set forth in the NSC 34 Series,⁸² in NSC 11/2⁸³ and NSC 37/1,⁸⁴ that the establishment of U.S. military forces on Formosa in the pres-

⁷⁹ February 3, p. 281.

⁸⁰ February 11, p. 284.

⁸¹ February 18, p. 288.

⁸² See memorandum by the Policy Planning Staff, September 7, 1948, and footnote 11, *Foreign Relations*, 1948, vol. VIII, p. 146.

⁸³ See annex to memorandum by the Acting Secretary of State, December 14, 1948, and footnote 58, *ibid.*, p. 339.

⁸⁴ Dated January 19, 1949, p. 270.

ent situation would be not only diplomatically disadvantageous but also, and far more importantly, a heavy political liability for us. A show of military strength would be of dubious efficacy in preventing communist agitation and infiltration or conspiratorial negotiations between communist emissaries and Nationalist commanders on Formosa. A show of military strength would have serious political repercussions throughout China; it might create an irredentist issue just at the time we may wish to exploit Soviet action in Manchuria and Sinkiang.

CONCLUSIONS

5. The Department of State should strengthen and increase its representation on Formosa, and to that end should immediately detail a high-ranking officer to Taipei.

6. Upon the arrival of this high-ranking officer at Taipei, he should approach the Governor of Formosa, along the lines set forth in paragraphs 1 and 2 of NSC 37/2 of February 3, 1949.

7. Following these representations to the Governor of Formosa and the receipt of assurances from the latter that the governing authorities on Formosa are prepared to implement such assurances, the ranking Department of State officer should inform the Governor that the United States Government is prepared, under legislation approved by the Congress and by such other means as may be feasible, to give economic support for the economy of Formosa, designed to assist in developing and maintaining a viable, self-supporting economy on the island.

8. Upon receipt of appropriate assurances outlined in paragraph 7 above, the Economic Cooperation Administration Mission to China should proceed with arrangements for completing the pre-project engineering surveys of the industrial projects on Formosa which will contribute to the above-mentioned objectives and the Economic Cooperation Administration should undertake procurement for such of these projects as are approved after completion of the surveys.

9. The Economic Cooperation Administration should also make a study of and submit recommendations to the Secretary of State for an over-all program of economic assistance to Formosa.

10. In the initial stages every care should be exercised to minimize the appearance of United States official activities on Formosa and every effort should be made to discourage the further influx of refugees from the mainland.

11. Units of the U.S. fleet should not now be stationed at or off Formosan ports in support of the political and economic measures envisaged above. This conclusion is without prejudice to a reexamination of this possible course of action should developments on Formosa so justify.

894A.00/3-249: Telegram

The Secretary of State to the Consul General at Taipei (Krentz)

WASHINGTON, March 2, 1949—8 p. m.

30. For Merchant. Pursuant Dept request for JCS views re Formosa, latter have stated it would be in interest US natl security if Comm domination Formosa could be denied by appropriate diplo and econ steps. Subsequent this conclusion Formosan problem submitted to NSC, which adopted report Feb 3 approved by Pres governing US position re Formosa. Fol summary report:

[Here follows summary of report printed on page 281.]

Pursuant NSC request Dept submitted memo Feb 18 outlining immediate steps US should take re Formosa, which now under consideration NSC. Fol summary this memo:

[Here follows summary of memorandum printed on page 288.]

Should be emphasized US objective not take over or establish base on island but accordance JCS study take polit and econ steps deny Comm domination. Timing US approach governing authority Formosa obviously great importance since precipitous commitment support might lead repetition pattern developments mainland under which assurances self-help measures were not followed by performance. Question also arises possibility change Governor Formosa as indicated Embtel 417 Feb 18⁸⁵ (pouched Taipei), which would make undesirable too early approach and commitment support. Taipei's 51 Feb 25 indicates advantages marking time and deferring major plans time being. On other hand Taipei's 51 and 52 Feb 25, together with other reports deteriorating conditions Formosa, argue early approach in effort stabilize situation and enable ECA carry out its plans. Consideration must also be given several vital factors: (1) Chi authorities Formosa might go along with deal mainland coalition govt. (2) Comms might infiltrate Chi armed forces Formosa cause revolt and overthrow local Chi regime, e.g. cruiser *Chungking*. (3) Local Chi milit commanders might swing over to mainland coalition govt. (4) In view transfer Govt financial assets Formosa and econ assets island in terms productivity and source foreign exchange, Comms can be expected make strenuous effort include Formosa by peace arrangements or conquest. (5) Separation Formosa from mainland will inevitably create irredentist movement which would be utilized by Comms rally support and by both Comms and other Chi arouse anti-US sentiment if US involvement too apparent.

ECA considers effectiveness aid requires vigorous program and eventually sizable mission needed. Large mission would make US posi-

⁸⁵ Vol. VIII, "Political and military situation in China", chapter I.

tion more noticeable but general US position Formosa as seen outside should not be particularly affected by size mission. Plans underway request Congressional authorization extend present aid program to June 30, 1949 by use of unexpended balance with suitable provision for ECA administrative expenses beyond that date. In absence further legislation this means ECA personnel would not be available beyond period necessary complete presently planned program but this program if mainland no longer drain on island and with orientation trade toward Japan should produce viable Formosan economy. Pres[ident's] Four Point Program⁸⁶ might provide means further US technical aid and advice.

ECA participation also related problem timing and would seem desirable have full understanding with Chi re ECA role prior major commitment for aid. ECA indicates engineering surveys almost completed and estimates could authorize procurement approx \$10 million for industrial projects during March if given green light soon. Problem arranging distribution and pricing system for fertilizer cited as possible test Chi ability willingness cooperate. Such arrangement seems desirable initial step in plans aid Formosa.

In light this tel, Dept desires your views re timing and general considerations outlined above. Your reply should indicate no distribution.

ACHESON

Executive Secretariat Files

Memorandum by the Executive Secretary of the National Security Council (Souers) to the Council

WASHINGTON, March 3, 1949.

At the request of the Secretary of State the attached statement on "The Formosan Problem", which he made at the 35th Meeting of the National Security Council in connection with the Council's consideration of NSC 37/5⁸⁷ on the subject, is circulated herewith for the information of the National Security Council.

SIDNEY W. SOUERS

[Annex]

Statement by the Secretary of State at the Thirty-Fifth Meeting of the National Security Council on the Formosan Problem

I should like to take this occasion to comment on the problem which we face with regard to Formosa. At our meeting on February 3rd,

⁸⁶ Proposed in President Truman's inaugural address on January 20, 1949, Department of State *Bulletin*, January 30, 1949, p. 123.

⁸⁷ March 1, p. 290.

we adopted certain conclusions now incorporated in NSC 37/2.⁸⁸ These conclusions established a policy of employing diplomatic and economic means to deny Formosa to the Communists. They were approved by the President.

At the same meeting, we asked that the Department of State should prepare a statement of specific and immediate steps which the US should take with respect to Formosa. The State Department's recommendations are incorporated in NSC 37/4.⁸⁹ At the same time, the Joint Chiefs of Staff were requested to furnish the Council an estimate of the extent of the threat to U.S. security in the event that diplomatic and economic steps to deny communist domination of Formosa prove insufficient, and recommendations as to what, if any, military measures should be taken in that event. The JCS reply is now embodied in NSC 37/3.⁹⁰

I have read the JCS paper which seems to me to fall into two parts. One is a general reply to the question raised by this Council. The second half of the paper puts forth explicit recommendations regarding our current policy toward Formosa.

With regard to the first half of the JCS paper, I feel that the JCS has not answered with sufficient clarity the question which we posed. I feel that it would be helpful if they would do so.

As for their recommendations regarding current policy, I cannot help but feel that their suggestion that we make a show of military force in Formosa, if accepted, would impair the efficacy of what we are trying to do through diplomatic and economic means.

Let me expand on this briefly. In attempting to develop separatism in Formosa, we are up against the potential threat of irredentism spreading throughout the great expanse of continental China. We are most anxious to avoid raising the spectre of an American-created irredentist issue just at the time we shall be seeking to exploit the genuinely Soviet-created irredentist issue in Manchuria and Sinkiang. We cannot afford to compromise an emerging new US position in China by overtly showing a pronounced interest in Formosa. It is a cardinal point in our thinking that if our present policy is to have any hope of success in Formosa, we must carefully conceal our wish to separate the island from mainland control.

Now the question may be raised whether Formosa is not so great a prize that we are justified in risking a show of force even though it may incite strong irredentist sentiments in China proper. Our feeling is that, given the tactics employed by the Communists in seizing power, the use of our military power, short of complete blockade and occupation, will be ineffective to prevent Communist control of Formosa. We

⁸⁸ February 3, p. 281.

⁸⁹ February 18, p. 288.

⁹⁰ February 11, p. 284.

have alluded to this principle in the NSC 34 series ⁹¹ and in NSC 11/2 ⁹² and NSC 37/1. ⁹³

We are under no illusions that we can through present diplomatic and economic measures guarantee a denial of Formosa to the Communists. The defection to the Communists of the only cruiser in the Chinese fleet is symptomatic of the uncertainties in the present situation, particularly with respect to political conspiracy and "deals" in the higher echelons. At some date in the future, we may conclude that it is impossible to accomplish our aim by present measures and shall then recommend a reexamination of the problem. When that time comes, I shall place the problem of Formosa once more before this Council.

Meanwhile so long as we pursue our present policy I would ask for two things.

Firstly I trust that we may count on disciplined cooperation within the Government in seeking to accomplish this sensitive operation. I hope that the Members of the Council will bear in mind the necessity for restraining evidences of zeal with regard to Formosa.

Secondly I hope that the Military Establishment will not exclude from its thinking and planning the possibility that it might later be called upon to employ modest military strength in Formosa in collaboration with other friendly forces. If we are to intervene militarily on the island, we shall, in all probability, do so in concert with like-minded powers, preferably using UN mechanisms and with the proclaimed intention of satisfying the legitimate demands of the indigenous Formosans for self-determination either under a UN trusteeship or through independence.

[WASHINGTON,] March 3, 1949.

Executive Secretariat Files

Memorandum by the Executive Secretary of the National Security Council (Souers) to the Council

WASHINGTON, March 3, 1949.

Subject: Supplementary Measures With Respect to Formosa

Reference: NSC 37/5 ⁹⁴

The President has this date approved the Conclusions contained in the reference report, and directs that they be implemented by all ap-

⁹¹ See memorandum by the Policy Planning Staff, September 7, 1948, and footnote 11, *Foreign Relations*, 1948, vol. VIII, p. 146.

⁹² See annex to memorandum by the Acting Secretary of State, December 14, 1948, and footnote 58, *ibid.*, p. 339.

⁹³ Dated January 19, 1949, p. 270.

⁹⁴ March 1, p. 290.

propriate Executive Departments and Agencies of the United States Government under the coordination of the Secretary of State.

SIDNEY W. SOUERS

894A.00/3-649 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, March 6, 1949—5 p. m.

[Received 10:07 p. m.]

59. Butterworth from Merchant. Crux present situation is governorship. Chen Cheng lacks qualities provide liberal efficient administration needed. Moreover, as Gimo man he cannot be relied on to prevent or discourage continued influx least desirable mainlanders although mass migration now checked. Substitution Sun Li-jen by Acting President seems on balance solution best suited our interests.

Believe unwise approach Chen Cheng this time along lines Deptel 30 (decoding completed March 5). I concur recommendations paragraph 1, Taipei's 51.⁹⁵ Meanwhile, recommend Department instruct Ambassador encourage Acting President replace Chen Cheng soonest with Sun Li-jen. I plan return Nanking briefly this week.

Sent Shanghai, and Department. [Merchant.]

EDGAR

894A.00/3-649 : Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, March 8, 1949—4 p. m.

35. For Merchant. Urtel 59 Mar 6. While Sun Li-jen reputation good and he believed well disposed toward US, indications his thinking contained in document ⁹⁶ mentioned Tokyo's 63 Mar 4 to Dept ⁹⁷ (rptd Taipei) offer no grounds for optimism his performance and so far as known his record does not include wide administrative experience. Believe we must keep in mind effort encourage Act Pres replace Chen Cheng this stage might result in appointment person less suitable Chen or Sun since no assurance he would appoint latter. Also indication US interest to Act Pres this time while he attempting negotiate with Comms might in event negotiations successful serve compromise US position. In any event, possibility exists Chen would become disgruntled over efforts remove him and he and his and Gimo followers

⁹⁵ February 25, p. 289.

⁹⁶Memorandum dated February 12, and annexes not printed.

⁹⁷Telegram not printed.

would sabotage Sun or any other successor. Ur views re foregoing requested.

ACHESON

894A.00/3-949 : Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, March 9, 1949—3 p. m.

37. For Merchant. Deptel 30 Mar 2. Fol summary conclusions NSC 37/5 Mar 1 approved by NSC and Pres Mar 3:

[Here follows summary of NSC 37/5 printed on page 290.]

Full text NSC 37/5 sent pouch.

ECA now prepared approve industrial projects and proceed with program Formosa and awaiting Dept decision. In this connection, shld be noted that initiation program Formosa this stage while ECA program mainland still under way would probably draw less attention Formosa program than wld be case at later date when ECA activities mainland further restricted. Furthermore, contd delay might result further deterioration Formosan situation. Additional factor is time element connection with continuation China aid program, present plans for which set forth refel.

Ur views requested.

ACHESON

893.00/3-949 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, March 9, 1949—6 p. m.

[Received 11:46 p. m].

61. From Merchant. To me prime need is for governor who is honest, liberal, effective and not so bound to Generalissimo as to permit move by latter to Formosa for last ditch fight if Li negotiates mainland peace nor so blind to China's interests as to deliver island to coalition government under any mainland peace terms.

I agree your doubts Sun but he meets foregoing requirements on all points save administration experience which he is understood willing to supplement by qualified advisers. Moreover Sun personally controls troops and probably risks less sabotage than any other Chen successor by reason his established position on island.

In any event I undertand Li has already told Ambassador he intends appoint Sun governor. If Ambassador fails enthuse, Li may infer too much and look elsewhere. Meanwhile Chen by appointment is personally digging in. Accordingly I continue recommend discreet encouragement by Ambassador choice Sun and no approach to Chen unless it

develops we must deal with him, uncertain quantity though hope.
[Merchant.]

EDGAR

893.50 Recovery/3-1149 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, March 11, 1949—4 p. m.

[Received March 11—5 : 59 a. m.]

846. From Merchant. It would clearly be desirable defer any ECA action beyond pre-project stage now nearly completed Formosan reconstruction, until Chen has been replaced or his tenure confirmed by Acting President and such Government has given assurances we desire. I recognize, however, pressure April 3 deadline and advantage camouflage lumping Formosan with selected South China projects approval when ECA given green light. Still regard Chen unreliable, hence reluctant recommend start talks which implicitly will encourage him and strengthen his position on island.

I will cable recommendation promptly from Nanking where due March 12, hopeful securing relevant information. [Merchant.]

CABOT

893.00/3-949 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, March 11, 1949—7 p. m.

332. For Merchant. Urtels 61 Mar 9 from Taipei and 846 Mar 11 from Shanghai. Dept believes you must have certain latitude dealing with problem. If Amb concurs ur views re desirability appointment Sun, you might suggest he approach Act Pres this matter. Seems preferable you not be involved in approach in order avoid prejudice ur position if Chen not replaced.

ACHESON

893.00/3-1449 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 14, 1949—4 p. m.

[Received March 15—2 : 01 a. m.]

570. From Merchant. Ambassador concurs Sun and will take earliest opportunity indicate to Acting President his confidence Sun's qualifications. Sun due Nanking within few days. Notwithstanding

angle reported Embtel 572, March 14,⁸⁸ I believe prospect promising. I will return Taipei March 17 or 18 via Canton (refDeptel 332, March 11). Pending clarification governorship, I do not contemplate opening negotiation unless you instruct me to contrary. [Merchant.]

STUART

893.01/3-1449 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 14, 1949—11 p. m.
[Received March 15—2:03 a. m.]

572. Consul General Krentz, while en route US home leave, brought me secret message from Governor Chen Cheng to effect that if US Government was interested in Sun Li-jen becoming governor of Taiwan this could be accomplished by appeal from me to Generalissimo not to block such transfer (see Embtel 417, February 18.⁸⁹) While it is surprising and gratifying that Chen Cheng should bother confide this message about possible successor, it may prove that change cannot be made Taiwan without Generalissimo's concurrence, at least tacit.

Sent Dept 572, pouched Taipei.

STUART

893.00/3-1949 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, March 19, 1949—noon.
[Received 2:55 p. m.]

75. Belief here is that Chen would not have risked going Nanking unless (1) he was fully assured continued control of Taiwan or (2) he was prepared withdraw voluntarily with or without Gimo's approval. Recent Executive Yuan order concentrating control all Taiwan military and civil organizations in Chen believed last minute move by Sun Fo.¹ New powers if recognized by various heads here would include air force, navy, General Sun's trainee troops plus civil organization holding Nationalist gold reserves and customs. With present concentration military, material and gold, Chen's strength equals or surpasses Acting President's. Chen, however, has issued no implementing directives. If this great authority were to pass to sources loyal to Li Tsung-jen and not Gimo, authority of CC planning would have failed and Chen would have betrayed many, which appears contrary

⁸⁸ *Infra.*

⁸⁹ Vol. VIII, "Political and military situation in China", chapter II.

¹ President of Chinese Executive Yuan from December 1948 to March 1949.

his nature. [The fact that?] he has gone to Nanking now, where Ho² has power, makes me believe he has left a lieutenant here ready keep control by force if Chen's replacement is tried. Such man can only be General Peng or General Sun Li-jen.

Just informed Sun has received order from Nanking and will comply if enforced but expects revise.

Sent Department 75; repeated Nanking 68.

EDGAR

894A.01/3-2349 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, March 23, 1949—5 p. m.

[Received March 23—5:43 a. m.]

981. Mayor Wu³ has again urged on me in long conversation American aid to bolster up last ditch Nationalist stand on Taiwan.

Sent Department, repeated Nanking 577.

CABOT

894A.01/3-2349

Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Sprouse)

[WASHINGTON,] March 23, 1949.

During a conversation this afternoon with Mr. Ford,⁴ who called at my request, I informed him that the Department was interested in the activities of the Formosan League for Re-emancipation and had instructed the appropriate consular offices to keep in touch with League representatives and report to the Department on their activities. I pointed out that some of the League leaders were in Hong Kong and asked if the British Government had received any information regarding the League and its aims.

Mr. Ford replied that he did not know of the existence of the League but that he would inquire of the Foreign Office in this regard.

I stated that we were, of course, interested in Formosa and the activities of the League in relation to this general problem, pointing out that it would be helpful to know to what extent the Communists might have succeeded in penetrating the organization and its relation to the Chinese Government. I added that it would be helpful to have some indication of British thinking in regard to the question of

² Gen. Ho Ying-chin, former Chinese Minister of National Defense, succeeded Sun Fo as President of the Chinese Executive Yuan.

³ K. C. Wu, Mayor of Shanghai.

⁴ J. F. Ford, First Secretary of the British Embassy.

Formosa. When Mr. Ford said that there were some British officials who advocated taking over the island in view of its strategic importance, I asked if it was contemplated that the British Navy could or would be used for such an operation. He immediately expressed the opinion that the United States was in a much better position to carry out such an operation. In answer to my inquiry regarding the Chinese reaction on the mainland to such action, he said that in his opinion it would be fatal to the position of any foreign power in China which used such means to detach Formosa from China.

Mr. Ford concluded the conversation by stating that he would report the foregoing to the Foreign Office and seek an indication of British thinking on the subject. I asked that the matter be treated as highly confidential since the problem of Formosa was naturally a very delicate one.

893.50 Recovery/3-2349 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 23, 1949—8 p. m.

[Received March 24—6:28 a. m.]

639. From Merchant. Arrived Nanking March 22, plan return Formosa March 29. ReECAtO 1169 and 1173,⁵ I assume contingent funds for any Formosan support program decided upon are provided for elsewhere than ECA China residue. 17,000,000 plus some JCR⁶ inadequate for amount contemplated which roughly will require reconstruction 20,000,000 plus at minimum equivalent amount for fertilizer or consumers goods as offset local currency expenditures accompanying capital projects. On above assumption and only in belief division ECA residue as suggested refuels cannot cover effective Formosan program and at same time hold mainland economy together during period peace negotiations, I concurred Embtel 638, March 23.⁷ [Merchant.]

STUART

894A.01/3-2349 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 23, 1949—8 p. m.

[Received March 24—6:50 a. m.]

640. From Merchant. Looking forward and even assuming decent government established Formosa receiving US economic support,

⁵ Neither printed.

⁶ Joint Committee on Rural Reconstruction.

⁷ *Post*, p. 633.

major decision US may well later face is what advice then to give Governor if Communist dominated coalition emerges on mainland and makes evident its intention retain Formosa as integral part China.

If we encourage separation Formosa and Governor acts accordingly, subsequent more difficult question is what support will [we] be prepared to give Governor if coalition government decides contest separation. Communist radio is already referring to US imperialistic designs on Formosa and to its impending "liberation".

I believe if foregoing situation developed, we could not intervene directly by military means without inflaming vast majority mainland Chinese as well as some Formosans and grievously injuring US moral position all Asia. Consequently we could not advise or encourage Governor to declare separation unless sure he possessed, as seems unlikely, force necessary for successful resistance. Even to encourage semi-autonomy in National Government framework would presumably invite replacement Governor by Communist stooge backed by force.

Though my knowledge limited, my impression is that Formosan independence groups currently are disunited, politically illiterate, imperfectly organized and in general worthy little reliance. There is no doubt that general and growing discontent exists but effective leadership and organization are still absent.

On above reasoning our choice would appear to be between UN sponsored or otherwise joint intervention or alternatively contenting ourselves with temporary holding operation under which by economic and diplomatic support we contributed to improvement economic level and quality government on Formosa, thereby reducing chance lasting Formosan acceptance Communist ideology. It would seem however only matter of time before mainland Communists or coalition government installed own iron fisted regime, particularly in view Formosa's assets in form of food, gold, foreign exchange, potential and strategic location.

Foregoing suggests possible desirability ascertaining British, French and possibly Australian and Indian attitude toward chance effective UN future move or their willingness share onus joint forceful action with regional UN framework to secure and support independent status Formosa if mainland Communist-dominated government emerges and moves to control island. In any event holding operation seems amply justified though carrying no guarantee final success (reDeptel 30, March 2 to Taipei and related messages). [Merchant.]

STUART

893.50 Recovery/3-2449 : Telegram

The Secretary of State to the Ambassador in China (Stuart)

WASHINGTON, March 24, 1949—7 p. m.

389. For Merchant from Butterworth. Contingency funds for Formosa are included in current request for authority to spend balance unexpended by Apr 3 of Section 404(a) China Aid Act⁸ which Dept supporting in large measure for that reason. Furthermore public justification of separate appropriation for Formosa would in present circumstances produce variety of complications including supplying Russian and Chi Communists with irredentist issue directly attributable to US "imperialism". From this morning's Executive Session Senate Foreign Relations Committee it evident far as that body concerned that except for Formosan situation and feeling on part of few members of Committee desirability going along little further to avoid accusation rug pulling not even this authorization would be supported. Therefore follows that every reasonable attempt must be made to bring Formosan situation to a head sooner rather than later and that US aid will at least initially be limited to say \$17 million capital reconstruction plus certain amount commodities particularly fertilizer and that local separatist regime will have to bestir itself as regards external trade particularly with Japan and if necessary make use gold supplies with no further grants-in-aid in immediate offering. This will no doubt entail cut backs in ECA operations mainland and in my opinion particularly in cotton which I regard as indefensibly large, e.g. Central Bank applied to Federal Reserve for using dollar balances to purchase gold for use GY^{8a} purchase operations Shanghai. If in unlikely event mainland negotiations move quickly and result in coalition Govt and correspondingly Formosan situation felt favorable no reason why funds under currently sought authorization should not be concentrated on Formosa during life of Act.

Nanking's 640 Mar 23 will be replied to separately. [Butterworth.]

ACHESON

894A.01/3-2649 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, March 26, 1949.

[Received March 26—1:46 a. m.]

85. In local speech former Foreign Minister Wang Shih-chieh stated Taiwan is "restored territory", not "military occupation area",

⁸ Approved April 3, 1948; 62 Stat. 158.

^{8a} Gold Yuan.

and China has absolute sovereignty re foreign and domestic matters. Shimonoseki treaty⁹ was nullified by Chinese 1943 [1941?] war declaration, Taiwan legally reverted to China then and was physically reacquired from Japanese Army at war's end. Warned against other future direct or indirect attempts at imperialistic control.

Sent Nanking 78, repeated Department 85.

EDGAR

894A.01/3-2349 : Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, March 30, 1949—6 p. m.

51. For Merchant. Urtel 640 Mar 23. Dept appreciates well reasoned presentation contained reftel.

NSC decision (37/5¹⁰) quoted Deptel 37 Mar 9 to Taipei requires approach Governor Formosa when situation develops to point where we know governing groups US will have deal with on Formosa as set forth paras 1 and 2 NSC 37/2 Feb 3 (Deptel 30 Mar 2 to Taipei). Delay making such approach involves risk further deterioration situation and possible inclusion Formosa in deal with Commies on mainland. There is presently no thought US Govt would act unilaterally separate Formosa from mainland by milit means and in event likelihood failure prevent Commie domination Formosa by pol and econ means only recourse would be action through UN. Request for such action should come from Chinese governing authorities Formosa or possibly from Formosan independence groups or from both. Initiation such action in UN could most appropriately be taken by Philippines. Weakness Formosan independence groups fully recognized, but participation such groups would be *sine qua non* in arrangements resulting from UN action. And their support of UN action would be desirable even though appeals to UN came from Chinese.

As you aware we have made known confidentially to Philippine authorities our general interest in Formosa without, however, any indication action we might be prepared to take. Dept has also put out feelers to British Emb Washington with request for indication Brit thinking on subject. You will be informed of results this approach.

ECA program only means aid autonomous Formosa at present although possibility further assistance might be furnished under Pres Four Point Program and through milit aid modest proportions under over-all fon milit assistance program now being drawn up which ex-

⁹ Treaty of peace between China and Japan, signed April 17, 1895, *Foreign Relations*, 1895, pt. 1, p. 200.

¹⁰ March 1, p. 290.

pected include general funds not committed specific countries. However, as you indicate, despite our aid developments may make impossible continuing autonomous status island in face expected Commie attempts take over such valuable area. In that event only recourse would be action through UN prior development situation where Comies could successfully seize island either by internal stratagem or by external attack. Possibility former would, of course, be ever present threat and thus make difficult UN action in time save situation.

In light foregoing Dept tends agree ur view action in UN may eventually be desirable and time may come, perhaps sooner rather than later, when it would be in order suggest to Governor Formosa appeal for UN action.

In view foregoing has Gen Chen Cheng's recent visit Nanking and increased powers Formosa recently granted him caused any change ur previous view (urtels 846 Mar 11 from Shanghai and 570 Mar 14 from Nanking) time not yet ripe approach Governor Formosa along lines NSC 37/2 Feb 3?

ACHESON

893.00/3-3149 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, March 31, 1949—3 p. m.

[Received March 31—8:54 a. m.]

680. From what we have been able to learn of visit of Chen Cheng to Nanking last week it appears he came to study the situation under Li Tsung-jen and to come to terms with his old enemy Ho Ying-chin. Theoretically, at least, new Premier could remove him from governorship Taiwan. Chen also hoped win over some members of increasingly powerful Legislative Yuan. In general, it would appear his purpose was political fence-mending under new regime, and that he departed moderately satisfied.

Reported Chen has no faith in negotiations for peace and believes CCP inexorably determined to support world revolution. He is reported to have announced here that if peace talks fail he would declare independence of Taiwan. Many practical difficulties in such course, as gas for Air Force and Navy without American backing, were, we were informed, pointed out to him. Contrary to earlier impressions, appears from Chen's Nanking visit that he likes his job, believes he is performing ably as Governor and has no desire to relinquish it.

Sent Department 680, repeated Taipei 30.

STUART

Department of Defense Files

Memorandum by Rear Admiral Sidney W. Souers to the National Security Council

WASHINGTON, APRIL 4, 1949.

Subject: The Strategic Importance of Formosa

References: A. NSC Action No. 189
 B. NSC 37/5^{10a}
 C. NSC 37/3^{10b}

Pursuant to NSC Action No. 189-c, the Secretary of Defense was requested to obtain from the Joint Chiefs of Staff a clarification of their estimate of the strategic importance of Formosa, as contained in NSC 37/3, with specific reference to confirmation of the Council's interpretation that this estimate means that overt military action by the U.S. in Formosa is not recommended either at this time or under any foreseeable future circumstances.

The enclosed reply from the Secretary of Defense is circulated herewith for the information of the National Security Council. No further action on the enclosure is contemplated unless requested.

SIDNEY W. SOUERS

[Annex]

Memorandum by the Secretary of Defense (Johnson) to the Executive Secretary of the National Security Council (Souers)

WASHINGTON, APRIL 2, 1949.

Subject: The Strategic Importance of Formosa

References: A. NSC Action No. 189c
 B. Memo from Executive Secretary, NSC,
 Subject: The Strategic Importance of Formosa,
 dated 4 March 1949

1. Pursuant to NSC Action No. 189c and in accordance with your memorandum of 4 March 1949, the Joint Chiefs of Staff have considered the request for confirmation of the National Security Council's interpretation of the Joint Chiefs of Staff's estimate regarding the use of overt military action by the United States in Formosa.

2. The National Security Council's interpretation that this estimate means that overt military action by the United States in Formosa is not recommended by the Joint Chiefs of Staff, either at this time or under any foreseeable future circumstances, is generally correct, subject to the following considerations.

^{10a} March 1, p. 290.

^{10b} February 11, p. 284.

3. The Joint Chiefs of Staff do not believe that the strategic importance of Formosa justifies overt military action at this time or in the event that diplomatic and economic steps prove insufficient to prevent Communist domination so long as the present disparity exists between our military strength and our global obligations. However, it should be pointed out that there can be no categorical assurance that other future circumstances extending to war itself might not make overt military action eventually advisable from the overall standpoint of our national security.

LOUIS JOHNSON

893.50 Recovery/4-649 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 6, 1949—8 a. m.
[Received April 6—5:10 a. m.]

97. From Merchant. Grateful Deptel 51, March 30. Interviews last week of Griffin-headed ECA group¹¹ with Governor Chen, coupled with contents Taipei's 93 of April 1¹² and Embtel 680 to Department March 31, unhappily strong urge Chen will remain. Apparently Chen did not obtain in Nanking specific confirmation sweeping powers delegated him by Sun Fo as latter resigned office. In any event he gives impression confidence his tenure. While Li may only have deferred action on his expressed intention to replace Chen with Sun, I reluctantly conclude Chen meets description paragraph 1, section 37/2,¹³ and particularly in light note of urgency implicit in Deptel 389, March 24 to Nanking, I believe we must deal with him.

Accordingly I recommend my opening negotiation with Governor Chen along following lines:

(1) General statement in sense paragraph 2, section 37/2 and obtaining maximum related assurances but giving no hint any aid beyond 17,000,000 JCRR and fertilizer already scheduled;

(2) Further pave way for detailed specification by ECA of coordinate self-help measures and facilities ECA will require for effective reconstruction and JCRR programs. Self-help measures would be stated by ECA to include *inter alia* emphasis on exports with vigorous efforts secure control foreign exchange earned and certain anti-inflationary monetary actions by Bank of Taiwan along lines Paul Parker's¹⁴ survey (reference Shanghai's Toeca 1255 of March 25¹²).

¹¹ R. Allen Griffin was Acting Chief of the ECA China Mission.

¹² Not printed.

¹³ February 3, p. 281.

¹⁴ Paul C. Parker, acting Treasury representative in China and financial adviser to ECA China Mission.

I believe Chen will subscribe enthusiastically but act within limits dictated by his loyalty to Gimo and friends. Accordingly he may not push too hard for use Nationalist Government gold stocks in Formosa, reliably reported about 2,000,000 ounces. Presumably he will protect C-C clique in sinecures and easy pickings and otherwise govern in traditional Chinese style. Best estimate Chen will refuse to accept as applicable to Formosa the authority of any Communist-dominated coalition on mainland which may emerge from peace talks. My doubts remain nevertheless regarding his ability to provide sufficiently enlightened government to satisfy Formosan aspirations and provide popular native base necessary for effective resistance.

If authorized proceed as recommended part 2 above, I will concert in advance with Griffin who returns from Japan mid-week. ECA follow-up should be prompt, specific and in accustomed role tough talk regarding performance.

Meanwhile Parker and I have worked out with ECA and Tarring of J. G. White tentative program for best use 17,000,000 plus JCRR activities and oncoming fertilizer. Admittedly sum is insufficient for enduring substantial improvements particularly in absence any assurance continuity. However, if Japanese equipment prices for reconstruction projects afford hoped for savings program, coupled with vigorous provincial monetary and economic actions, should retard inflation and provide stopgap enabling later examination of justification for continuing US economic support. But there will be no margin for error or contingencies.

Dimensions and nature overall program (requested in paragraph 5, section 37/5¹⁵) are contained in Shanghai's ToECA 1255 of March 25, supplemented by Parker's memo sent Washington from Shanghai April 3 or 4.¹⁶ However, Parker now estimates and I concur cost such effective program somewhat less than ToECA 1255 calculates. [Merchant.]

EDGAR

893.00/4-649 : Telegram

The Secretary of State to the Consul General at Shanghai (Cabot)

WASHINGTON, April 7, 1949—5 p. m.

607. For Merchant. Before authorizing action requested Taipei's 97 Apr 6 Dept wishes you have benefit of reappraisal in light of info contained in Nanking's 716 Apr 6 to Dept¹⁷ (which it is requesting

¹⁵ March 1, p. 290.

¹⁶ Latter not found in Department of State files.

¹⁷ Vol. VIII, "Political and military situation in China", chapter III.

Nanking to rpt to you) and fact that current legislation may well emerge from House-Senate conference with termination date Feb 15, 1950 or at any rate Dec 31, 1949. Final Congressional action this legislation not expected until just before Easter.

For your info ECA has already approached Dept informally as to possibility of diversion for mainland commodity program of whole or part of \$17 million earmarked capital reconstruction Formosa. Dept referred NSC decision and rejected suggestion.

Your views would be appreciated.

ACHESON

Executive Secretariat Files : NSC 37 Progress Report

Memorandum by the Secretary of State to the Executive Secretary of the National Security Council (Souers)

[WASHINGTON,] April 8, 1949.

Subject: Implementation of NSC 37/2¹⁹ and NSC 37/5.²⁰

Pursuant to NSC Action No. 123, October 6, 1948, the following progress reports on the implementation of NSC 37/2, "Current Position of the United States with Respect to Formosa", and NSC 37/5, "Supplementary Measures with Respect to Formosa", are submitted for the information of the Council:

In accord with paragraph 5 of NSC 37/5, the Department has detailed Mr. Livingston T. Merchant, Counselor of Embassy at Nanking, to Taipei, where he arrived in late February. Shortly after his arrival the Department communicated to him the decisions reached in NSC 37/2 and NSC 37/5 with a request for his views regarding the timing of his approach to the Governor of Formosa, as set forth in paragraphs 1 and 2 of NSC 37/2. In reply to the Department's request, Mr. Merchant reported that he did not consider the time ripe for an approach to the Governor of Formosa in view of the possibility that the incumbent might be supplanted by General Sun Li-jen, an American-educated officer considered to be more competent than the present Governor.

In the meantime discussions of the problem of economic aid for Formosa were held on March 10²¹ between the Secretary of State and the Administrator for Economic Cooperation and the following understanding was reached:

"Plans will be laid for a program of economic support to Formosa, including proposed capital expenditures for industrial replacement and reconstruction, which should be brought as near to the point of

¹⁹ February 3, p. 281.

²⁰ March 1, p. 290.

²¹ See memorandum of March 10, p. 630.

consummation as feasible without additional allocation of funds. The fertilizer distribution program now planned, together with some rural reconstruction activities, will be carried forward. No capital expenditures will be authorized unless and until the political circumstances are judged to be propitious for an all out economic program on the island. However, it is not considered that the time has yet come to institute such a program."

DEAN ACHESON

893.50 Recovery/4-949 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, April 9, 1949—10 a. m.

[Received April 9—2:40 a. m.]

1130. From Merchant. Believe National Government in genuine financial death throes. Disturbed by implications (reference Shanghai's Toeca 1316, April 8²²) Chinese Government expressed desire forego any assistance to Taiwan in favor neck or nothing gamble of remaining ECA funds on Shanghai gold market and silver troop pay. Proceeding Taiwan as planned will be revelatory but unavoidable.

Proceeding Nanking April 10 with Griffin and Parker to discuss financial crisis with Ambassador. Weather permitting, will return Taiwan April 11 and, assuming authorization requested negotiate by then received, will proceed at once, supported secondary stage by Griffin and Parker.

Inclined credit report Sun's string played out. Believe many Kmt personalities including K. C. Wu and possibly T. V. Soong²³ will shortly converge on Taiwan. [Merchant.]

CABOT

893.00/4-1049 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 10, 1949—9 a. m.

[Received April 10—2:14 a. m.]

108. [For] Merchant and Butterworth. T. V. Soong here. He tells me on Generalissimo's order to find political, economic, military solution to preclude Communist takeover. Asked my advice. Have stalled. You may decide immediate return or request my instructions.

Sent Department 108, repeated Nanking 98.

EDGAR

²² *Post*, p. 755.

²³ Former President of the Chinese Executive Yuan and Governor of Kwangtung.

893.00/4-1049 : Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, April 10, 1949—noon.
[Received April 10—4:23 a. m.]

741. We learned from Sun Li-jen before his return Taiwan that he was well received by Generalissimo at Chikow. (See Embtel 715, April 6 to Department,²⁴ repeated Canton 227, Shanghai 341, Taipei 35.) Latter told him to go back to Taiwan and keep up his good work training Chinese Army. When General Sun took his leave, Generalissimo showed him special courtesy, amiability, by accompanying him some little distance from house.

Acting President has suggested indirectly that if Americans agree General Sun would be better Governor Taiwan than Ch'en Ch'eng we might usefully approach Wu Chung-hsin²⁵ who admires Sun (they come from same hsien headquarters) and who, as Department knows, has Generalissimo's confidence. Apparently Li Tsung-jen would like any suggestion to Generalissimo of change Governorship Taiwan come from some quarter other than himself. Obviously his suggestion not being pursued.

Sent Department 741, repeated OffEmb Canton 238, Shanghai 355, pouched Taipei.

STUART

894A.00/4-1149 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

Taipei, April 11, 1949—9 a. m.
[Received April 11—1:34 a. m.]

110. At his request called 9th on T. V. Soong, who received me alone and abruptly stated his mission at Generalissimo's order is to find political, economic, military formula to preclude Communist takeover: Taiwan economy must be restored, island must not be dragged down to mainland level, Taiwanese welfare must be above anything Communists can offer, claimed and indicated wide knowledge local conditions, has brought survey group, will stay about one week.

Replying to request my opinion and recommendations, I merely referred Governor Chen's three-point program, (1) strengthen not separate Taiwan yen, (2) retain 40% export proceeds, (3) solve mainland remittance problem by goods imports, not currency credit. Said Chen appeared satisfied Nanking visit results. Soong criticized each solution, said Chinese military still 50 years behind times. Taiwan needs simple

²⁴ Not printed.²⁵ Adviser to the President of the Republic of China.

clear-cut bold solutions. Had not yet taken time consult Chen Cheng except few minutes at airport. Proposed Taiwan representation on financial board to instill confidence. I mentioned local desire elect mayors and magistrates. Soong opposed "synthetic democracy". Cited Legislative Yuan and derogatory of C. Chuang, notorious provincial council head. Criticized nationalization all island industry resulting inefficiency and expressed desire unload.

Asked re military behavior. I cited several news reports. Soong spoke highly Sun Li-jen and said no trouble his troops. Questioned authenticity news report his removal. Mentioned failures Chen Yi, successes Wei Tao-ming.²⁶

Several times indirectly intimated low regard Chen Cheng. I said nothing.

Requested meeting with American official best posted in economics here. I suggested ECA Craig.²⁷ He twice suggested there must be someone else. Replied no. Have delayed Craig meeting till Tuesday²⁸ hoping instructions.

Repeated Nanking 100, OffEmb Canton 10.

EDGAR

893.50 Recovery/4-1149 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 11, 1949—5 p. m.
[Received April 11—8:57 a. m.]

111. From Merchant. Deptel 607, April 7 not seen by me prior despatch my telegram 1130 of April 9 or my letter to Butterworth of April 8.²⁹

Regarding appraisal requested Deptel under reference will be sent soonest.

Reference Taipei's 108, April 10 and 110, April 11, I plan lie low and not now plan to see T. V. in absence contrary guidance. [Merchant.]

EDGAR

893.50 Recovery/4-1249 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 12, 1949—10 a. m.
[Received April 12—5:22 a. m.]

113. From Merchant. Reference Taipei's 111, April 11, Shanghai's 1130, April 9 and Deptel 607, April 7 to Shanghai. I agree combina-

²⁶ Both previous Governors of Taiwan.

²⁷ Loris F. Craig, head of the ECA office on Taiwan.

²⁸ April 12.

²⁹ Letter not printed.

tion factors requires reappraisal recommendation made in Taipei's 97, April 5 [6].

Communists' understandable *intransigence* at peace table and accelerating collapse mainland economy combine to shorten time for decision by governing group on Formosa. Self-interest Governor Chen Cheng and Generalissimo crowd, now in control, almost certainly will dictate refusal to accept authority any Communist-dominated mainland government. Such action would likewise serve our immediate interest. I do not believe their decision or their chances initially of successful resistance will be affected or improved by promise US economic aid today.

On other hand knowledge (which would unavoidably soon become public) of substantial US aid forthcoming would give Communists new handle to propaganda jug, disappoint Formosans who resent present Chinese authorities and confirm widespread mainland Chinese fears that we have imperialistic designs on Island.

Since first arrival here I have doubted ultimate usefulness US aid to present Governor and his clique. I had hoped his displacement by enlightened Chinese leader would provide setting in which US aid could be effectively translated into direct improvement Formosan's lot. These hopes have not materialized nor do they seem likely to now.

At this moment I see nothing to be gained and much to be lost by approaching Governor Chen with view committing US economic aid beyond routine continuation present modest ECA commodity imports and current slow moving JCRR program. Accordingly I withdraw reluctantly recommendation contained Taipei's 97, April 5 [6] and urge continued deferral and approach to Governor Chen pending further development events on mainland.

Re last paragraph Deptel 607, April 7 to Shanghai and official Nationalist Government request reported in Shanghai's Toeca 1316, April 8.⁵⁰ I recommend up to half prospective ECA 54 million be gradually committed to keep post-June 30 mainland commodity pipeline filled but that 25 million be unostentatiously withheld by Washington against possibility later effective use for reconstruction and JCRR on Formosa. [Merchant.]

EDGAR

123 Merchant, Livingston T.: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 12, 1949—10 a. m.
[Received April 12—3:45 a. m.]

114. From Merchant. Strongly recommend Paul Parker and I be immediately recalled consultation Washington. If recommendation

⁵⁰ For latter, see p. 755.

Taipei's 113, April 12 accepted, no immediate action required here and combined full understanding problems essential for successful operation. Confident Treasury would cooperate for Parker's return with me. [Merchant.]

EDGAR

893.50 Recovery/4-1249: Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, April 15, 1949—5 p. m.

59. For Merchant. Urte1 113 Apr 12.

1. Dept agrees ur recommendation desirability deferring approach Chi auths Formosa except as indicated below. Since Soong probably has some directive from Gimo and no doubt wishes obtain firm indication US attitude re Formosa, it seems desirable give him some indication US Govt views this subject and disabuse him of some illusions. Dept accepts ur judgment self-interest Chi now in control Formosa primary consideration rather than promise US economic support this stage. Approach to Soong would serve indicate to them their own efforts will be determining factor and US aid can only be supplementary such efforts. Failure establish this point clearly with Chi auths would inevitably result eventual failure US efforts prevent Commie domination island.

2. In view foregoing Dept believes you shld see Soong and make statement along fol lines:

You have noted his conversation with Edgar (Taipei's 110, Apr 11). US Govt has no desire see mainland chaos spread Formosa and would be inclined view favorably question economic aid Formosa shld Chi take steps prevent Commie or coalition govt control island. However in certain quarters there is obviously a misconception of US interest Formosa: for example that US considers island essential link Western Pacific defense chain. US Govt is entertaining no designs on Formosa and does not desire establish bases Formosa. Although it looks with favor on denial Formosa to Commie control, Formosa not of sufficient strategic importance in mid 20th century which has sufficiently moved away from coaling-station strategic concept that there is no question of US employment forces to effect destiny of Formosa. Question US econ aid Formosa inevitably involved with pattern previous US efforts aid China. Certain econ measures indispensable effective contribution Formosan stability: for example availability for current use Formosa substantially all foreign exchange proceeds Formosan exports, limitation Formosan trade with mainland to barter for benefit current consumption Formosa and virtual cessation mainland remittances Formosa, both Govt and private. Unless Chi auths willing and able

measures this nature, external aid wld be of little significance and inevitable result wld be repetition mainland situation. Formosa represents valuable economic assets which could be made self-supporting with efficient admin as example of non-Commie Chi Govt achievement. US Govt has, however, viewed with misgivings recent developments Formosa which give promise repeating mainland pattern. Influx large numbers refugees has exacerbated feelings Formosans and contributed further to instability and thus to opportunity Commie penetration. At present ECA prepared go ahead with fertilizer and JCRR program and it is hoped Chi auths can take measures establish basis for effective econ support.

3. Urtel 114 Apr 12 being made subj separate tel.

ACHESON

123 Merchant, Livingston T. : Telegram

The Secretary of State to the Consul General at Shanghai (Cabot)

WASHINGTON, April 20, 1949—5 p. m.

697. [For] Merchant. Dept sent you its 61 to Taipei Apr 18³¹ principally because Emb had not rptd to you tel referred to therein indicating approaching Communist-Nationalist negotiation crisis.

In acting with respect to Formosan situation Dept is relying on your recommendations at every stage in game. It does not wish to preclude a talk with Soong now if that or any other course of action recommends itself to you for Dept approval. Your views requested.

ACHESON

893.50 Recovery/4-2149 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, April 21, 1949—3 p. m.

[Received April 21—3:34 a. m.]

1281. From Merchant. Sufficient doubt my mind re T. V. Soong's motivations and intentions leaves me satisfied over postponement frank talk with him. However, request authority in my discretion to interview him along lines Deptel 59 to Taipei April 15 if circumstances in my judgment so indicate (reference Deptel 697 to Shanghai April 20). Will return Taipei by MA³² plane from Nanking early April 26.

New subject: Tarring of J. G. White has returned from Japan and reports power industrial related equipment available for Taiwan reconstruction requirements at prices and delivery dates approximately

³¹ Not printed.

³² Military Attaché.

one-third less than in US. This should bring J. G. White-screened reconstruction projects within tentative ECA earmarked 17,000,000. [Merchant.]

CABOT

893.50 Recovery/4-2149 : Telegram

The Secretary of State to the Consul General at Shanghai (Cabot)

WASHINGTON, April 21, 1949—4 p. m.

706. [For] Merchant. Authorization sought your 1281 Apr 21 accorded. For your info only, Dept planning meet next week with ECA and Bureau Budget to ensure that Presidential allocation to ECA of authority accorded by recent legislation will properly take into account Taiwan. Have you any suggestions re earmarking beyond \$17 million and JCRR \$8 million?

ACHESON

894A.00/4-2549

Memorandum by Mr. Kenneth Krentz³³ to the Director of the Office of Far Eastern Affairs (Butterworth)

[WASHINGTON,] April 25, 1949.

During my visit with General MacArthur in Tokyo last month General MacArthur asked a number of penetrating and informed questions about Formosa. At one point in our conversation General MacArthur misunderstood an allusion of mine to the Chinese army using Formosa as a base. He said very emphatically, "There is no earthly military reason why we (i.e., the United States) should need Formosa as a base. It would be no earthly use to us against our only possible major enemy and certainly they could not utilize it against us."

As you well know, General MacArthur has been quoted by others as expressing opinions quite different from the foregoing. However, this statement was most emphatic and categorical.³⁴

893.00/4-2549 : Telegram

The Secretary of State to the Consul General at Canton (Ludden)

WASHINGTON, April 25, 1949—8 p. m.

177. [For] Merchant. Dept concerned re possible large influx refugees. It is not in position to judge whether it is feasible you discuss this

³³ Consul General at Taipei, temporarily in the United States.

³⁴ Marginal notation by the Secretary of State: "Most interesting. I thought he took the opposite view. D A."

matter with Governor reminding him of his previous stand to limit number of refugees to avoid further repercussions therefrom but if so it is suggested you do so.

ACHESON

893.00/4-2849: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 28, 1949—5 p. m.
[Received April 29—12: 15 a. m.]

129. From Merchant. Dislike advocacy passivity but remain of opinion no approach to Chen wise at this time particularly in light request of Li Tsung-jen to Clark³⁵ that no ECA funds be allocated Taiwan. Any present implication US intentions this direction would be construed as intervention by US in internal conflict for control remnant Nationalist assets forces and authority which seems to me unwise.

ECA fertilizer arriving Taiwan per schedule and wheat and cotton total value circa US half million here or en route which will be sufficient finance local currency expenditures ECA local office, J. G. White group and current JCRR program for next several months.

Edgar and I will informally and indirectly convey to [Chen] Cheng gist Deptel 177 to Canton April 25. Formal approach deemed undesirable particularly in view virtual impossibility Chen refusing entry Yuan members, etc., now coming in by hectic Shanghai shuttle flights. Doubt feasibility arrival great numbers non-rich or non-great by sea. Conflicting rumors troop movements in and out as yet unconfirmable. [Merchant.]

EDGAR

893.50 Recovery/4-2949

The Director of the China Program of the Economic Cooperation Administration (Cleveland) to the Director of the Office of Far Eastern Affairs (Butterworth)

WASHINGTON, 29 April 1949.

DEAR WALT: I am sending you a particularly interesting letter, classified "Top Secret", from Allen Griffin. This letter was apparently written shortly before Mr. Lapham returned to China. It recommends strongly that no action be taken to set up a Taiwan operation under

³⁵ Lewis Clark, Counselor of Embassy in China at Canton.

present circumstances, and giving the present elements with whom it would be necessary to deal there.

I would be interested to know if you are getting similar advice from Livie Merchant.

Sincerely yours,

HARLAN CLEVELAND

[Enclosure]

The Acting Chief of the ECA China Mission (Griffin) to the Director of the China Program of the Economic Cooperation Administration (Cleveland)

SHANGHAI, April 14, 1949.

DEAR HARLAN: Our cables have, I believe, kept you as familiar as distance permits with the circumstances that are bringing about the deterioration of the Nationalist's side in China. Suffice it to say, that no reform in the evil practices that have undermined the Government has taken place in the Army, the political structure and bureaucracy, or in the financial setup. I have come to the conclusion that no reform has even been possible in the face of the habits and available personalities of the political and military leaders on the Nationalist front. Whether a strong and positive American policy might have changed that condition, if exercised one or two years ago, I cannot say. The evils that have undermined the regime appear to have been fixed in mucilage.

We now come to the field of what is possibly our next adventure—Formosa. Events and circumstances of the past two months, one following another, have convinced me that we should stay out of Formosa so far as any longterm operation is concerned. Unless that Island is so vital to America in a military sense that its occupation by the Communists would have to be denied even by the use of military force, if necessary, it is my opinion that we should leave it alone.

Formosa has become the redoubt of the Gimo's favored elements, the very people whose selfishness, corruption and shortsightedness have destroyed their regime on the Mainland. It is packed with troops, under divided commands that are separately responsible to the Generalissimo. It is the refuge of the closest forces of the Generalissimo, and they control the Island. As time goes on, we will discover that we cannot any more do business successfully with those people in Formosa than we could do on the Mainland.

T. V. Soong, with a substantial staff, is making an investigation of political and economic matters there now. I do not minimize his capabilities, and am prepared to believe that his motives are patriotic.

Nevertheless, I do not see how we can back a Soong plan or regime there and face the political repercussions in China and in America. It all adds up to Lapham's policy cable on Formosa³⁶ which he sent in to you during the first week in February. Unless American policy toward that Island can be positive without any question of a doubt—and military if needs be—then ECA should not risk a great failure there in promoting the industries that are controlled by a handful of men, and that will be operated for their benefit.

Livie Merchant has been working in that field for some weeks, and we have together discussed this problem at least once a week, either in Formosa or here. I have reason to believe that he agrees with this conclusion. At a meeting with the Ambassador and his staff, including Merchant and Clark, last Sunday in Nanking, the consensus was that we had better stay out unless we are *required* by the highest policy to get in. At least there is no point to entering this field in a hurry. We have our fertilizer there now, and we can undertake some reasonably conservative rural reconstruction operations. Such undertakings do not commit us deeply and will give further opportunity to analyze the Formosa problem. I strongly advise that we do not go further than that.

Sincerely yours,

ALLEN

894A.00/4-2949 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 29, 1949—11 a. m.

[Received 7:44 p. m.]

132. Developments on mainland heightened air of expectancy here. Price flights and merchant reluctance to sell perturb man in street. Rumors of all sorts rife. Smaller officials express concern over future supplies and markets and general local nervousness. They and local press anxiously expecting abler action to halt economic deterioration and stabilize island economically and politically. My comings and goings closely watched and reported. C. K. Yen³⁷ believes time ripe for abrupt economic reform and commercial reorientation (see my next telegram). However, encountering difficulty with Governor Chen who lays economic troubles to activities of "evil" persons and prefers use military edicts for forceful suppression. K. C. Wu now here from Shanghai has respect of and believed great influence over Governor, thinks in C. K. Yen terms but fears autonomous moves now might cause Legislative or Control Yuan reprimand or even attempt replace

³⁶ Not found in Department of State files.

³⁷ Finance Commissioner of Taiwan.

Chen, thus further confusing situation and possibly forming two-camp tendency here. Says action must await more complete mainland disintegration. Groundwork meantime being laid.

Talks already under way with Hong Kong for trade development. Expect early approach to SCAP by local authorities re expansion two-way trade.

Sent Department 132; pass Nanking 122, Off Embassy Canton 18.

EDGAR

893.50/4-2949 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 29, 1949—3 p. m.

[Received April 30—9:42 a. m.]

133. Finance Commissioner Yen yesterday gave me unexpected 40-minute picture his economic and financial planning, producing statistics, charts, et cetera, asked comment, advice. Says conferences on details are daily. Governor hastened return from south due emergency situation.

Province has here in addition to national reserves over 2 million US gold, et cetera, backing and 5 million credit in Japan. Trade development 1947 and 1948 encouraging and expects favorable balance 34 million US 1949 from larger sugar export with subsequent greater emphasis rice culture. Saw little hope Oolong tea or camphor. Proposes make local currency freely convertible Jap occupation dollar to assure stability and encourage private Jap trade but cannot touch national gold for purely provisional purposes but its conversion to pay soldiers here in local currency would add to hard reserve. All above would permit later but early free convertibility US dollar.

Fully aware effect loss Shanghai as import-export market and entrepot. Says trade with China absolute necessity in addition good Jap market. Would divert from Shanghai to Fukien to Kwangtung as Communists advance. Also already negotiating British use Hong Kong as entrepot for later trade with Communist China. Trying get Governor make approach Tokyo but having difficulty due confusion Governor's mind details SCAP trade practices. Also interested Manila but doubts volume. Desires discontinue government-to-government deals, encourage private trade use local bank clearings, retaining only minimum import control to insure receipt island needs. Hopes this will stimulate local business and reduce Taiwanese opposition.

Yen and Bureau directors seeking Government's approval remove recording deficits like transport, utilities, provincial corporations and cut number excess Government employees. Governor reluctant believe

low rates necessary to people's welfare. Governor also ambitious industrialize island, unconvinced inflationary result, prefers industrial equipment imports to consumer goods and wants price controls, rationing, police measures. "Narrow and inflexible mind", Yen expects eventual conversion but emphasizes need of patience.

Yen convinced useless attempt get outside support now but hopes later by development self-help. Says ECA could aid greatly but own program can start alone.

Sent Department 133, repeated Nanking 123, OffEmb Canton 19, Shanghai 115.

EDGAR

894A.00/4-2949 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, April 29, 1949—7 p. m.
[Received April 30—12:27 p. m.]

134. K. C. Wu during call on me said China must make success of Taiwan. Freely criticized Kmt and said errors must not be repeated here. Problem is economic, not military. Said working toward elimination mainland carpet baggers. Cited usual advantage of civilian government but emphasized present importance man with Chen's military prestige: although narrow reactionary, stubborn also sincere, honest, clean. Willing hear advice, needs liberal civilian advisers. Heeds Wu.

Wu apparently excellent health [and] spirits, says he will stay indefinitely. Has discussed garrison complement with Governor and is urging retention only four divisions, i.e., two armies, sending rest to China. Supports autonomy but recommends one- to two-month delay.

Offered self as channel to Governor Chen for any matters best not direct. Requested later opportunities discuss local situation and developments.

Sent Department 134, repeated Nanking 124, OffEmb Canton 20, Shanghai 116.

EDGAR

894A.01/5-249 : Telegram

The Minister-Counselor of Embassy in China (Clark) to the Secretary of State

CANTON, May 2, 1949—6 p. m.
[Received May 3—9:31 a. m.]

Cantel 310. On May 2, P. Huang, of Formosan League for Re-Emancipation, called at Embassy office and stated that he had moved

Canton for time being because Formosan Communists Hong Kong were source danger his personal safety. In course of conversation, he stated that general groups, including C-C clique of Kmt, Democratic League, KmtRC³⁸ and Formosan Communists, had all, in recent months, approached him in effort secure adherence Formosan League their separate organs and had made attractive offers which he refused to discuss with them. He said that he was particularly concerned that Formosan Communists were rapidly gaining strength, for they were currently in receipt large amounts weapons and military equipment smuggled Taiwan from Japan. He also said that Kmt troops Taiwan were becoming restive due activity Communist forces here, so that their loyalty could not be counted on. He concluded by saying that the US should make its intentions toward Taiwan, and particularly its support Formosan independence, clear in order that the island might be saved from communism. He also said that he would like revisit Japan soonest possible.

Interviewing officer responded to above by expressing general interest in happenings Taiwan. Officer felt Huang probably prevaricating when he stressed attempts various groups enlist his support and obviously sincere in his desire commit US to his support.

Sent Department; pouched Hong Kong, Taipei.

CLARK

893.00/5-349: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 3, 1949—11 a. m.

[Received May 3—1:58 a. m.]

139. From Merchant. RefDeptel 177, April 25 to Canton. Through Dr. Wu, who has Government's ear, Edgar and I have made clear belief further influx mainlanders would prove political health and economic liability to Formosa.

Relative aircraft arrivals recently tend indicate Canton and Hong Kong preferred over Taipei as haven by Shanghai refugees whose wealth, position enable air exit.

Wu stated flatly no troops left Formosa for mainland; some but "not substantial numbers" from Shanghai came and coming here. [Merchant.]

EDGAR

³⁸ Kuomintang Revolutionary Committee.

893.50 Recovery/5-449: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 4, 1949—2 p. m.

[Received May 5—1:15 p. m.]

141. From Merchant. Since March I have recommended delay in committing US economic aid to present government based on timing considerations.

Today the rapid development of events on mainland necessitates re-appraisal situation Formosa. I now believe revision of US policy as laid down in NSC 37 series is indicated rather than mere delay in its execution.

With collapse of peace talks, virtually unopposed crossing of Yangtze, fall of Nanking and imminent loss of Shanghai, any united Nationalist military resistance to Communists appears improbable. Any resistance seems almost certain to be provincial or regional regardless of outcome showdown between Li Tsung-jen and Generalissimo for clear title as President disintegrating Republic.

Insofar as Formosa is concerned there emerges from these following factors bearing directly upon US interests:

1. It is reasonable assumption that present Governor or any replacement whether appointed by Gimo or Li will elect to resist authority mainland Communist government and build up Island as military bastion.

2. Foreign exchange in future generated by exports and Nationalist gold pot on Island will become available to it.

3. Abrupt severance from Formosa's mainland targets and supply sources, coupled with recent arrivals of economically nonproductive refugees, will further feed inflation which has gained headway in past month.

4. With transfer to Formosa still in process of considerable numbers of troops from Shanghai area, it can be assumed that Island's defense will be weakened, not strengthened by added economic burden and by increased chance of sell-outs to Communists by individual commanders.

5. Despite encouragement mainland disintegration might be expected to provide, there is no new evidence that local independence groups are sufficiently numerous, well organized, well armed and well led to knock out garrison and successfully establish anti-Communist pro-US native Formosan government although general deterioration may soon result widespread unrest and isolated flareups.

Whereas month ago possibility existed Formosa might become autonomous and be run for benefit its people by enlightened governor, it is now almost certain that under either Generalissimo or Li control it will be developed as a fortress which is not compatible with rational eco-

conomic development of Island nor application measures necessary to secure popular support and political development of Formosans.

Entirely apart from question its military security from without, Formosa cannot now be turned into welfare laboratory without far larger subsidy than US has so far considered. New and powerful forces of economic deterioration are at work. Even with massive aid there is little chance governing group with its attitudes and available technical brains could effectively and wisely use such aid. American advisers or a large ECA mission could not compensate for these deficiencies. The US would have to exercise direct authority commensurate with any responsibility it assumed for Formosa's economic well being. That would be a large order and would have to be skillfully presented in order to avoid effective attack on US by Communist propaganda throughout Asia.

On other hand, Formosa can be run as a fortress on a siege basis for a considerable period. If it worked out, our strategic objective would be protected unless and until its governor generals sold out to the Communists. Against latter contingency I see little we can do.

I believe decision to hold out will rest on governing group's estimate of (1) reliability of troops on Island and adequacy strength and supplies to repel any assault from mainland; (2) ability to suppress any native uprising; and (3) ability Formosa to continue economically to support regime's establishment on Island.

US economic aid would not affect (1) above.

Re (2), it might reduce over period of time incentive of Formosans to revolt. It is more likely, however, that the marginal beneficiaries of US aid would be governing groups and military. Re (3), control of exchange and gold pot should enable Island to finance its needs out of capital for 1 or 2 years or possibly longer. Viewed in concept of Formosa's total resources as aid would really amount to subsidy of military on Island.

The liabilities, however, which we would assume for economic aid of doubtful utility to either Formosan or our own interests are considerable. First, we would give Communists resounding irredentist tub to thump on mainland and throughout southeast Asia. This would not only be effective as attack on US but would embarrass any effort our part to hammer on Soviet steals from China. Second, if having given aid we fail and Island is lost to Communists, we have strengthened it for latter's benefit. Finally, we use US resources with slight hope of strategic return.

The foregoing argument rests on the assumption that it remains US policy (1) not to provide military forces for defense of Formosa, and (2) not to assume governing responsibility over Formosa through

unilateral occupation. Incidentally *Amethyst*³⁹ incident suggests that show of force against Communists would prove futile unless backed up by presence overwhelming force and willingness to use it if challenged.

My conclusion is that US should abandon contemplated ECA reconstruction program on Formosa. I also recommend against substituting therefor any ECA commodity import program beyond one of modest size described below.

It is difficult to accept this negative conclusion. There are, however, certain actions which I believe we can and should take, among which are:

1. Maintenance strong CG⁴⁰ staff to encourage Government in resistance and liberal rule.
2. Continued discreet contact independence leaders as long shot.
3. Vigorous JCRR program financed by fertilizer imports.
4. Persuade Government employ and immediately utilize J. G. White as industrial engineering adviser.
5. Extend Washington consultations with other nations concerned with view to place case before UN on short notice if need be. [Merchant.]

EDGAR

893.50 Recovery/5-449 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 4, 1949—4 p. m.
[Received May 7—4: 57 a. m.]

142. From Merchant. There is an alternative to policy relative inaction Formosa which is result of acceptance reasoning Taipei's 141, May 4. In brief outline alternative would involve:

1. Proceed with reconstruction program submitted by J. G. White. Cost, say 20 million US.
2. Step up JCRR program reaching into every hsien and under imaginative director. Cost, say 5 million US advanced by fertilizer imports.
3. Commodity import program concentrated on cotton cloth, additional fertilizer, POL,⁴¹ etc. Cost, say 10 to 20 million US.
4. Grant for purchase munitions and military supplies to remedy probable shortages and misfits in present stockpile. Cost, say 20 million US.

Total cost above circ 60 million US.

³⁹ H.M.S. *Amethyst*, a British naval ship which had been fired upon and disabled by Chinese Communists on the Yangtze at time of capture of Nanking.

⁴⁰ Consulate General.

⁴¹ Petroleum, oil, lubricants.

Above with proper management could support military establishment of size necessary for efficient service and lift standard living average Formosan, say 10 to 20 percent.

Quid for above *quo* would be :

1. Long-term lease to US Navy and to US Air Force, such bases as JCS determined of value.

2. Placement Sun Li-jen in command all forces, all services Chinese military on Formosa personnel to be screened by him with intent return to mainland one-half to two-thirds of total now here.

3. Employment by Govt of firm J. G. White as engineering advisors and industrial operations supervisors.

4. Employment by Bank of Taiwan first class financial economist such as Cyril Rogers⁴² now of Central Bank.

5. Understanding that all US economic aid would cease forthwith if after due consideration of facts US Govt decided advice of advisors described above was wilfully disregarded.

I realize above would require reversal basic policies (1) unwillingness commit US military forces Formosa and (2) unwillingness accept onus in Chinese and Asian eyes fact as well appearance unilateral governing responsibility Formosa. Furthermore any such negotiation must be carried out with Generalissimo or Li, not at Govt level. It would coincide with President's self-interest. It would, I believe, reassure Formosans and could by aggressive, frank presentation to world opinion be defended as no more invasion sovereignty than grant by US, for example, of B-29 bases. Finally this policy appears only form assistance or participation US can offer which would have any basic appeal in current psychological climate of Chinese Govt leaders and at same time lead toward US desired objectives. [Merchant.]

EDGAR

123 [Merchant, Livingston T.] : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 5, 1949—5 p. m.

[Received May 6—4: 22 a. m.]

143. From Merchant. Taipei's 141 and 142, May 4 raise basic policy recommendation arrived at in isolation and to consideration of which I believe Parker, with his knowledge Formosan economy, and I could contribute. Despite no reply Taipei's 114, April 12, I again recommend with added sense its importance that we both be recalled for consultation Washington. Though Treasury has instructed Parker to proceed to his post Cairo direct by June 1, I believe that at request Department,

⁴² British economist.

this travel via Washington would be authorized for above purpose.
[Merchant.]

EDGAR

893.01/5-649 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 6, 1949—5 p. m.

[Received May 6—8:28 a. m.]

150. Question being asked locally why in view McDermott⁴⁵ Taiwan statement⁴⁶ US Government separately or jointly with others has not made official public approach to Chinese and particularly to Governor Chen here, that, although recognizing interim *de facto* Chinese administration Taiwan, US and other governments have responsibilities Taipei welfare and cannot disregard recent tendency Chinese to treat Taipei in unilateral manner endangering peace, welfare natives not yet legally Chinese. Taipei must not be dragged into Chinese civil conflict.

Sun Moon Lake quarters definitely prepared for Gimo, also see Deptel May 5 re FonOff.⁴⁷ Troops and official refugees continue pour in.

Approach might not succeed but has definite chances, would establish position and hearten natives.

Sent Department, repeated OffEmb Canton 26.

EDGAR

893.50 Recovery/5-649

The Director of the China Program of the Economic Cooperation Administration (Cleveland) to the Director of the Office of Far Eastern Affairs (Butterworth)

WASHINGTON [undated⁴⁸].

DEAR MR. BUTTERWORTH: In October, 1948, the J. G. White Engineering Corporation was employed by the Council for United States Aid of the Executive Yuan of the Republic of China, under a contract financed by the Economic Cooperation Administration, to provide technical assistance to the ECA-CUSA Joint Committee on Recon-

⁴⁵ Michael J. McDermott, Special Assistant to the Secretary of State for Press Relations.

⁴⁶ On April 15 Mr. McDermott stated "the status of Taiwan is exactly the same as that of the Kurile Islands during the war and their final status will be determined by the peace treaty if and when we get one" with Japan.

⁴⁷ Not found in Department of State files.

⁴⁸ Received in the Department on May 6.

struction and Replacement in connection with industrial projects under the China Aid Program.

The initial phase of the industrial program consisting of pre-project engineering surveys has now been completed. It is reasonably clear that the program will not be able to proceed on the mainland of China. Therefore, it makes sense to continue the services of the J. G. White Engineering Corporation only if there is a prospect that an industrial program will be activated on the island of Taiwan.

ECA is willing to continue to finance the contract with J. G. White as long as there is any prospect that their services will be of value, but we feel that we have an obligation to take steps to have the contract terminated, as provided for by its terms, when it no longer serves a useful purpose.

Under the circumstances, I would appreciate it if you could indicate your views as to the future prospects of a program for Taiwan that might involve the engineering services of this Corporation.

Sincerely yours,

HARLAN CLEVELAND

893.50 Recovery/5-649

The Director of the Office of Far Eastern Affairs (Butterworth) to the Director of the China Program of the Economic Cooperation Administration (Cleveland)

[WASHINGTON,] May 9, 1949.

DEAR MR. CLEVELAND: The receipt is acknowledged of your undated letter,⁴⁹ which I received on May 6, 1949, asking for my views with respect to the prospects of a program for Taiwan that might involve the engineering services of the J. G. White Engineering Corporation.

For your confidential information, the Department is instructing Mr. Livingston T. Merchant, Counselor of Embassy now on detail at Taipei, to return to Washington in the immediate future for the purpose of consultation in regard to various problems on Taiwan. Upon his return he will be available for discussion with ECA of the question of the J. G. White Engineering Corporation and related matters. It would seem desirable, therefore, to take no action in this matter pending the arrival of Mr. Merchant.

Sincerely yours,

W. WALTON BUTTERWORTH

123 [Merchant, Livingston T.]: Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, May 9, 1949—2 p. m.

87. For Merchant. Urtels 141 and 142 May 4 and 143 May 5. In light of our policy recommendations and estimate situation Dept desires you

⁴⁹ *Supra.*

proceed Washington soonest for consultation. Authorization ur travel by air TO 9-15100 dated May 6. Dept asking Treasury recall Parker for similar consultation.

In view rapid developing situation Dept inclined to believe you should prior departure approach Gen Chen Cheng, or if you consider preferable K. C. Wu, along following lines: You are being recalled Washington for consultation but prior departure wish express concern possibility chaos from mainland spreading Taiwan, as previously indicated ur statement re influx further refugees. You being recalled Washington report situation Taiwan and possibility success Chinese efforts prevent Commie extension control over island either by infiltration or by direct attack.

Edgar should be fully acquainted with situation prior ur departure in order he may take action if necessitated by later developments during ur absence.

ACHESON

893.01/5-649 : Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, May 9, 1949—3 p. m.

88. Urtel 150 May 6. Dept notes ur statement "question being asked locally" etc. Pls identify persons raising this question.

ACHESON

894A.01/5-1049 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 10, 1949—11 a. m.

[Received May 10—7: 16 a. m.]

152. By series well-spaced moves Governor Chen has now quietly but completely placed yes men in strategic policy and operating positions. His extra-official brain trust continues and increases not unnoticed. General overall character is military, reactionary, unpopular.

Am hearing much conversational personal criticism of regime by people and officials including some Chen civilian appointees decrying excessive conferences, "repetitious pointless speeches", tendency toward solution by military order, tardy break from mainland. Governor's recent speeches down island emphasizing his full authority and threatening punishment to inefficient, indicate dissatisfaction success his efforts and may presage more general military replacements.

Concurrently and despite Governor's public statement, "all troops loyal and isle safe", much feeling official and private that developments mainland plus type troops increasing here raise serious loyalty ques-

tion and irritate natives. Air Force generally reported unwilling fight Communist mainland and even likely defect. Foreign community uneasy, some Americans making inquiries Consulate General. Believe danger not imminent but very real.

Sent Department 152, repeated Canton 28, Shanghai 120.

EDGAR

894A.00/5-1149 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 11, 1949—11 a. m.
[Received May 11—3:40 a. m.]

154. Sun Li-jen has not yet composed differences with Governor Chen. States Chen still trying to shelve him in favor own henchman and interferes at low levels while Sun continues fight maintain unhampered command but under Chen. Says Air Force [and] Navy not taking Chen orders. Sun in Taipei to inspect 6th Army near here nominally under his control. Expresses great disgust local and mainland developments. Doubts serious Communist activity Taiwan and claims complete loyalty his troops. Hopes Taiwan can soon have strong civil governor over unified military command. Generalissimo still Shanghai and may come here en route elsewhere. Doubts he will give Taiwan to President Li.

Repeated Canton 30, Shanghai 132, Nanking 135.

EDGAR

893.01/5-1149 : Telegram

The Minister-Counselor of Embassy in China (Clark) to the Secretary of State

CANTON, May 11, 1949—6 p. m.
[Received May 12—6:19 p. m.]

Cantel 358. From Merchant. Do not concur in recommendation contained Taipei's 150, May 6, to Department, repeated OffEmb Canton 26.

CLARK

893.01/5-1249 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 12, 1949—noon.
[Received May 13—6:48 a. m.]

162. My 150 perhaps poorly phrased, reDeptel 88. No single important personality involved. Was only attempting telegraphic synthesis

of conversations of social contacts and increasing number of office callers on staff this Consulate General, USIE,⁵⁰ Assistant Service Attachés now here and ECA officials.

Most important persons have been Communications Commissioner, Deputy Police Commissioner, 2 or 3 administrative directors.

In addition, Vice Consul recently on east coast, Vice Consul on south coast both report specific inquiries by Taiwanese. ECA Craig receiving steady stream harassed Tai businessmen, USIE worried Chinese intellectuals and Tai local personalities, Service Attachés and officials, foreign businessmen and others, all referring in varying degree directly or indirectly to us and others responsibility, inadequacy Governor Chen's regime, apparent no implementation Chen pronounced policies, rapid deterioration local picture, various means of solution.

McDermott statement widely discussed privately and variously interpreted, as:

- (a) Mere reply to Wang Shih-chieh;
- (b) Re-issuance policy statement to close debate;
- (c) Opening gun in more positive approach.

Except for top old guard, most hope for (c) and cite recent local denunciation (see my 121⁵¹) of Kmt staging.

Since Nanking's fall, increasing number Chinese contacts, including minor officials, are seeking roof to protect Taiwanese under which they too could crawl.

EDGAR

894A.00/5-1349: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 13, 1949—11 a. m.
[Received May 13—8:21 a. m.]

164. From Merchant. Had unrewarding talk with Chen Cheng May 12. Edgar and C. K. Yen present. Made point influx from mainland economic [and] political liability. Governor replied also concerned but that movement now was small, under control and many only in transit. Governor refused reply my direct question present troop strength on island and number prospective arrivals, saying would be held to number he considered necessary for defense.

Governor talked lengthily on fertilizer need expand exports particularly with loss Shanghai markets. Made no request for economic aid, piously emphasizing need for own efforts which might later justify US help.

⁵⁰ United States Information and Educational Exchange program.

⁵¹ Not printed.

Governor stated he would defend Formosa come what may and thought he could. Said mainland picture gloomy and will no doubt darken further. Governor took pains point out 20 years' service under Generalissimo made any thought refusal his move here out of question but said Generalissimo will not return to office unless popular demand and "foreign diplomatic developments" require his resumption leadership. Governor implied Generalissimo unlikely come Formosa.

Closing I said US shared patriotic Chinese concern over possibility Formosa fall into mainland chaos and underlined seriousness economic-political problem mainland's war in and out of uniform.

I depart for Hong Kong May 13 hoping take PanAm for US May 14. [Merchant.]

EDGAR

894A.00/5-1749 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 17, 1949—9 a. m.

[Received May 17—5:14 a. m.]

168. Captain [of] Keelung Harbor Police told me about 1,000 of 3,000 passengers on last week's ship from Shanghai were admitted without permits. At dinner Governor Chen confirmed this, saying "poor people had no other place to go, were not Communists and had friends here". I suggested overcrowding might foster communism locally.

Mayor of Taipei, same dinner, expressed personal concern over law and order problems here result of "uncontrolled" influx.

Assistant Military Attaché here reports 8,000 army recruits arrived Keelung over weekend.

Details yet unknown but believe with ECA Craig that Island's business leaders and more serious government bureau heads are consulting and preparing some move which may take form widely-backed public appeal to Chinese Government for separatist solution Taiwan problem or to US or UN or FEC⁵² for trusteeship status.

Osborn⁵³ reports from Taiwan that K. C. Wu is generally considered as President Li's selection as next Governor Taiwan with Chen Cheng returning to mainland and General Sun Li-jen as overall military authority here. Occasional mention same possibility heard in Taipei. When last seen, Wu appeared again unwell.

Sent Department 168; repeated OffEmb Canton 35.

EDGAR

⁵² Far Eastern Commission at Washington.

⁵³ David L. Osborn, Vice Consul at Taipei.

894A.00/5-1749

The Consul at Taipei (Edgar) to the Secretary of State

No. 16

TAIPEI, May 17, 1949.

[Received June 6.]

I have the honor to enclose the text of a memorandum⁵⁴ left at the Consulate General entitled "Appealing for a Prompt Action" and signed by a Chen Fong-chu who lists himself as President of the Formosan Democratic Independent Party.

The memorandum, after reviewing Taiwan's troubles, claims that "the duty and responsibility of protection of Formosa must fall upon USA to drive out the unwanted Kmt elements from our island once the term of trusteeship is impractical to them."

It is the considered opinion of this office, based on conversations of its officers with the so called leaders of local independence groups, that these individuals can better be described as self-appointed spokesmen of an island-wide revolutionary movement rather than as leaders of organized revolutionary parties. This opinion is also held by service attachés from the Embassy who have spent much time here recently and by reputable American newspapermen who have checked the local situation.

The recording of this opinion however should not be taken to mean that in the face of an emergency or the unexpected appearance of an opportunity for action that an island-wide uprising might not take place, but it is believed that under present conditions it would not be well organized nor co-ordinated and that the self-appointed leaders could not agree on a concerted plan and policy.

Respectfully yours,

DONALD D. EDGAR

894A.20/5-949 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 9 [18?], 1949—9 a. m.

[Received May 18—4:26 a. m.]

172. Despite series conferences with Governor Chen and military commanders here, Sun Li-jen says he has not resolved most important problems, not even touched on control of air force or navy. Has obtained increase of army pay and ration allowance as well as promise of order appointing him Commander-in-Chief of ground forces in Taiwan but considers latter sop with no value since Governor has independently installed General Li Chen-cheng in Pescadores and plans not

⁵⁴ Not printed.

incorporate Shanghai forces retreating here in Sun command. Garrison forces also separate.

Citing fact all US military aid continues custody independent Chinese service forces, although Sun has need for training and arming for battle, he asked if US could control delivery for his benefit (has asked Assistant Military Attaché here same question). I said I thought not in view Congress terms.

Sun claims Taiwan will be lost like China as result internal fights, lack organization, not external enemy. Says no serious plans being made coordinate military or civil operations and hour is late. Criticized Chinese claiming to be Taiwanese particularly notorious C. C. Huang, head of PPC whom Governor took to Canton (additional to my Department 125,⁵⁵ Nanking 121, Canton 15). Repeated his belief in need separation military and civil to save island. Said two good well-armed armies sufficient for defense but Taiwan will probably have four poor ones instead, including Li Chen-cheng's in Pescadores.

Repeated Canton 37, Nanking 138.

EDGAR

Executive Secretariat Files

Memorandum by the Secretary of State to the Executive Secretary of the National Security Council (Souers)

WASHINGTON, May 18, 1949.

Subject: Implementation of NSC 37/2⁵⁶ and NSC 37/5.⁵⁷

Pursuant to NSC Action No. 123, October 6, 1948, the following progress reports on the implementation of NSC 37/2, "Current Position of the United States with Respect to Formosa", and NSC 37/5, "Supplementary Measures with Respect to Formosa", are submitted for the information of the Council:

Mr. Livingston T. Merchant, Counselor of Embassy specially detailed to the Consulate General at Taipei (Formosa) in accordance with paragraph 5 of NSC 37/5, continues to remain of the opinion that it is unwise to approach Governor Chen Cheng at this time. Mr. Merchant believes that any present implication of United States intentions at this stage would be construed as intervention by the United States in the internal conflict for the control of remnant National Government assets, armed forces and authority and that it would thus be unwise to give such an implication at this time.

In the meantime, Mr. Merchant and the United States Treasury Attaché have worked out with ECA a tentative program for the best

⁵⁵ Not printed.

⁵⁶ February 3, p. 281.

⁵⁷ March 1, p. 290.

use of the \$17,000,000 of ECA funds allocated for use on Formosa, together with plans for activities of the Joint Commission on Rural Reconstruction and for the use of fertilizer under the ECA program. He reports that at the end of April ECA fertilizer was arriving in Formosa according to schedule and that wheat and cotton of a total value of approximately \$500,000 were in Formosa or en route, an amount sufficient to finance the local currency expenditures for the ECA office on Formosa, the engineering survey group and the current program of the Joint Commission on Rural Reconstruction for the next few months.

In accordance with the Department's instructions, Mr. Merchant has informally and orally indicated to a high ranking Government official on Formosa that a further influx of refugees from the mainland would prove detrimental to the political health of and an economic liability to Formosa.

Pursuant to Mr. Merchant's recent recommendations, the Department instructed him on May 9 to return to Washington as soon as possible for consultation in regard to the problem of Formosa.

DEAN ACHESON

893.01/5-1149 : Telegram

*The Secretary of State to the Minister-Counselor of Embassy in
China (Clark), at Canton*

WASHINGTON, May 18, 1949—8 p. m.

TelCan 199. ReCantel 360, May 11.⁵⁸ Possibility rapid conquest S. China by Commies, reports Liu Po-cheng's forces concentrating Nancheng area threatening Fukien and Gimo's inconclusive answers to Li's message all wld seem indicate possibility Gimo's retreating Taiwan shld it become clear mainland untenable. In such event Gimo wld in all probability insist on retention Chen Cheng and likelihood latter wld comply with Li's instructions re replacement wld appear slight unless force employed. Dept's position re status Taiwan made clear in statement by Dept spokesman that final determination must await conclusion peace settlement for Japan. Comment drawn in Chi press and statement presenting contrary view by Wang Shih-chieh indicate Chi well aware US position this matter.

Dept of opinion, therefore, that casual statement by ConGen Taipei to Chen Cheng on occasion Li's instructions re removal (Cantel 303 May 1⁵⁹) wld fall short of desired effect in view larger considerations involved and might backfire if Chen or Gimo saw fit give matter pub-

⁵⁸ Vol. VIII, "Political and military situation in China", chapter II.
⁵⁹ *Ibid.*, chapter I.

licity. In any event, implementation of Chi decision re governorship Taiwan does not fall within US competence and you shld so inform Li or his representative.

ACHESON

894A.00/5-1949 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, May 19, 1949.

[Received May 19—10:29 a. m.]

176. Provincial government and Taiwan garrison today jointly proclaimed martial law here effective May 20. All ports closed except Keelung, Kaohsiung and Makung. Execution for usual offenses.

Repeated EmbOff Canton 39, Shanghai 141, Nanking 140.

EDGAR

894A.00/5-2449

Memorandum by Mr. Livingston T. Merchant to the Director of the Office of Far Eastern Affairs (Butterworth)

[WASHINGTON,] May 24, 1949.

United States Government policy with respect to Formosa was established in NSC 37/2,⁶⁰ approved by the President on February 3, 1949, and in NSC 37/5,⁶¹ approved by the President on March 3, 1949. In essence, this policy was designed to secure the denial of Formosa to any Communist or Communist-dominated government on the Mainland. The means available to secure this objective were stipulated to be diplomatic and economic support of the governing group on the Island. A show of force or the employment of U.S. military forces for the security or defense of Formosa was specifically ruled out at this time. The documents under reference took into account the JCS study of the strategic importance of Formosa and contemplated that, as soon as we knew with what group we must deal, there would be an immediate approach to the Governor for the purpose of securing from him certain assurances in return for which ECA would proceed with its suspended industrial reconstruction program on the Island.

In February the groundwork was being laid for peace negotiations, later to prove abortive, in Peiping between the Communists and representatives of Acting President Li Tsung-Jen. Despite the fact that Governor Chen had been appointed by and owed his primary loyalty

⁶⁰ February 3, p. 281.

⁶¹ March 1, p. 290.

to the Gimo, the risk was recognized that from the peace negotiations there might emerge a coalition government which could claim wide support and which could successfully extend its authority over Formosa. Despite the importance which this risk gave to reaching promptly an understanding with Governor Chen, the Department reached the conclusion that delay in committing to Chen full support through the ECA program originally envisaged was justified by the fact that he typified the unenlightened leadership of the most reactionary element in the KMT and by definition appeared incapable of providing Formosa with the sort of liberal government which alone could ameliorate the hatred of the Formosans for their Mainland rulers and in so doing build up political stability on the Island which would minimize, if not eliminate, its susceptibility to Communist infiltration and ultimate seizure of control from within.

The primary reason for delay was our knowledge that the Acting President desired to replace Chen Cheng with General Sun Li-jen, an American trained officer of integrity, competence and liberal philosophy. To date his efforts have been unsuccessful for reasons which are now clear from the open battle between Li and the Gimo for undisputed personal control of the remaining treasure, territory and armed forces not yet under Communist control. In this personal conflict for power, Formosa has become the key pawn and Chen Cheng's exclusive loyalty to the Gimo is plain.

In this interval during which no direct discussions were held with Governor Chen, ECA continued to hold its projected industrial reconstruction program in suspense. ECA proceeded, however, with its scheduled importation of nearly fifty thousand tons of fertilizer for Formosa. Certain medical supplies and odds and ends of flour and cotton yarn were likewise brought in by ECA, in part for the purpose of financing its own local currency expenditures, thereby to avoid contributing in any way to the rampant inflation. JCRR likewise proceeded with its planning for a program on Formosa directed at the well-being of the farmers and comprehending such operations as seed improvement and hog cholera serum manufacture.

During this same period, Chen Cheng entrenched himself in power, traveled and talked freely around the Island, but accomplished little to improve either the material or the political lot of the Formosans.

In November 1948 and in successive waves thereafter, rich refugees and units of the armed forces streamed into Formosa from the mainland. The total of such immigrants is variously estimated to run between five hundred thousand and a million. The present troop strength on the Island is now estimated to exceed two hundred thousand. The economic impact of this migration has been tremendous. Many of the

civilian refugees attempted to finance themselves by inward remittances while in the case of the Army, Navy and Air Force the National Government looked to the provincial treasury to feed and support them. The latter could do so only by printing additional currency.

On April 20 the civil war erupted again with the Communist crossing of the Yangtze, and with this development the immediate risk of a legal voluntary turnover of Formosa to a new government participated in or dominated by the Communists disappeared. The resumption of the war moreover sharpened the conflict between Li and the Gimo and accumulating evidence suggests, almost to the point of certainty, that the Gimo will raise his standard on Formosa—to sit it out there until the third World War breaks out, a war which he regards not only as inevitable but imminent. The Gimo no doubt regards Formosa as secure. The CAF headquarters is there as are certain naval units. The troops on the Island are still increasing as units are withdrawn by sea from the Shanghai area and landed on Formosa. Moreover, the Island is self-supporting in so far as food is concerned and in the vaults of the Bank of Taiwan is nearly US\$90,000,000 in gold. Finally, Chen Cheng has provided a refuge for dozens of the Gimo's oldest and most loyal subordinates.

The developing situation described above requires a reconsideration of US policy with respect to Formosa, with a view to recalculating the chances of success for the policy as now laid down and for the purpose of exploring alternative courses of action. The following factors are important in any such reexamination :

(1) It is the firm resolution of the present Government of Formosa to defend the Island against any Communist military assault and to seek out and suppress any Communist internal activity. The United States does not need to say or do anything to support or reinforce this resolution since it is based on the strongest of all instincts, personal self-preservation.

(2) An immediate military assault on the Island by the Communists seems improbable (i.e., within the next six months). The preparation of the necessary military expedition would seem to require at least that length of time and there is no evidence yet at hand that the Communists are directing their primary attention to Formosa.

(3) The Formosan population is restless and deeply resentful of their Chinese rulers. They do not appear, however, to possess a revolutionary organization, leadership or the arms to produce more than a futile uprising which it would be within the means and purpose of the Government quickly and bloodily to suppress. The Formosans yearn for independence as children yearn for candy. They have a child-like faith in the United States and its relative disinterestedness which overt support of Chen Cheng would go far toward destroying.

(4) In the past six months the economy of Formosa has deteriorated seriously and rapidly primarily because the population has suddenly been increased by between ten and twenty percent and the new arrivals

have been economically non-productive. In these changed circumstances a total ECA program at the annual rate of, say, twenty-five million dollars U.S. could not positively and constructively affect the Island's economy and thereby, as originally hoped, bring political stability in the wake of a net advance of the people's livelihood.

To summarize and over-simplify, we find ourselves faced on Formosa with a situation very similar to that which confronted us on the Mainland a year ago. The Government in power is corrupt and incompetent. Self preservation dictates that it advance our national interest in the process of attempting to preserve its own collective personal neck. The people which it rules hate not only the Government but will hate any foreign country which morally and materially gives its support to that Government. Yet there is no possibility, short of the dangerous and risky effort to finance and promote a *coup d'état*, that the present Government will be replaced or alter its character in the direction of liberal political rule and wise economic action.

It would seem practically that we are confronted by three possible lines of action.

First would be to pursue and execute the policy laid down in NSC 37/2 and 37/5. Admittedly, this would have the advantage of action. The implicit expression of support to the present Government would presumably encourage them spiritually. The economic assistance if properly formulated and directed would slow down, though not cure, the current economic decay. We would, however, see the reservoir of Formosan goodwill to America drop sharply and we would hand the Mainland Communists a ready-made irredentist weapon for their propaganda. We would increase, rather than reduce the vulnerability of many Chinese on the Island as well as the Formosans themselves to Communist agitation.

The second course is briefly outlined in Taipei's telegram no. 142 of May 4. Essentially this would entail forthright action by the United States on a bolder, more costly scale. The irredentist issue thereby created would of course be far more serious than in the case of course one above. It would involve acceptance of the fact that we would place ourselves on the psychological defensive and even more important, it would implicitly commit United States Armed Forces to defend the Island if it came under assault.

The third course available is substantially that envisaged in the closing paragraph of Taipei's telegram no. 141 of May 4. It means relying on the present Government's personal interest in resistance, providing some economic aid of a character designed to reach and directly affect the little men of Formosa, particularly the farmers. It is admittedly a policy of calculated inaction colored with opportunism

and it should be accompanied by vigorous secret spadework with those friendly governments which, like ourselves, are concerned with the strategic importance of Formosa. This spadework should be directed to the ultimate raising of the issue of Formosa in the UN, preferably as a result of an appeal by the native population, supported, if such can be encouraged or arranged, by Mainland elements on the Island.

No one can have had very high hopes that economic and diplomatic steps alone could guarantee the denial of Formosa to a government unfriendly to us. When they choose to put their minds on it, the Communists should be able to take over the Island either by assault or more likely by an infiltration which would include getting at not only the troops but very possibly individual leaders of military units on the Island. The JCS has made clear its unwillingness to contemplate at this time the commitment of U.S. Armed Forces to the defense of Formosa, the only action which could guarantee the security of Formosa from our point of view. If this is a reasonable assessment of the situation and the possibilities of achieving our ends, then it should behoove the United States to guard its moral position not only on Formosa and in China but throughout all Southeast Asia by minimizing its association with a governing group which has already in a larger theater demonstrated its incompetence and unpopularity.

Accordingly, I recommend adoption of course three described above. This will entail the Department reopening the matter in the National Security Council. This should be done promptly. Assuming NSC agrees, then the Department should issue an official public statement along the lines of the statement which was to have been made to Governor Chen under NSC 37/2. This should be accompanied by an active effort to explain to key members of the Congress and responsible newspapermen the underlying elements and difficulties in the Formosan situation.

LIVINGSTON T. MERCHANT

894A.00/5-2549

*The Ambassador in the United Kingdom (Douglas) to the Secretary
of State*

No. 894

LONDON, May 25, 1949.

[Received June 3.]

SIR: I have the honor to report that very little attention has been given in British official and unofficial circles to the various problems of Taiwan, such as the status of the island itself and the status of any

Chinese Government which may be set up there, especially in view of the fact that much of China's resources are reported to have been transferred to the island. There is also a report in London that Generalissimo Chiang Kai-shek and his two sons have left Shanghai for Taiwan but the British Foreign Office has not been able to confirm this. In view of the above facts the Embassy has been endeavoring to obtain some indication of British thinking in regard to Taiwan and the following are the results:

Official—Foreign Office

Mr. Dening,⁶² of the Foreign Office, stated that neither the British Cabinet nor officials of the Foreign Office have given much consideration to the problems of Taiwan and no Foreign Office policy has been established as yet. He stated that should a refugee Chinese government or a Chinese government in exile be set up in Taiwan, which is not yet legally Chinese territory, it is probable that the British Government would simply appoint a British Consulate in Tamsui as an office of the British Embassy in China. His own opinions were that any Chinese government established in Taiwan would be in a very ambiguous position and would present difficult problems to the governments of the world and especially to the United Nations. Should we or should we not recognize any such government as being the Government of China, entitled to appoint diplomatic representatives abroad and to the United Nations? Moreover, the problem of who should control Chinese Government funds abroad would arise. However, Dening said, one thing is certain, the Communists must not be allowed by the Western nations to take Taiwan.

Communist control of Taiwan would be a direct threat to the Philippines and to South-East Asia, both by infiltration and by direct aggression. Under no circumstances should this be allowed to take place.

Parliament

During the Debate on China in the House of Commons on May 5, Mr. Walter Fletcher (Conservative) wished to discuss the problem of Taiwan. He was ruled out of order by the Deputy Chairman (Mr. Bowles) (Labor), who made the following surprising statement: "Formosa, I realize, is the seat of the present Nationalist Government of China. But it is not China. I think it was part of Japan . . .⁶³ My geography may be weak, but surely Hong Kong, although ruled by the Colonial Office here, is really geographically part of China. For-

⁶² Maberly E. Dening, British Assistant Under Secretary of State for Foreign Affairs (Far East).

⁶³ Omission indicated in the source text.

mosa is a part of Japan, and is not really China, though the Chinese Government may be there."

On May 16, Mr. Teeling (Conservative) asked whether the British Government would "reconsider the position of Formosa under the Cairo Agreement⁶⁴ in order that the surplus population and industries of Hong Kong may be transferred there." He further asked if the Foreign Secretary⁶⁵ realized that Formosa "was actually offered to Britain in 1895 before the Japanese took it over? Does he further realize that Hong Kong cannot go on absorbing the Chinese and others, and if these people want the protection of the British why not allow them to have it in Formosa?" Mr. Bevin replied: "I cannot agree with the hon. Member in the proposal which he now makes . . .⁶⁵ I have given serious consideration to Formosa, and I think the hon. Gentleman's Question was rather startling."

Unofficial

The *Economist*, on May 21, published a short note regarding the "Ownerless Isle", that is, Taiwan. The article described the present status of Formosa rather accurately and stated that Formosa with its sugar production is better off as regards export trade than any other comparable area of China, and its material resources have been greatly increased by the transfer to the island of much of China's monetary reserves. However, the article stated any defense of the island over a lengthy period would require some foreign aid. "It remains to be seen whether the current State Department policy of writing off the Chinese Nationalist cause is to be applied to Formosa as well as to the mainland. If the American Government still wishes to save anything from the wreck of its China policy, the unsettled status of Formosa in international law would afford a ground for treating the island as a separate entity, even if recognition were given to a Communist regime as the Government of China . . .⁶⁵ The problem of refugees in Hong Kong is already acute. If Formosa were to be overrun by, or handed over to, the Communists, the world would have to cope with a new wave of Displaced Persons, and they would either have to be forcibly repatriated to China, in reversal of principles hitherto accepted in the west, or accommodated in such countries as the Philippines or Malaya, which already have their local problems of Chinese immigration."

Respectfully yours,

For the Ambassador:
ERLE R. DICKOVER
Counselor of Embassy

⁶⁴ For declaration by President Roosevelt, Generalissimo Chiang Kai-shek, and British Prime Minister Winston S. Churchill, December 1, 1943, see *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 448.

⁶⁵ Ernest Bevin.

894A.02/6-249 : Telegram

The Minister-Counselor of Embassy in China (Clark) to the Secretary of State

CANTON, June 2, 1949—6 p. m.

[Received June 3—8:39 a. m.]

Cantel 522. Inspector General Customs, Little,⁶⁶ has shown me copies correspondence from Governor Chen Cheng of Taiwan to Minister Finance⁶⁷ recommending that present Taiwan and Taipei Commissioners Customs be removed and replaced by head Conservancy Bureau [at] Kaohsiung and Mayor [of] Keelung, respectively. Before acting Minister Finance requested comment, Little who pointed out that such action would be death-blow to maritime customs service system which had been built up over period of almost century and has told Minister orally that if two men are replaced he, Little, will have no recourse but to resign and state publicly reasons why. Little has inquired whether there was anything we could do prevent this disruption customs service.

Although at first glance, question would appear to be one solely for Chinese internal decision, it occurs to me that in view our contemplated activities Taiwan and hope Governor Chen that our activities there will be enlarged, we might appropriately, either through our Consul [at] Taipei or ECA representative there, tell Governor Chen of our knowledge of his recommendations and say informally that whatever possibility exists of future US assistance in province Taiwan would most certainly be prejudiced if he were to take action contemplated. Also I might be authorized approach S. Y. Liu that sense. Would appreciate instructions.

Sent Cantel 522, repeated Nanking 356.

CLARK

894A.00/6-349 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, June 3, 1949—2 p. m.

[Received June 3—3:08 a. m.]

199. Garrison Commander, General Peng, says the 50,000 troops from Shanghai's 52nd, 54th and 99th Armies will continue in Taiwan indefinitely under his command although he would prefer only two good, well-equipped armies to defend Taiwan. Says general situation here worsens daily and Communist take-over inevitable.

⁶⁶ L. K. Little, American.

⁶⁷ S. Y. Liu.

Assistant Military Attaché says local military see Peng now in dominant position here as result of above while General Sun Li-jen must take back seat.

Sent Department 199; repeated OffEmb Canton 55.

EDGAR

893.50 Recovery/6-349: Telegram

The Acting Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, June 3, 1949—5 p. m.

118. Dept is reopening in NSC question substantial ECA assistance to Taiwan. Decision expected within 2 weeks. For ur conf info and discreet transmission Craig and Griffin respectively activation industrial reconstruction program or other massive economic aid appears improbable.

WEBB

894A.02/6-249: Telegram

The Acting Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, June 4, 1949—6 p. m.

121. Fol is Cantel 522 June 2 to Dept: [Here follows text of Cantel 522, page 344.]

ECA Wash, Lapham, and Dept agree above recommendation and that approach Chen should be made by Craig in sense last para reftel. Please inform Craig. Dept is authorizing Clark approach S. Y. Liu as suggested.

WEBB

893.00/6-849: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, June 8, 1949—11 a. m.

[Received June 8—2:36 a. m.]

210. K. C. Wu again looking well called on me on return from tour of Formosa. Highly encouraged by findings, believes Formosa can hold out with minimum troops since coastline is so easily defended. His impressions are that Formosans are loyal Chinese although anti-Nationalist Government, that they fear undisciplined soldiers and are uncertain of holding their jobs. He is recommending to Governor Chen concerted effort to win over Formosans which he thinks is possible.

He expects near panic here when Foochow falls and again when Canton is lost but that thereafter a general determination to fight and work together will override current factional differences and surmount local problems. He talked with Generalissimo at Takao.

He has replied to Tu Yueh-sheng's⁶⁸ inquiry that Tu should not accept Communist invitation to return to Shanghai because present apparent leniency will stiffen after Canton's fall and Tu would be trapped.

Sent Department 210, repeated OffEmb Canton 65, Shanghai 166.

EDGAR

501.BB/6-949

Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth) to the Deputy Under Secretary of State (Rusk)

[WASHINGTON,] June 9, 1949.

At a meeting yesterday afternoon attended by Mr. Sandifer⁶⁹ and Mr. Gerig,⁷⁰ it was tentatively agreed that the most promising United Nations action which could be taken to deal with the urgent problem of Formosa was to request a special meeting of the General Assembly early this summer. The request would be accompanied by a full statement of the United States position, including an explanation of the basis for revoking, in part at least, the Cairo Declaration,⁷¹ and making plain that the United Nations' action envisioned was to call for and supervise an election on the Island in which the people of Formosa could vote on a return to the Mainland or some alternative trusteeship arrangement pending their qualification for independence. This would require prompt and skillful diplomatic spadework, first with the British, and then with all members of the United Nations who might be expected to view the proposal sympathetically. It seems to me that our position before the world would be morally unassailable. Moreover, this course would avoid a long period of delay in which the Communists might be expected to step up their activity on the Island.

In view of the urgent nature of this problem, I trust that we can get together to discuss it in the immediate future. I recommend that the attached paper be submitted to the National Security Council Secretariat as promptly as possible in the form of a working paper, and that concurrently we open informal exploratory discussions with the British Embassy here.

W. W[ALTON] B[UTTERWORTH]

⁶⁸ Banker and industrialist of Shanghai.

⁶⁹ Durward V. Sandifer, Acting Director of the Office of United Nations Affairs.

⁷⁰ O. Benjamin Gerig, Chief of the Division of Dependent Area Affairs.

⁷¹ See *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 448.

[Annex 1]

*Draft Memorandum for the Executive Secretary of the National Security Council (Souers)*⁷²

Subject: Formosa

ANALYSIS

It is believed that United States policy with respect to Formosa should be re-examined. This Government's representatives in Formosa have sought to implement this policy but the situation as it has developed indicates that, notwithstanding their efforts, there is little prospect that our objectives can be achieved by following the course laid down in NSC 37/2⁷³ and NSC 37/5.⁷⁴

The fact is that we face on Formosa today a situation analogous to that which confronted us on the mainland of China a year ago. The government in power is corrupt and incompetent. It lacks the wisdom and the will to take the necessary political and economic steps to modify the deep and growing resentment of the Formosans. The burden of supporting the mass of nationalist troops and other governmental establishments is so great as to accelerate the economic disintegration of the island. Moreover, economic aid from outside can not in the absence of a basic change in the government alter or cure this situation, and so long as it endures the passage of Formosa under Communist control, by external or internal action, is only a matter of time.

There appears to be three courses of action open as alternatives to the present one.

The first would require not only the assumption of military responsibility for the security of the island but also a large measure of responsibility for its civil administration and the conduct of its economy. We could not hope otherwise to compensate for the incapacities of the existing government. The assumption of these responsibilities, needless to say, would be widely regarded by the mainland Chinese as an aggressive American action. In fact the reaction might be considerable not only throughout Asia but in the world at large. Traditional United States policy toward China has always been to assist as possible the establishment of a democratic, united and genuinely independent China. In pursuit of this basic policy, we must seek to exploit fissures between China and the U.S.S.R. The Soviet position in Manchuria and Port Arthur has created irredentist issues which we can use to advantage. To provide the Communists with an issue which

⁷² Marginal notation by Livingston T. Merchant: "Draft of June 9 (as modified). Discussed with Dean Rusk June 10 LTM".

⁷³ February 3, p. 281.

⁷⁴ March 1, p. 290.

they can propagandize in irredentist terms against us seems extremely unwise. In addition to the political costs of such an action, it is estimated that the United States would have to provide economic support in the neighborhood of fifty million dollars over the next eighteen months as an essential to the success of such a policy. Funds are available for such a program from unexpended ECA balances and the figure might be reduced if an arrangement could be negotiated with the Formosan Government whereby it would match from its own gold holdings any U.S. contributions on a dollar-for-dollar basis.

Finally, this course of action would implicitly, even if it did not explicitly, commit U.S. military forces to the defense of Formosa in the event of a Communist military assault from the mainland. This would require a reversal by the Joint Chiefs of Staff of the position they took in NSC 37/3.⁷⁵ Politically, financially and militarily, the cost of such a course of action appears extremely high.

The second alternative course is essentially a policy of calculated inaction, providing a modicum of economic aid but relying primarily upon the self-interest of the present Chinese governing group to safeguard our own strategic interests. The length of time that our interests and theirs will coincide or that they will have the will and ability to resist any external or internal attack which the Communists may mount against them is unpredictable. It should safeguard our interests for, possibly, six months in which time much can happen there and elsewhere. A corollary, however, of such a policy would be to vigorously press forward with the necessary spadework for a later presentation of the problem of Formosa before the United Nations. This course would protect our reservoir of goodwill among the Formosans, among the mainland Chinese, and presumably throughout Southeast Asia. It has, however, the unhappy characteristic of passivity in the face of an active threat.

The last and third alternative is an immediate committal of the problem of Formosa to the United Nations. There are several methods by which this might be accomplished. Of the two most likely possible methods, the first would be to persuade a friendly and interested power, such as India or the Philippines, to place on the agenda of the United Nations Trusteeship Council which meets on June 15, a request that a temporary trusteeship be established by the United Nations over Formosa. Such action, however, would involve creating a precedent in that hitherto the Trusteeship Council has only acted on matters referred to it by the General Assembly. Moreover, even assuming the Trusteeship Council placed this matter on its agenda, it would proba-

⁷⁵ February 11, p. 284.

bly restrict itself to a recommendation to the General Assembly at its meeting next Fall, which would result in an undesirable time lag before any positive action by the United Nations could be initiated. An alternative and more appealing procedure would be to have the United States, preferably in company with several other friendly and interested powers, request a special session of the General Assembly to consider the problem of Formosa, with the recommendation that a plebiscite be held on Formosa under the supervision of the United Nations in order to enable the people of Formosa to express their wishes as to their future status. This request to the United Nations would explain in some detail the responsibility which the United States feels toward the people of Formosa. It should also forthrightly point out that the post-war conditions in so far as Formosa is concerned, as envisaged at the time of the Declaration of Cairo, have not in fact materialized and that the record of misrule by the Chinese authorities on the Island requires that the people themselves should have the opportunity to decide their own destiny. A draft statement along these lines is attached as Tab "A".

As a party to the Cairo Declaration, the British Government should be immediately informed of the direction of our thinking with a view to securing parallel action and the concurrent issuance by it of a similar statement. There are disadvantages to this course. The Formosans might vote to return to China. While improbable, the risk has to be recognized. Another difficulty is the possibility that the Chinese authorities on Formosa might refuse to accept the decision of the United Nations and block the entry of a Plebiscite Commission, thereby challenging the United Nations and raising the question of backing the decision with force. On balance, however, this course of action appears to carry fewer risks and a higher promise of success than the other lines of action considered. The moral position of the United States would seem to be unassailable. The right of self-determination is difficult to quarrel with and is certainly appealing throughout Asia. Certainly the United States would be relieved of any accusation that it was acting unilaterally and imperialistically.

RECOMMENDATIONS

It is recommended that :

1. Alternative three above be adopted.
2. The United States Government request a special meeting of the General Assembly in the immediate future and concurrently issue a statement along the lines of that contained in Tab "A", having first assured parallel action and support from the British Government and at least one other interested nation.

[Subannex—Tab "A"]

PROPOSED STATEMENT TO BE ISSUED BY THE SECRETARY OF STATE AT
THE UNITED STATES GOVERNMENT REQUESTS SPECIAL SESSION OF
THE GENERAL ASSEMBLY

(This statement would be accompanied by a White Paper on the
subject of Formosa)

The United States Government with the support of the Governments of the United Kingdom and _____, has requested the immediate calling for a special session of the General Assembly of the United Nations to consider the problem of Formosa toward the people of which Island, the United States feels an especial responsibility by reason of the part it played in the liberation of the Island. At the special session of the General Assembly, the United States Government will propose that a free and secret plebiscite be held on the Island under the supervision of a United Nations Commission, in order to enable the people of Formosa to express their wishes with respect to a return to China or some alternative under which they would assume independence either immediately or after some preparatory period of United Nations trusteeship.

Under the Cairo Declaration of December 1, 1943, to which both the United States and the United Kingdom were parties, the intention was expressed to restore to the Republic of China the territories, such as Manchuria and Formosa, which had earlier been lost to Japan. The Cairo Declaration, however, further declared that the determination of the final status of Formosa must await the conclusion of a peace settlement for Japan. Having watched with mounting concern the misrule of Formosa by the Chinese governing authorities since VJ Day, the United States has reached the conclusion that the Chinese Government has forfeited the right to a perfunctory confirmation of sovereignty at the time of concluding a peace settlement with Japan, and that the people of Formosa are entitled to express freely and by secret ballot, their desires with respect to their own destiny.

The United States Government has no designs on Formosa. It does not seek military bases or special privileges of any character whatsoever on the Island. The United States Government, however, is rightfully concerned for the peace, prosperity and future of those whose home is on Formosa, and in conformity with its traditional espousal of the principle of self-determination, is laying before the United Nations the proposal described above.

894A.00/6-1049: Telegram

The Ambassador in China (Stuart) to the Secretary of State

NANKING, June 10, 1949—10 p. m.

[Received June 10—12:11 p. m.]

1263. From subsequent conversation which Fugh⁷⁶ had with Huang Hua,⁷⁷ it appears that latter was disappointed in my lack of response to introduction into conversation of subject of Taiwan (see Embtel 1235, June 8 to Department,⁷⁸ repeated Canton 511, Shanghai 664).

Fugh drew inference from Huang's subsequent remarks that latter hoped that I could be persuaded to recommend to Department that public statement be made about legal aspects of island and thus discourage Generalissimo from establishing base there. I do not recall any such implication in our conversation and find suggestion paradoxical coming from Commies. However, there is impression forming in my mind that they are seriously concerned about capacity of Kmt to drag out hostilities, thus postponing CCP's right to represent whole of China and aggravating their economic problems.

Sent Department 1263, repeated Canton 523, Shanghai 678.

STUART

894A.00/6-1149: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, June 11, 1949—11 p. m.

[Received June 11—10:25 a. m.]

224. Since fall of Shanghai and Tsingtao and with influx of retreating troops to Formosa, a defeatist atmosphere had developed here. Soldiers are everywhere in schools, warehouses, private houses. Commercial activity Keelung harbor again at standstill due to crowding of troop ships. Rice unobtainable in markets but soldiers continue haul sacks through streets.

Several officials have resigned and are departing for US and Europe, others planning to. ECA Craig has requested his release. Chen's continual conferences are general joke and guarantee of more speeches and less action. Criticism of Governor in general in official and semi-official circles for his unwillingness or inability delegate authority and lack confidence in any subordinate. Craig says economy completely out of hand.

⁷⁶ Philip C. Fugh, Chinese private secretary to Ambassador Stuart.

⁷⁷ Chinese Communist in charge of the Alien Affairs Office at Nanking.

⁷⁸ Vol. VII, "The Embassy in China after occupation of Nanking by Chinese Communists", chapter I.

Backstage activities of Generalissimo add to feeling of futility. Am receiving reports that Formosans listening to Communist radio and have begun to balance Kmt against Communist regime. General feeling is island is falling apart and something drastic should be done but that nothing will.

Sent Department 224; repeated OffEmb Canton 74.

EDGAR

893.00/6-1249 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, June 12, 1949—4 p. m.
[Received June 13—1:15 a. m.]

225. For Butterworth. Sun Li-jen, very discouraged, has come to Taipei to tell Governor Chen situation going rapidly from bad to worse and hordes of undisciplined soldiers with silver dollars are making Sun's position hopeless. Told me he had already raised question with Generalissimo at Takao who became irate, claiming Shanghai troops excellent, fought valiantly and deserve sincere welcome.

I gave him the personal message of your letter May 5 to Merchant at which he brightened considerably.

Sun stated situation has reached stage here where everyone would welcome a change. Believed if Governor Chen received replacement orders from President Li he would withdraw and Generalissimo could not obstruct. He discounted my suggestion of probable sabotage of any such new Governor by Kmt vested interests and said if new regime were forceful and obviously in national interest sabotage if any would be negligible. Criticized Li for not having taken such action already and asked why US did not have Embassy Office Canton urge it. Said new Governor could quickly find many capable liberal officials here to undertake job of saving Formosa for future China and believed outside support would come after situation cleared. Condemned General Peng and other Chen henchmen as self-centered, blind and 50 years out of date. General Yen ⁷⁹ not Generalissimo man and would support change if told of conditions here by US. If move not made promptly, Shanghai and Tsingtao stragglers will be reinforced and become organized full armies complicating problem. Sun not even permitted to know what military supplies are here. Said if soldiers become settled they will be hardest to move and fewer places to go. 99th now planned for east coast, 52nd for Pescadores and 54th for

⁷⁹ Marshal Yen Hsi-shan became Chinese Premier at Canton on June 3.

Taichung. Island defense easy with only two or three armies. Cannot interpret his reaction to my inquiry re Wu's recent visit south. May have been either disapproval or conspiratorial. Sun talked of going Hawaii for US military maneuvers.

EDGAR

894A.00/6-1749 : Telegram

The Consul General at Tientsin (Smyth) to the Secretary of State

TIENTSIN, June 21, 1949—8 p. m.

[Received June 21—12:57 a. m.]

430. Growing discussion among Chinese here re Formosa indicates misunderstanding its status. Many believe it virtually US territory, administered indirectly by MacArthur. Though many better educated disagree, average Chinese believes US considers Formosa of prime importance to Pacific defense line and that its "loss" would be serious blow. Result is widespread feeling US will not "let Formosa go" at any cost.

Communist soldiers been told for some time they will attack and take Formosa. If Communists gain it by military or other means, many anti-Communist Chinese feel Communists will make greater propaganda capital than even Mukden, Yangtze and Tsingtao developments, which exploited with considerable effectiveness. General opinion these Chinese is that rapidly diminishing means of US reaching Chinese public be used to state US policy re Formosa. This group feels timing important so Communist occupation Formosa will not seem US delays giving Communists further chance portray US as "confused and impotent paper tiger".

Sent Department 430, repeated Nanking 257, Shanghai 293, Peiping 183, OffEmb Canton 430.

SMYTH

894A.00/6-1749 : Telegram

The Secretary of State to the Consul General at Tientsin (Smyth)

WASHINGTON, June 23, 1949—8 p. m.

157. While appreciating force of argument ur 430 June 7 [21], Dept believes public statement re Formosa unwise at this time.

ACHESON

894A.00/6-2449 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, June 24, 1949—3 p. m.

[Received 10:16 p. m.]

251. Generalissimo reportedly now Taipei from Takao, possibly to attend meeting of southeast Chinese military leaders called here by Governor Chen to discuss area defense plans.

If Department desires attempt to save Taiwan from direct involvement in civil war, now appears opportune time make formal representations to Governor Chen.

During past week Chen's four principal economic advisers, Hsu Pai-yuan, C. K. Yen, Jen Hsien-chuen and K. C. Wu, in discussing fiscal reform have all told me biggest economic problem is excess military here. Can carry two or three armies but over that produces diminishing economic, political, military returns. Sun Li-jen has said same thing many times and yesterday quoted Generalissimo in same vein but stated Generalissimo's lieutenants want more for possible attack on mainland and Chen wants personal troops here.

Addition our support now might produce results. If preferred, ECA could take action.

Sent Department 251; repeated OffEmb Canton 99.

EDGAR

894A.00/6-2549 : Telegram

The Consul General at Shanghai (Cabot) to the Secretary of State

SHANGHAI, June 25, 1949—1 p. m.

[Received June 25—4:01 a. m.]

2490. Department might wish to consider some action re use of Taiwan as base for blockading and bombing Shanghai. It occurs to me that action in this sense perhaps in conjunction with other friendly powers in FEC⁸⁰ might serve as basis for preventing Communist action against Taiwan till Japanese treaty signed.

Sent Department, repeated Canton 802.

CABOT

894A.00/6-2549 : Telegram

The Secretary of State to the Consul General at Shanghai (Cabot)

WASHINGTON, June 28, 1949—8 p. m.

1303. Dept appreciative suggestion urtel 2490 June 25, rptd Canton as 802, but believes no useful action feasible these lines at this time.

ACHESON

⁸⁰ Far Eastern Commission at Washington.

893.50 Recovery/6-2949

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 29, 1949.

Subject: Formosa

Participants:	The Secretary	Mr. Hoffman, ECA
	Mr. Butterworth, FE	Mr. Lapham, ECA
	Mr. Merchant, FE	Mr. Griffin, ECA
		Mr. Cleveland, ECA

Mr. Hoffman this morning brought in Mr. Roger Lapham and Mr. Allen Griffin, retiring chief and deputy chief, respectively, of the ECA mission to China.

Mr. Griffin, who had just returned from Canton via Tokyo, discussed at some length the situation on Formosa, particularly in connection with ECA's efforts to increase trade between Formosa and Japan. He emphasized the lack of interest displayed by SCAP officials in his efforts to arrange for acquisition on a barter basis by SCAP of a substantial quantity of Formosa's surplus sugar. Mr. Butterworth reported his action yesterday with the Department of the Army and it was agreed that Mr. Cleveland of ECA would follow this matter up with the Pentagon.

Mr. Lapham then gave a brief report on the liquidation of the ECA mission in China, pointing out that from 100 American members it had now dwindled to less than 20, including small "wind-up" missions located in Hong Kong and Tokyo. He reported that supply activities would cease in Canton within a matter of weeks leaving only Taipei where any continuing ECA work is contemplated, apart from JCRR activities on that island and in certain non-Communist areas in the interior of the mainland.

Mr. Hoffman then raised the question of Formosa, stating his belief that a policy decision by the Department was required. He added that naturally ECA would be happy to proceed in such fashion as this decision required. Mr. Hoffman said that in his view three alternatives were before us. First would be an all-out ECA economic program supported and protected by U.S. military forces, or at least our willingness to commit them if needed; second, for ECA to close down its activities on the island as soon as the current shipments of fertilizer have been distributed and then withdraw all ECA personnel; third, to continue with a modest commodity import and JCRR program, supplemented by active efforts to increase Formosa's export trade and thereby increase the island's ability to help itself. Mr. Hoffman indicated that the second course appealed most to him and noted the difficulty that he would have in supporting before Congress the use of ECA funds to rehabilitate the island, since it is a matter of common knowledge that

the Generalissimo disposes on the island of up to 275 millions in gold and foreign exchange.

I pointed out that under the outstanding NSC Series 37 directive we are instructed to support "vigorously" the economy of Formosa. I said, however, that in the light of developments since that policy was determined upon, a reexamination of the situation by the NSC was indicated. I concluded by saying that the Department would undertake to secure this reexamination and keep Mr. Hoffman informed of the result. Meanwhile, efforts to increase the export trade of Formosa should be continued together with the existing ECA program on the island.

894A.00/6-2449 : Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, June 30, 1949—8 p. m.

161. Dept fully aware liability excess troops constitute on Taiwan but unwilling intervene formally with Governor on military matter, responsibility for which is Chinese. Dept desires, however, you continue informally to stress to Governor's inner circle (ref urtel 251, June 24, rptd Canton as 99) political, economic consequences and disaffection risk inherent in idle troops in excess island's defense needs. If you and Craig agree suggest latter similarly informally express himself.

ACHESON

Policy Planning Staff Files, Lot 54-D195

*Memorandum by the Director of the Policy Planning Staff
(Kennan)*⁸¹

[PPS 53]

UNITED STATES POLICY TOWARD FORMOSA AND THE PESCADORES

1. It now seems that there is little likelihood that the policy set forth in NSC 37/1,⁸² 37/2⁸³ and 37/5⁸⁴ will attain our major objective with respect to Formosa and the Pescadores—the denial of the islands to the Communists through their separation from Chinese mainland control. The situation in Formosa and the Pescadores is de-

⁸¹ This memorandum, PPS 53, according to an attached chit, was canceled on July 6; a note stated that the views of the Policy Planning Staff would be submitted by Mr. Kennan in a personal memorandum; latter not found in Department of State files.

⁸² January 19, p. 270.

⁸³ February 3, p. 281.

⁸⁴ March 1, p. 290.

generating along lines which probably, though perhaps not for two or three years or perhaps in a matter of months, will culminate in Chinese Communist domination of the islands. A review of our policy is therefore in order.

2. It would now seem clear that the only reasonably sure chance of denying Formosa and the Pescadores to the Communists and insulating the islands from mainland authority would lie in the removal of the present Nationalist administrators from the islands and in the establishment of a provisional international or U.S. regime which would invoke the principle of self-determination for the islanders and would eventually, prior to a Japanese peace settlement, conduct a plebiscite to determine the ultimate disposition of Formosa and the Pescadores. Formosan separatism is the only concept which has sufficient grass-roots appeal to resist communism.

3. There are two ways in which this change in regime could conceivably be brought about.

a. One would be to induce other Far Eastern powers to take the lead in initiating international action to achieve the above purpose. (For purposes of illustration, I attach a paper outlining such a course of action, drafted on the assumption that this was the course we would wish to pursue.)

b. The other would be to announce a temporary unilateral re-assertion of authority over the islands on the grounds that subsequent events had invalidated all the assumptions underlying the Cairo Declaration and that U.S. intervention was required by the interests of stability in the Pacific area as well as by the interests of the inhabitants of the islands.

4. Either of these courses would necessitate a change in the views of the National Military Establishment on the strategic importance of Formosa.*

5. Either would serve to provide the Kremlin and Chinese Stalinists with a welcome propaganda foil to the growing restlessness in Chinese Communist circles over Russian imperialism in Manchuria (particularly Port Arthur and Dairen).

6. Either would confront us with the eventual probable responsibility for removing the Chinese forces and many of the Chinese refugees by force to the mainland. This would involve a considerable

*"The Joint Chiefs of Staff are still of the opinion that any overt military commitment in Formosa would be unwise at this time. In spite of Formosa's strategic importance, the current disparity between our military strength and our many global obligations makes it inadvisable to undertake the employment of armed force in Formosa, for this might, particularly in view of the basic assumption that diplomatic and economic steps have failed, lead to the necessity for relatively major effort there, thus making it impossible then to meet more important emergencies elsewhere." (NSC 37/3, February 11, 1949.) [Footnote in the source text.]

amount of pushing people around, which would be unpleasant and might lead to serious moral conflicts within our own people and government.

7. The first of the two courses would involve a diplomatic operation calling for great subtlety of approach and for rapid, resolute action, with the most sensitive command of timing. It would, I am afraid, surpass the framework of experience and capabilities of the many people, both here and abroad, who would have to participate in it.

8. The second alternative would offend the sensibilities of many people in the Department on legal and procedural grounds, and we would probably have to cut some legal corners to justify it.

9. All the advice I can get in the Department tells me that both of these possible courses should be rejected and that we should reconcile ourselves to the prospect of Formosa's falling into the hands of the Chinese Communists. I personally feel that if the second course were to be adopted and to be carried through with sufficient resolution, speed, ruthlessness and self-assurance, the way Theodore Roosevelt might have done it, it would be not only successful but would have an electrifying effect in this country and throughout the Far East. I have nothing to support this view but my own instinct. And since the successful execution of the idea would depend on many other people, including the President, having the same instinctive concept and a readiness to assume gladly and with conviction the unquestionably great risks which it involves, I cannot put it forth without reservation as a measured and formal staff recommendation.

10. My feeling is, therefore, that at this stage you should discuss this with the President and your colleagues in the National Security Council, and should make plain to them that the courses outlined above seem to be the only alternatives to eventual Chinese Communist rule on the islands. If they then feel strongly, as I do, that our situation in the Far East will not permit further inaction in areas where our military and economic capabilities would be adequate to meet the possible commitments flowing from intervention; if they agree, as the NME⁸⁵ has hitherto been reluctant to do, that Formosa and the Pescadores is such an area; and if they are prepared to assume their full share of the responsibility for initiating and pursuing such a course—then my personal view is that we should take the plunge.

11. If we are not willing to do this, then we should ask the NSC to note carefully our view that as a consequence the islands are more likely than not eventually to fall under Chinese Communist control; that any later efforts on our part to prevent such a contingency would probably be both tardy and ineffectual; and that we should therefore

⁸⁵ National Military Establishment.

set about to prepare U.S. and world opinion as best we can for a possible further significant extension of Chinese Communist control—this time to an area close to our military position in the Ryukyus, close to the Philippines, and relatively inaccessible to military attack by land forces from the mainland in the face of even the most rudimentary air and naval opposition, and above all to an area populated by a dependent people for whom we have a certain specific responsibility and for whom such control would constitute an oppressive alien domination.

[WASHINGTON,] July 6, 1949.

[Annex]

Draft Memorandum Prepared in Policy Planning Staff

[WASHINGTON,] June 23, 1949.

A POSSIBLE COURSE OF ACTION WITH RESPECT TO FORMOSA AND THE
PESCADORES

Preliminary Comment

1. Any plan for the removal of the present authorities on Formosa and the Pescadores immediately encounters two serious obstacles: (a) there are now approximately 300,000 Chinese troops on the islands, who might resist such action and (b) this Government is more or less committed to Chinese sovereignty over the islands.

2. This paper does not attempt to provide a solution to the first of these obstacles. The answer to that question turns, in the last analysis, on whether the National Military Establishment is able and willing, on much the same principles which animated the British at Oran and Dakar, to provide the requisite force to subdue and eject, if necessary, the Nationalist forces now on the islands and to exert effective authority there for an interim period. For these reasons, this plan cannot be implemented unless the NME indicates such readiness and ability.

3. This paper does explore the possibilities for overcoming the political obstacles which stand in our way and for providing a justifiable political framework within which this Government might resort to a show of force or, if necessary, an active exercise of force in bringing about an administration independent of Chinese mainland control and enjoying solid anti-Communist popular support.

4. The recommendations which follow are suggestive rather than definitive. The general course of action being proposed here is so complex and full of unpredictable elements that, if accepted, it should be implemented with intelligent flexibility.

Course of Action

5. An inquiry should be instituted, along the lines of paragraph 2 above, as to whether the NME is able and willing to provide the requisite force to subdue and eject, if necessary, the Nationalist troops now on the islands, and to exert effective authority there for an interim period. While awaiting a reply from the NME, we should:

a. unofficially, through an existing cut-out, sound out the Philippine Government in guarded terms slanted to its own interests regarding the proposed course of action set forth in paragraph 8 (The Filipinos are naturally going to be most reluctant to place themselves out in front on this score unless this Government gives them a greater sense of security against external attack.);

b. in no-wise committing this Government, indirectly approach the Australian Government along the same lines;

c. even more cautiously and tentatively explore the attitude of the Indian Government;

d. prepare a chapter in the White Paper on China dealing with Formosa,⁸⁶ with particular emphasis being laid upon Chinese misrule of the islands since VJ-Day (The White Paper, or at least the chapter on Formosa, should be issued before action is taken along the lines laid down in paragraph 7.);

e. release for background purposes a small but steady stream of information of this character and information regarding the Formosan reemancipation movement.

6. If the reactions from all three Governments are negative, we should reexamine this paper in the light of what has been learned.

7. If the reactions are affirmative and if the NME expresses a willingness to make a show of force adequate to eliminate Nationalist troops from Formosa and the Pescadores, and if necessary to apply it, we should forthwith

a. secretly and officially discuss with the Filipinos, Australians and, if progress has been made with Nehru,⁸⁷ the Indians, the questions which were raised with them through informal contacts. We should state that if any one or all of them would take the initiative in the matter we would be prepared to support them and follow through on a practical basis. At this stage, the British, Canadians and New Zealanders should be secretly advised of these conversations;

b. If there is general concurrence among the Philippine, Australian and Indian Governments that all or any one of them would raise the Formosan question as an issue requiring the attention of the powers which defeated Japan,† make our position clear along the lines set forth in the following paragraph.

⁸⁶ See Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 307; see also *post*, pp. 1365 ff.

⁸⁷ Jawaharlal Nehru, Indian Prime Minister.

†As used in this paper "the powers which defeated Japan" and "the powers at war with Japan" refer only to those represented on the Far Eastern Commission: US, UK, USSR, China, Philippines, Australia, Canada, India, New Zealand, Netherlands, France—plus Pakistan and Burma. [Footnote in the source text.]

8. In our view the problem of Formosa and the Pescadores can be broken down into two main components: (a) the need for a responsible and stable administration on the islands during the present period while they are awaiting a stabilization of conditions in China and a final disposition at a Japanese peace settlement, and (b) the need for discovering what the desires of the islanders are with regard to their future so that a just and constructive decision can be reached in the peace settlement on the basis of the self-determination of the inhabitants of Formosa and the Pescadores. We do not feel that we should take the initiative in seeking a solution of these issues because (a) they are of more vital concern to the Philippines and its neighbors than to us, (b) were we to do so, we would lay ourselves open to charges of "Big Power intervention" and (c) our hands are more or less tied by the commitments we made at Cairo and our actions in facilitating Chinese assumption of control over the islands. While we are most reluctant to take the lead in this question, we will vigorously and fully support those states which will take action along the following lines:

a. Notification to all other powers at war with Japan that: The notifying states view with grave anxiety the mounting threat of chaos and civil strife spreading from the mainland of China to Formosa and the Pescadores; the Philippines recollect that it was only recently invaded and ravaged from those islands; the notifying powers cannot view without misgivings this new jeopardization of the security of all Southeast Asia; they therefore propose that the powers which are still legally at war with Japan should immediately concern themselves with the threatened turmoil in this part of the Japanese Empire which is still awaiting final disposition at a peace settlement; under Article 107 of the United Nations Charter,⁸⁸ this question is reserved for action by the powers which are at war with Japan. The foregoing notification should be released for publication.

b. Either in the same notification or in a separate statement to be issued simultaneously or shortly thereafter by all or any one of the above-mentioned notifying governments, the proposal should be made that, in view of the independent early history of Formosa and the Pescadores, of the shocking record of misrule during the past four years by the Chinese and of the many pleas from representative Formosans for autonomy, the powers which defeated Japan should promptly request the U.N. to conduct within one year a plebiscite regarding the ultimate disposition of the islands in accordance with the principles of self-determination. It should be further proposed that the U.N. be requested in conducting the plebiscite to place the following alternatives before the inhabitants of the islands:

- (1) Do you wish to be administered by (a) whatever government emerges on the mainland of China or (b) the present Chinese authorities on the island, or

⁸⁸ Signed at San Francisco, June 26, 1945; 59 Stat. (pt. 2) 1031, 1053.

(2) Do you wish another form of administration: (a) trusteeship under the United Nations, (b) independence, (c) any other?

These proposals should likewise be made public.

9. The day following the notification recommended in paragraph 8, this Government should:

a. propose to the concerned governments (and announce publicly) that representatives of the states at war with Japan meet within one week's time at Manila or Canberra to act on the notification (Objections may be raised to this proposal on the basis of inconvenience. Having made it, however, we can then acquiesce to a conference of Ambassadors in Washington or London.);

b. announce publicly our reaction to the notification:

(1) The final disposition of Formosa and the Pescadores, parts of the former Japanese Empire, awaits a decision at a peace settlement with Japan;

(2) Formosa and the Pescadores are at present under Chinese military administration because the United States Government enabled the Chinese authorities at the time of the Japanese surrender to assume control over the islands, the decision to do this having flowed from the attitude expressed by the President in the Cairo Declaration;

(3) Subsequent events in China and in Formosa have not justified the assumptions on which these actions were taken: Chinese administration on the islands has been rapacious and oppressive and the chaos and strife which wracked and gutted China Proper now threaten to engulf these islands;

(4) It was certainly not the intention of the American people, whose forces liberated Formosa and the Pescadores at so great a cost in blood and treasure, that the Cairo Declaration and this Government's action in facilitating Chinese control of the islands should have resulted in the creation of a menace to the stability and security of Southeast Asia and in the suffering which has been endured by the people of Formosa during the past four years;

(5) Hoping that the Chinese administration on the islands might turn to more responsible and constructive policies, this Government has during the past four years scrupulously refrained from giving publicity to conditions on the islands and to the appeals for liberation made by representative Formosans to this Government;

(6) Confronted with further deterioration rather than improvement and with the likelihood that the strife and misery on the Chinese mainland will spread to Formosa and the Pescadores, this Government can no longer in good conscience remain silent and inactive;

(7) In view of all the foregoing, this Government declares its willingness to associate itself with the decision of the majority of the concerned powers regarding (a) the occupation and administration of the islands pending their disposition at a Japanese peace settlement and (b) the future political status of the islands based upon the results of the proposed plebiscite.

10. Simultaneously, we should prepare with utmost despatch and vigor to lay the groundwork for the meeting of the concerned powers. We should attempt to obtain an agreed position with all of them excepting the Russians and Chinese regarding the change in the occupation and administration of the islands, acquainting our friends of our willingness to carry the main weight of the military phase of the operation. To minimize the unilateral appearance of this operation, we should urge the Filipinos, Australians, Indians, Pakistanis, Canadians and New Zealanders to make at least token forces available for the military operation.

11. At the same time, we should seek the collaboration of the Filipinos in providing all possible facilities for Formosan autonomy groups to make their case known both on the islands and elsewhere through broadcasts, publications, . . . and other channels. . . .

12. At the meeting of the concerned powers, we should endeavor to insure that the change-over on the islands be undertaken two weeks from the convocation of the meeting. Details regarding the forthcoming operation should be decided upon at the meeting. If China and the U.S.S.R. are represented at the conference, it will be necessary to conduct the work of the conference outside of the formal conference sessions which should then be devoted only to forcing through agreed positions at the most rapid possible pace.

13. As soon as decisions to that effect are reached at the conference, we should establish naval and air patrols designed to prevent access to the islands from the mainland. At the same time, we should do everything possible to facilitate the flight elsewhere of undesirable Chinese political and military elements now on the islands, including ships to speed the exodus.

14. At this time, we should despatch an emissary to the key personality on the island, General Sun Li-jen. Because Sun, of all the generals on the island, has the least hopes on the mainland and is the most likely to resist a change imposed from without, he is capable of performing the desperate act of resisting vigorously. It would be judicious to present him with an opportunity for saving his position. He should be offered the alternative of declaring himself in favor of the Formosan cause and participating in the new occupation. If he accepts, we shall have made a major military gain in dividing the Chinese forces now on the island.

15. The Generalissimo should be informed that if he wishes to remain on the island, he will be accorded the status of a political refugee.

16. During the take-over and the subsequent administration of the island, we should avoid so far as possible a conspicuous role. We should

always remember that our aim is more to deny the islands to the Communists than to acquire responsibility for them and that our influence can be far more effectively exerted through indirect and discreet means rather than through unilateral heavy-handed measures.

893.00/7-649 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, July 6, 1949—10 a. m.
[Received July 6—9:06 p. m.]

270. Military conference over and according Governor Chen many things decided "in principle". Cited one his problems as Chinese Generals with American surface but no depth whose advice if followed would spell disaster for Chinese military. I wished his armies same success American armies under American system. Governor then said I would be pleased to know Taiwan forces were to be reduced to two or three armies to insure adequate food, housing, training et cetera.

Sun Li-jen also at July reception reiterated disillusionment, said conference produced nothing but words. He was returning immediately to Fengshan but would again be in Taipei in a few days to tell me something.

Sent Department 270; repeated Canton 114.

EDGAR

893.20/7-2349 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, July 23, 1949—10 a. m.
[Received July 24—4:04 a. m.]

309. Sun Li-jen last night told Edgar following:

Just returned from Foochow supervising installation 6,000 his trained troops. Number inadequate and as usual split group trained as unit. However, civilian welcome was good and immediately improved morale, other troops there underpaid and underfed. On leaving, Sun gave his troops personal guarantee adequate supplies.

Sun also excited prospect officer training 10,000 students 18 to 21 now Pintung and new indoctrination course for higher officers to renew will to fight.

Preparations started [garbled group] 320,000 troops supposedly on Taiwan. Board expects find 25 percent paper soldiers. After check groups will be consolidated into complete units and treatment improved. (Chen only told us about combining under-strength units.)

Sun been promised command defense of island but no order received. Claims Chen Cheng initiated supreme headquarters' idea to gain control Navy, Air Force and now, annoyed at creation of Political and Military Commissions, is refusing drop Governorship for new command in attempt at bargain. Yu Ta-wei⁸⁹ acceptable to Chen as Governor but Yu hesitant due Chen's practice of interference at low levels.

Sun described K. C. Wu as primarily politician trying please everyone, too cautious, afraid direct action (this criticism also heard in Shanghai too). Confirmed Wu report that Generalissimo now able hear criticism without anger but Sun less hopeful real basic improvement while some intimates continue on. Cited Wang Shih-chieh presence at Baguio. Fall of Canton will result further consolidating old guard, like wounded beast at bay.

Sent Department; repeated OffEmb Canton 132.

MACDONALD

894A.00/7-2749

*Memorandum by the Director of the Office of Far Eastern Affairs
(Butterworth)*⁹⁰

[WASHINGTON,] July 27, 1949.

Taipei's telegram no. 292 of July 18⁹¹ (attached as Tab A) reported a suggestion made to Consul Edgar at Taipei, Taiwan, by K. C. Wu, one of the Generalissimo's and Governor Chen's closest advisers and former Mayor of Shanghai. Wu said in effect that those Chinese leaders who are working for internal reform would be greatly assisted if you would call in the Chinese Ambassador and indicate those lines of reform which the United States believes would improve the situation on Taiwan.

I recommend that we act upon this suggestion. It will enable us usefully to place again on record our concern over the conditions which the Chinese have permitted to develop on the Island. And, coming from you, it may bring some constructive results.

Accordingly, I suggest that you call in Ambassador Koo and hand him the *aide-mémoire* attached as Tab B, preceded by an oral statement along the following lines:

"In response to a suggestion recently made to the American Consul at Taipei by one of the Governor's close advisers, I desire to present to you certain considerations which have been of concern to the Government of the United States of America with respect to the administra-

⁸⁹ Former Chinese Minister of Communications.

⁹⁰ Prepared for the Secretary of State but not presented to him; for explanation, see memorandum of August 3, p. 368.

⁹¹ Vol. VIII, "Political and military situation in China", chapter VI.

tion of the Island of Taiwan. It is unnecessary, I am sure, to remind your Excellency of the special interest of this Government in that Island arising from the part which American armed forces played in its liberation, as well as from the fact that the final determination of the Island's status necessarily awaits a peace settlement with Japan. The United States is deeply concerned lest the chaos on the Mainland spread to Taiwan. The United States hope is that the inhabitants of the Island should live in peace, security and prosperity under a regime which reflects their legitimate aspirations. Unhappily, the history of Chinese administration since VJ Day in Taiwan has fallen far short of the hopes of its people and of the expectation of the United States at the time that administrative responsibility was turned over to the Republic of China."

In order to assure that contents of the *Aide-mémoire* and the gist of your oral statement reach the Generalissimo in accurate form, I recommend that immediately after you have seen the Ambassador, the Department telegraph a report of the conversation and the text of the *Aide-mémoire* to our Consul General in Taipei for informal transmission to K. C. Wu.

[Annex—"Tab B"]

Draft Aide-Mémoire Prepared in Office of Far Eastern Affairs

The United States Government has watched with deep concern evidence of the deteriorating political and economic situation on Taiwan. There seems, however, much that could be done by resolute, liberal and far-seeing administration on Taiwan, to improve the people's livelihood and to render it secure against attack, either from within or without. In a spirit of friendly advice, there are listed below certain measures of self-help which the United States believes are necessary of achievement for the tranquility of Taiwan.

First, and foremost, it would seem that the numbers of civilian *émigrés* and mainland troops which have come to the Island in recent months should be reduced to the maximum extent possible in order that the self-sufficiency of Taiwan, with respect to food, should be restored and the Island spared the frictions and difficulties inherent in the presence of large numbers of idle troops. Your military authorities will know best the numbers necessary to assure law and order on the Island and to provide an adequate defense against any external assault. In the event that these requirements fall short of the total military personnel now on the Island, then an essential first step would appear to be the transfer elsewhere of the excess, accompanied or followed by their families, together with other civilians who are economically non-productive. This would correspondingly reduce the burden now placed on the food and other resources of Taiwan.

Secondly, it would seem that a concerted effort is necessary to stabilize the value of the Island's currency and thereby halt the inflation which by all reports has so drastically disrupted the economy of the Island in recent months. Such measures should include the increased taxes and improved tax collections methods to the end that all governmental expenditures, including those on behalf of the National Government, would be covered by revenue; a careful control of the extension of credit to truly productive loans and a conscious draft on the gold or other foreign exchange assets held on the Island in order to achieve an import surplus, with particular concentration on the importation of fertilizer and consumers goods.

Thirdly, an intensive effort should be made to increase and diversify the Island's exports in order to restore its position as an important earner of foreign exchange which should then be applied for the overall benefit of the Island's economy. This will require realistic pricing of export commodities, a drastic removal of restraints on the initiative and ingenuity of individual exporters and the assurance that the full foreign exchange value of such exportation will, in fact, accrue to the benefit of the exporters.

Fourthly, the land reform measures already instituted should be pushed forward vigorously and expanded to the end that tenancy is reduced and the net return of the individual producer increased.

Fifthly, steps should be taken to ensure the utilization of competent administrative personnel in all positions and effective delegation of authority and responsibility, particularly with respect to those civilian officials dealing with financial, economic and other matters requiring specialized knowledge and importantly affecting the economy and administration of the Island. Military participation or interference in the civil administration should not be permitted except in matters of internal and external security.

Finally, if the natives of Taiwan are to enjoy in fact the progressive achievement of their understandable and legitimate aspirations for an enlarging measure of self-government, then they must be increasingly and promptly brought into the political life of the Island and into positions of responsibility in its administration.

WASHINGTON, _____

894A.50/7-2849 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, July 28, 1949—3 p. m.

[Received August 1—6:57 a. m.]

326. During call on Wang Shih-chieh he remarked that economic and political stability difficult on mainland due hostilities but since

Taiwan is free from communism every effort must be made to maintain it on stable economic and political basis in order to make it stronghold against communism which is practically negligible among local population but deteriorating economic condition would encourage its growth. Wang said Governor Chen realizing this danger is determined improve Island's economy.

I pointed out high tariff on textiles, peanut oil, etc., formerly imported from Chinese mainland, placing undue hardships on Island and primary cause rise in prices those commodities now coming from foreign sources. Wang said readjustments tariffs now under consideration. Same information received other sources but no indication when new rates if approved will become effective.

I also referred to presence large number troops as heavy burden Taiwan economy as well as security danger. Wang not concerned re troops' loyalty but admitted economic problem and said Governor plans reduce military forces on Island including air and navy and something will be done within 1 month. This statement open to question. Secretary-General stated other way Governor decided reduce military units by combining units partially staffed which, however, would not constitute any reduction in number of troops.

It is my impression from conversations with officials during past week that, although a decision has been made to try improve Taiwan administration and economy, a plan has not yet been formulated.

Sent Department, repeated Canton 138.

MACDONALD

894A.00/7-2749

Memorandum by Mr. Livingston T. Merchant, of the Office of Far Eastern Affairs, to the Chief of the Division of Chinese Affairs (Sprouse)

[WASHINGTON,] August 3, 1949.

I return herewith for CA's files FE's Secret memorandum of July 27, 1949 to the Secretary regarding an approach to Ambassador Koo and attaching an *aide-mémoire* on the subject of Taiwan.

Mr. Rusk originally approved this for submission to the Secretary but at a meeting on August 2 with Mr. Kennan, Mr. Rusk, Mr. Butterworth and myself it was finally agreed that it would be unwise to make this *démarche* in the teeth of the publication of the White Paper.⁹² I presume the appropriate resting place for the effort is now the files.

L[IVINGSTON] T. M[ERCHANT]

⁹² For correspondence regarding publication of the White Paper, see pp. 1365 ff.

894A.00/8-449

*Memorandum by the Department of State to the Executive Secretary
of the National Security Council (Souers)*⁹³

WASHINGTON, August 4, 1949.

Subject: Current Position of the U.S. With Respect to Formosa

1. Developments in Formosa since our present policy was determined upon make it desirable now to reexamine our situation.

2. To attain our main objective with respect to Formosa and the Pescadores—the denial of the islands to Communist control—current policy directives, as set forth in NSC 37/2⁹⁴ and NSC 37/5,⁹⁵ call for (1) developing and supporting a local non-Communist Chinese regime which will provide at least a modicum of decent government for the islands, (2) discouraging the further influx of mainland Chinese, and (3) maintaining discreet contact with potential native Formosan leaders in the event that some future use of a Formosan autonomous movement should be in the United States national interest.

3. NSC 37/5 further directed that on receipt of assurances from the Governor of Formosa that the local authorities are prepared to implement the United States representations set out in paragraphs 1 and 2 of NSC 37/2, the Department of State officer detailed to Formosa for this purpose should inform the Governor that the United States is prepared to assist in developing and maintaining a viable, self-supporting economy on the island, and the ECA should thereafter proceed with arrangements which will contribute to these objectives. Finally, NSC 37/5 determined that units of the United States fleet should not now be stationed at or off Formosan ports in support of the political and economic measures envisaged above.

4. On April 8 and May 18 the Secretary of State submitted to the National Security Council interim reports on the implementation of NSC 37/2 and NSC 37/5. Since developments on the Island suggested the desirability of reconsidering our policy, the United States official especially detailed to Formosa was recalled for consultation. The major changes which had occurred since approval of NSC 37/5 were: (1) The renewed mass movement to Formosa from the mainland of troops and civilian refugees, with a correspondingly serious inflationary impact on its economy; (2) the breakdown of peace negotiations between the Nationalists and Communists, with fighting renewed on the Yangtze, thereby reducing the possibility of a transfer of Formosa by negotiation to a Communist-controlled coalition government on the mainland; and, (3) a deepening of the feud between the Generalissimo

⁹³ Circulated by the National Security Council as NSC 37/6 on August 5.

⁹⁴ February 3, p. 281.

⁹⁵ March 1, p. 290.

and the Acting President, with the Generalissimo and his immediate supporters firmly in control of Formosa. Under these circumstances, with hope declining for the installation of an effective and liberal administration on the Island and with a drastic inflation in progress, it was decided to confine ECA economic assistance to the importation of consumers' goods, principally fertilizer and cotton, and to the Joint Commission for Rural Reconstruction activities rather than proceed with a capital reconstruction program which would have further fed the inflation. The Governor of Formosa was informed of the serious view the United States took of the continued influx of refugee civilians and demoralized troops. Recommendations were made to him and his advisers on economic and other matters designed to improve the economic situation. The Governor did not ask for increased economic aid nor were any promises given him that such would be forthcoming.

5. Following the arrival of the Department's representative in Washington, a further assessment of our position has been made. We face on Formosa today a situation analogous to that which confronted us on the mainland of China a year ago. The government in power is corrupt and incompetent. It lacks the will to take the necessary political and economic steps to modify the deep and growing resentment of the Formosans. The burden of supporting the mass of Nationalist troops and governmental establishments is now so great as to accelerate the economic disintegration of the island. Moreover, economic aid from outside cannot in the absence of a basic change in the government alter or cure this situation, and so long as it endures the ultimate passage of Formosa under Communist control, by external or internal action, appears probable.

6. The Governor of Formosa has reiterated his intention to resist any Communist assault on the island. The forces on the island appear numerically sufficient provided they will fight. It is also believed that the Governor now controls sufficient troops to suppress any native insurrection. The most serious risk of a turnover of the island to the Communists lies in the possibility of widespread mutinies by disaffected Nationalist troops recently landed from the mainland and estimated now to have brought the total to the neighborhood of 300,000, or in deals with the Communists on the part of top military commanders. Such a development could occur at any time and would confront us with a *fait accompli* which only military force could reverse.

7. In view of the foregoing developments, and since there now appears no certain assurance that these islands can be denied to Communist control by political and economic measures alone, the Joint Chiefs of Staff should be asked to review their memorandum dated February 10, 1949, on the strategic importance of Formosa to the United

States. Upon receipt of the current views of the Joint Chiefs of Staff, the NSC would be in a position to review the present policy in Formosa after considering the strategic factor and all political implications arising from our present global foreign policy. It would be helpful if the reexamination of the strategic factor by the Joint Chiefs of Staff would include a reply to the following question: Under conditions short of war and on the assumption that in the absence of military measures Formosa and the Pescadores will sooner or later come under Communist control, do the Joint Chiefs of Staff regard these islands as of sufficient military importance to the United States to commit U. S. forces to their occupation? It would also be of assistance if, in answering this question, the Joint Chiefs of Staff would take into account, among other factors, the following possible variations of the situation as it might be encountered: (a) Occupation in the face of initial opposition from Nationalist forces on the island or later attack from the mainland by the Communists; (b) occupation by agreement with the existing authorities on the island with implicit responsibility for the maintenance of internal security and external defense.

8. Meanwhile, it is intended (1) to continue to exert our diplomatic influence to confirm the Governor in his will to resist and, concurrently, urge the adoption of constructive political and economic measures designed to quiet unrest and reduce Formosan susceptibility to Communist propaganda; (2) to maintain an ECA program of present moderate proportions concentrated on the import of fertilizer and other consumers goods, JCR activities and engineering advice but not activating the suspended industrial reconstruction program; and (3) to discuss this problem informally with selected governments, particularly the British, with a view to securing their views and laying the ground work for possible future joint or concerted action within or without the framework of the United Nations.

Recommendation

It is requested that the Joint Chiefs of Staff as a matter of priority advise the National Security Council as to the United States military interest in Formosa along the lines set forth in paragraph 7 above.

893.50 Recovery/8-449

The Director of the Office of Far Eastern Affairs (Butterworth) to the Acting Assistant Administrator for Program of the Economic Cooperation Administration (Cleveland)

WASHINGTON, August 4, 1949.

DEAR HARLAN: I am writing you at this time in continuance of our several conversations regarding the status of Formosa and the

general policy which the Department believes should guide, at this time, ECA operations on the island.

The Department has requested the National Security Council to reconsider existing United States policy with respect to Formosa in the light of developments in the past two to three months. Specifically, the Department has requested that the Joint Chiefs of Staff submit to the National Security Council, their present estimate of the strategic importance to the United States of Formosa, particularly in light of the very real possibility that it will ultimately pass under Communist control in the absence of positive action on our part. I imagine that it will be several weeks before the Joint Chiefs will have submitted their reassessment on the basis of which the National Security Council will presumably then reconsider and restate our policy.

In the interval, the Department regards it as desirable that ECA continue without interruption or major change its present activities on the island. These are understood to include the importation of fertilizer and general supervision of its distribution, utilization of the services of the J. G. White Engineers, for general advice with respect to the operation of the island's economy, continued distribution of the CRM⁹⁶ medical supplies and moderate quantities of cotton, flour, etc., and finally, the continuation of the JCRR program on Formosa. It would also seem desirable that additional tonnages of fertilizer be programmed for delivery in time for the 1950 rice crops. All of these activities, as I understand it, are going forward.

Without attempting to prejudice any later decision of the National Security Council, it remains the view of the Department that no steps should be taken at this time to activate the industrial reconstruction program.

Sincerely yours,

WALTON W. BUTTERWORTH

893.50 Recovery/8-449: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, August 4, 1949—5 p. m.
[Received August 5—11: 54 p. m.]

353. K. C. Wu, in discussing means of maintaining stable economy for Taiwan, suggested that 50 million dollars of ECA China money not yet used be allotted Taiwan as follows: 30 million for fertilizers and 10 million each for power and transportation. He claims this would insure economic stability for coming year during which time plans and trade agreements could be worked out so that Taiwan would be able stand on own feet. He is enthusiastic about his scheme and has

⁹⁶ China Relief Mission (American).

written to Secretary State's brother⁹⁷ regarding it with request he approach Secretary Acheson.

Wu's figures respect Taiwan requirement for fertilizer much too high and, according Craig, ECA 5 million would be sufficient. Transportation and power figures also excessive.

In considering any aid for Taiwan it must be remembered that too much financial assistance can be as bad or worse than none in creating inflation. I would not take Wu's plan too seriously. It is extravagant and fails to provide means whereby Taiwan might share some of the costs. Airgram follows.⁹⁸

Sent Department 353; repeated Canton 160.

MACDONALD

893.50 Recovery/8-1249

The Acting Assistant Administrator for Program of the Economic Cooperation Administration (Cleveland) to the Director of the Office of Far Eastern Affairs (Butterworth)

WASHINGTON, August 12, 1949.

DEAR WALT: This will acknowledge receipt of your letter of August 4, 1949, outlining the views of the Department on current ECA operations on Formosa.

The activities described in your letter include the principal current ECA activities on Formosa. In the past, ECA has also financed a supply of crude petroleum for the Kaohsiung refinery and other petroleum products in small quantities. We now have under consideration financing a reduced supply of crude petroleum in an amount only sufficient to enable the refinery to supply the needs of the Formosan economy for petroleum products.

Approval has also been given to use Hong Kong dollars derived from the sale of yarn manufactured from ECA-financed cotton to complete the calcium cyanamid plant of the Taiwan Fertilizer Company (already 90% completed) under the supervision of the staff of the J. G. White Engineering Corporation, and similar assistance may be given in connection with the erection of another small fertilizer plant.

The program of the Joint Commission on Rural Reconstruction on Formosa has been on a relatively minor scale. Dr. Raymond T. Moyer, who is concurrently the Administrator's representative with respect to JCRR matters and one of the American commissioners appointed by the President, has recently been advised that it would be appropriate to enlarge JCRR operations on Taiwan to a scale comparable to that of operations now being carried on or planned for the mainland.

⁹⁷ Edward C. Acheson.

⁹⁸ No. A-72, August 4, not printed.

ECA has under consideration the procurement of additional ton-nages of fertilizer for delivery in time for the 1950 rice crops, as you suggest. However, previous arrangements for the distribution of fertilizer on Formosa have not been completed in a manner wholly satisfactory to ECA. If a satisfactory program governing the use of additional fertilizer cannot be agreed upon soon, it may be necessary to consider whether the desirability of providing such additional quantities of fertilizer to Formosa outweighs the danger that such fertilizer may be allocated in a manner which we believe undesirable and not in the interest of the Formosan economy. Before reaching a final decision on this matter, we will consult with the Department.

We shall appreciate it if you will advise us if any of the activities described above deviate from the policy which the Department believes should guide ECA operations on Formosa for the present.⁹⁹

Sincerely yours,

HARLAN CLEVELAND

894A.00/8-1849: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, August 18, 1949—7 p. m.

[Received 11:54 p. m.]

399. Fall of Foochow and North Islands causing local despair. To-day both T. Y. Liu of Taiwan Power and local American businessman expressed general intelligent opinion saying when coast goes Taiwan is doomed unless US takes positive action. Internal conditions here such as make frontal attack unnecessary. Both asked separately if US fully appreciated shortness of time available as well as general local willingness support any American move, even preliminary token nature.

Sent Department; repeated Canton 192.

EDGAR

Executive Secretariat Files

Memorandum by the Under Secretary of State (Webb) to the Executive Secretary of the National Security Council (Souers)

WASHINGTON, August 19, 1949.

Subject: Implementation of NSC 37/2¹ and NSC 37/5.²

Pursuant to NSC Action No. 123, October 6, 1948, as amended, the following progress report on the implementation of NSC 37/2, "The

⁹⁹ In a letter of August 26, the Deputy Director of the Office of Far Eastern Affairs (Allison) replied that these activities were in accord with the present policy regarding Taiwan.

¹ February 3, p. 281.

² March 1, p. 290.

Current Position of the United States with Respect to Formosa", and NSC 37/5, "Supplementary Measures with Respect to Formosa", is submitted for the information of the Council :

The Department of State, in a letter of August 4, 1949,* requested the National Security Council to reconsider existing United States policy with respect to Formosa in the light of developments in the past two to three months. Specifically, the Department has requested that the Joint Chiefs of Staff furnish the National Security Council their present estimate of the strategic importance to the United States of Formosa, particularly in light of the very real possibility that it will ultimately pass under Chinese Communist control in the absence of active intervention on the part of the United States.

Following the return to Washington for consultation of Mr. Livingston T. Merchant, Counselor of Embassy on detail at Taipei (Formosa), the Department has assigned Mr. John J. Macdonald as Consul General at Taipei. Mr. Macdonald arrived at his post on July 19, 1949.

In the meantime, the Department has requested ECA to continue without interruption or major change its present activities on Formosa. These include the importation of fertilizer and general supervision of its distribution, utilization of the services of the J. G. White Engineering Corporation staff in providing technical assistance to certain Formosan industries, general advice with respect to the operation of the island's economy, continued distribution of the Chinese Relief Mission medical supplies and moderate amounts of cotton and flour and the continuation of the rural reconstruction program on Formosa. The Department has indicated the desirability of ECA's programming additional tonnages of fertilizer for delivery in time for the 1950 rice crops. ECA is also giving some assistance to the Formosan Provincial Government in negotiations with SCAP in connection with the barter of Formosan sugar and coal for Japanese manufactures and has agreed to the use of funds derived from the sale of cotton yarn made from ECA-financed cotton to complete a calcium cyanamide plant, which was already 90 percent complete, the operation of which will add 20,000 tons of fertilizer to existing local production. This work will be carried out under the supervision of the J. G. White Engineering Corporation. No steps have yet been taken to activate the industrial reconstruction program.

JAMES E. WEBB

*NSC 37/6 [Footnote in the source text; see memorandum of August 4, p. 369.]

Executive Secretariat Files

*Note by the Executive Secretary of the National Security Council
(Souers)*

NSC 37/7

[WASHINGTON,] August 22, 1949.

THE POSITION OF THE UNITED STATES WITH RESPECT TO FORMOSA

Pursuant to the recommendation by the Secretary of State contained in NSC 37/6,³ the Secretary of Defense was requested to obtain the advice of the Joint Chiefs of Staff as to the United States military interest in Formosa along the lines set forth in paragraph 7 of NSC 37/6.

The enclosed views of the Joint Chiefs of Staff on the subject are circulated herewith for the information of the National Security Council in reviewing the present policy in Formosa, as suggested by the Secretary of State in NSC 37/6.

The enclosure is also being referred to the National Security Council Staff for use in connection with the preparation of a report on United States Policy toward Asia, pursuant to NSC 48.^{3a}

SIDNEY W. SOUERS

[Enclosure]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense
(Johnson)*

WASHINGTON, 17 August 1949.

Subject: The Position of the United States with Respect to Formosa.

In accordance with your memorandum, dated 9 August 1949, the Joint Chiefs of Staff submit the following comments, together with specific responses to the questions in NSC 37/6, a memorandum from the Secretary of State to the Executive Secretary, National Security Council, dated 4 August 1949, on the subject of "Current Position of the United States with Respect to Formosa".

The Joint Chiefs of Staff have, as requested, reviewed their memorandum, dated 10 February 1949,* and their clarifying memorandum of 22 March 1949,† both on the strategic importance of Formosa. They remain of the opinion that Formosa is strategically important to the United States for the reasons set forth in the second and third para-

³ See footnote 93, p. 369.

^{3a} For documentation on the NSC 48 series, see volume VII.

*NSC 37/3. [Footnote in the source text; see note by Souers, February 11, p. 284.]

†Memo for NSC from Executive Secretary, subject, "The Strategic Importance of Formosa", dated April 4, 1949. [Footnote in the source text.]

graphs of their memorandum of 10 February 1949. Since that date, the continuing sweep of Communist conquest in China has strengthened this view.

The Joint Chiefs of Staff, however, must reaffirm their earlier opinion that the strategic importance of Formosa does not justify overt military action, in the event that diplomatic and economic steps prove unsuccessful to prevent Communist domination, so long as the present disparity between our military strength and our global obligations exist, a disparity that may well increase as a result of budgetary limitations and the commitments implicit in the North Atlantic Treaty.

Therefore, replying specifically to the major question in paragraph 7 of the Secretary of State's memorandum of 4 August 1949, the Joint Chiefs of Staff do not regard Formosa and the Pescadores as of sufficient military importance to the United States, under the circumstances set forth above, to commit United States forces to their occupation under conditions short of war and on the assumption that in the absence of military measures these islands will sooner or later come under Communist control.

With respect to the suggested possible variations of the situation as it might be encountered:

a. Occupation, in the face of military opposition from Nationalist forces or later attack from the mainland by the Communists, is definitely not recommended since such a situation could easily lead to the necessity for relatively major effort, thus making it impossible then to meet more important emergencies that might develop elsewhere; and

b. Occupation by agreement with the existing authorities on the islands, with implicit responsibility for the maintenance of internal security and external defense, would not be so direct a step toward military embarrassment as the variation in subparagraph *a* above. This form of occupation, however, assuming that it could be arranged under our present relations with the Chinese Nationalists, is also not recommended since it would be a commitment which could hardly be reversed if quite possible developments demanded further military commitment, extending again to relatively major effort.

Although the Joint Chiefs of Staff are of the opinion, on balance, that if Communist domination of Formosa cannot be denied by diplomatic and economic steps, military measures instead of or in support of diplomatic and economic efforts would be unwise, they must point out, as they have previously stated, that future circumstances, extending to war itself, might make overt military action with respect to Formosa eventually advisable from the over-all standpoint of national security. They believe that it is better, however, to face this future contingency as one of the many military problems that must be considered in the event of incipient or actual overt war than to risk

undue military commitment in the Formosan area under present circumstances.

With respect to the requested comments from the military point of view on other pertinent aspects of the Secretary of State's memorandum, the Joint Chiefs of Staff believe:

a. That the probabilities of the Formosan situation make it more than ever necessary that every effort be made to forestall any weakening of the over-all United States position with respect to the Philippines, the Ryukyus, and Japan, in view of the greatly magnified importance of retention of our off-shore control in the Western Pacific area as a result of developments on the Asiatic mainland;

b. That the Formosan situation, as a part of the whole Asiatic problem, is pertinent to the consideration that is now being given to our over-all Asiatic policy by the National Security Council; and

c. That the suggested possibility of future joint or concerted Formosan action with other governments within or without the framework of the United Nations would, from the military viewpoint, have serious implications in that our military involvement in Formosa might differ little in degree from that envisaged as a result of unilateral occupation.

For the Joint Chiefs of Staff:

OMAR N. BRADLEY

Chairman

Joint Chiefs of Staff

894A.00/8-2549: Airgram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, August 25, 1949.

[Received September 5—10: 58 a. m.]

A-86. Despite almost daily public executions of disturbers of public order, the local situation appears to continue to deteriorate. The residence of one of the Consulate's officers has been entered and robbed and attempt on another made.

The residence of a locally established American citizen has been forced by military personnel who departed only after lengthy negotiations.

A British resident has been forced to purchase towels and pens from Chinese soldiery under threat of reprisals. (This recalls to mind the use of the same technique in Shanghai last year.)

The Consulate General has been requested by some Americans to issue placards for display on American occupied premises. Such placards were prepared some time ago when the first trouble was encountered with soldier refugees from the mainland but never issued due to an apparent easing of the situation. However it has appeared

that issuance is now advisable and they are being distributed on application. Their content is in accordance with standing instructions.

MACDONALD

893.50 Recovery/8-2949: Telegram

The Secretary of State to the Consul General at Taipei (Macdonald)

WASHINGTON, August 29, 1949—7 p. m.

269. Dept unno instr Aug 9.⁴ For your info, JCS views previously expressed in memo Feb 10 to NSC have been reaffirmed and clarified in JCS memo to NSC contained in NSC 37/7 Aug 22. Copy this document being forwarded soonest.

ACHESON

894A.00/8-3049: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, August 30, 1949—3 p. m.

[Received August 30—5:37 a. m.]

429. During long talk with Wang Shih-chieh this morning he made the following statement:

1. British attitude in Hong Kong of flirting with Communists for trade very annoying and detrimental to Nationalist Govt. Wang feels British definitely anti-Nationalist but believes they will have severe internal Communist troubles Hong Kong. He takes strong anti-British attitude.

2. Wang expressed concern regarding news stories during past few days regarding US plans to occupy Formosa and reported discussion regarding future of Taiwan between Wu Te-chen⁵ and General MacArthur during latter's [Wu's] visit Tokyo. Wang feels Communists responsible for some of these stories but said he is under impression due to letter just received from a friend in Washington that Formosa has been considered in recent high level Washington discussions. He inquired if I had any information on subject or regarding progress of Committee of Three⁶ studying our Far Eastern policy. He assumes Formosa is one of the topics of discussion by Committee of Three. I replied that the United States is definitely interested in the political and economic stability and security of Taiwan and anxious to see it

⁴ Not printed.

⁵ Chinese Minister Without Portfolio.

⁶ Committee made up of Ambassador at Large Philip C. Jessup and consultants Raymond B. Fosdick and Everett Case; see Department of State *Bulletin*, August 22, 1949, p. 279.

kept out of Communist hands. I pointed out that it has been the policy of the US to assist the Nationalist Govt to strengthen Formosa against communism and to that end gave and is giving economic assistance through ECA and JCRR. I assured him I knew nothing of alleged military occupation plans and regarded recent reports as pure newspaper stories and rumors.

3. There is considerable weakness in the army's officer corps according to Wang and many officers have lost their will to fight. He said a new spirit must be instilled in the officers and [he] advocates replacing many older army commanders with younger men.

4. Wang said Generalissimo has no intention of resuming position of President but he is going to assume a much more active part in national affairs than during the first few months after his retirement. (There has been plenty of indication of this already.)

5. Wang reverted to US China policy and asked if I knew when the report of the Committee of Three would be finished. He said he hopes our future China policy will be bi-partisan. While appearing slightly impatient with the delay in announcing a new China policy, Wang gave impression of being confident that additional American aid will be forthcoming.

Sent Department, repeated Canton 198.

MACDONALD

894A.00/8-3049

The Consul General at Taipei (Macdonald) to the Secretary of State

No. 51

TAIPEI, August 30, 1949.

[Received September 12.]

SIR: I have the honor to report that despite the high-sounding statements being made currently by China's leaders, even now when it is way past the eleventh hour the usual series of military jurisdictional fights and scrambles for power continue in Taiwan. No firm decisions are being made which could be classified as constructive, and all emphasis is being placed on the creation of new and imposing headquarters, new commands, and new advisory commissions.

As has happened in the mainland, this jockeying for position and this emphasis on form rather than substance is undermining the stability of Taiwan and rapidly preparing it for any communist action, from within or without, which may be opportune. Even the local controlled press is making comment on the situation.

[Here follows detailed description of rivalry for power among military leaders on Taiwan.]

In summary, because of the character of Chen Cheng, combined with the presence here of Chiang Kai-shek, the island of Taiwan, at the very time when every effort should be made to strengthen it internally and externally against communist aggression, appears to be rapidly falling apart at the seams politically, economically, and militarily and ripening for Communist take-over. Even educated Chinese who are well aware that the inevitable never happens in China and that most crises evaporate before they occur, are convinced of Taiwan's eventual loss, and those so able are laying rapid plans for a further personal retreat from the communists.

Respectfully yours,

JOHN J. MACDONALD

894A.01/8-3149 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, August 31, 1949—5 p. m.

[Received August 31—10:53 a. m.]

437. At brief meeting Wang Shih-chieh expressed himself, according to Chiang Mon-lin, chairman JCRR, as being interested and in favor of some type of joint Sino-American administration for Taiwan in order to have US protection and keep out the Communists. Chiang Mon-lin stated that he is under the impression that Wang was expressing the opinion of a considerable group of prominent thinking Chinese political leaders, and thinks that some approach along such lines might be made to the US. Reference is made to mytel 429, August 30 re conversation with Wang Shih-chieh.

In my opinion any Sino-American joint administration in Formosa would be doomed to failure if Generalissimo continued exercise any authority or influence. If he were forced to get out and stay out of picture entirely, no reason for Sino-American administration not being successful.

MACDONALD

894A.00/9-249 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, September 2, 1949—5 p. m.

[Received September 2—9:46 a. m.]

444. An American citizen on the Sino-American geological survey group informed me that prominent Formosan businessman told him there is a widespread rumor moving around the island that I was sent here to foment a revolt in order to give the United States an excuse to occupy the island on the grounds of preserving peace in the Pacific.

According to this rumor, I am supposed to be contacting the dissident elements and giving them instructions for the coming uprising. Formosan informant said this rumor has undoubtedly reached Chinese officials and he believes the Government will endeavor to increase circulation of rumor as it will provide good excuse for arresting members of independence and other dissident groups.

MACDONALD

894A.01/9-649: Telegram

The Consul at Shanghai (McConaughy) to the Secretary of State

SHANGHAI, September 6, 1949—8 a. m.
[Received September 5—11:01 p. m.]

3655. Re Contels 3617, 3652 and 3653.⁷ While part of general Communist propaganda, these editorials merit special attention as reflecting deep and highly aroused suspicion over US intentions re Taiwan. From comments, rumors and queries presented to us almost invariably in our talks with Chinese since takeover, as well as from study of press, it has been clear that local Chinese interest in America's Chinese policy has been increasingly directed toward Taiwan; that, *pari passu* with Communists progress toward conquest mainland and occupation sea coast opposite Taiwan, Communist and third party apprehension re our policy has tended increasingly to center on suspicion that our present future action Taiwan is devoted to active furtherance armed opposition to CCP—if not through support Generalissimo, then through other means (*coup d'état*, Japanese mercenaries, US Naval base, Chennault fliers, et cetera). Communists conquest Fukien, their growing interest in ending Kmt naval and air operations (staged from Taiwan), implications as to American policy read into White Paper press releases,⁸ and apparently authentic reports re statements by officials American Government re "legalistic" argument Taiwan technically not subject Chinese sovereignty until peace treaty with Japan appear to have combined to bring excitement to crisis reflected in editorial outburst cited.

ConGen has heard through several well placed sources that Lo Lung-chi,⁹ upon arrival Peiping, had long discussions with Mao Tse-tung,¹⁰ in which he vainly attempted persuade Mao of desirability reaching *modus vivendi* with West democracies. According one source, Mao was adamant there could be no thought of this until America

⁷ None printed.

⁸ See Department of State *Bulletin*, August 15, 1949, p. 236; September 5, 1949, pp. 350 ff.

⁹ A leader of the Democratic League.

¹⁰ Chairman of the Central Committee of the Chinese Communist Party.

abandoned all support Kmt and "her designs on Taiwan". While we cannot vouch truth this story, we do know that locally manifested Communist hostility to American policy is more and more concerned with Taiwan; and that our "liberal" contacts who have privately ventured occasional mild defense of US in Communist circles, are increasingly anxious for some public statement by American Government on Taiwan which would strengthen their position. Meanwhile difficulty of replying to ever more insistent queries and accusations re Taiwan is becoming embarrassing.

While realizing that public clarification our Taiwan policy may be impracticable this stage, ConGen would be grateful for any help Department could give us toward meeting inquiries and charges—inform of either actual indications of policy texts US Government official statements re Taiwan, background information, or suggestions re best means of parrying approaches.

Sent Department 3655, repeated Nanking 1915; OffEmb Canton 1080.

McCONAUGHY

894A.00/9-649 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, September 6, 1949—2 p. m.
[Received September 6—5:30 a. m.]

446. Philip Huang (also known as Philip Ng), prominent among independence leaders and not to be confused with Peter Huang, called yesterday and made following statements:

True feeling of Formosans according to Huang is to rid island of all mainland Chinese. Formosans do not want Kmt, Communists or any other Chinese as rulers. Independence is their ultimate goal.

Chinese Communist agents have been entering Taiwan during past year and half and are working among students and other groups, recently taking line that Communists will grant Taiwan autonomy after defeat of Kmt. Huang claims many students believe this and there is growing feeling among Formosans that it might be advisable to use Communists as means of getting rid of Nationalist Government. This statement may be considered also as a veiled threat.

In reply to my question whether Taiwanese would cooperate with Kmt in resisting Communists if present government promised wide reforms and more participation in government by Formosans, he replied in negative and said nothing short of a miracle would make them forgive Kmt for past record or induce them to cooperate.

Huang claims a Communist take-over soon is inevitable unless UN intervenes. Defeatist attitude growing daily is much in evidence. He is of opinion that Chinese armies on island will turn over to Communists and even thinks there is a strong possibility of them revolting against present regime upon fall of Canton.

Huang made no reference to US intervention or SCAP administration for Taiwan. He took line that UN should settle issue by removing Chinese administration and agreeing to an independent Taiwan.

Huang may sound alarmist regarding Communist take-over and predicted defections on Formosa. However, serious decline in morale evident during past few weeks. Defeatist attitude steadily growing accompanied by increasing animosity for Kmt. Island also rife with rumors of pending Communist invasion, local uprisings and possible defection Nationalist troops as soon as Communists attack. Situation is so confused that any prediction of future events would be ridiculous and anything may happen. No apprehension is evident among higher echelon Nationalist officials and Generalissimo's headquarters, but I have been told by members my staff that lower ranking Nationalist Government officials expressing opinion Communist take-over Taiwan inevitable and apparently resigned to fate.

MACDONALD

894A.00/9-649 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, September 6, 1949—3 p. m.

[Received September 6—9:02 a. m.]

447. K. C. Wu called yesterday and, following general conversation of no particular importance, asked me what I thought of rumors of American intervention in Taiwan. I told him that I was rather surprised that these rumors were so widespread and that so many people have been taking them seriously and even asking the Consulate for confirmation. I also said I thought it unfortunate that these rumors were circulating so widely. He agreed that they did not help the situation and said that he believed they could be traced to certain independence groups. Dr. Wu believes that Hsu Pin [-tien], also known as Ko Pien, is largely responsible for the rumors. He is the leader of the pro-Japanese groups and, according to Wu, has hopes of an important position under any occupation government. Some of these rumors go so far as to set the date of September 15 for American takeover.

MACDONALD

894A.00/9-749 : Telegram

*The Consul General at Taipei (Macdonald) to the Secretary of State*TAIPEI, September 7, 1949—8 p. m.
[Received September 7—7:51 a. m.]

453. Kunming defection started chain of rumors on future of Taiwan. Most recurrent say SCAP will bring forces here October 15 to thwart Communist take-over. Many natives fear army revolt and local massacres and are moving from town. Wealthy Chinese refugees continue to leave island. Provincial government taking many steps buy loyalty troops here such as 100 percent pay increases, etc., etc. Chen Cheng during week made several public statements on local stability and oneness of Taiwan with China but local fears continue to mount. Economy continues stable but with apparent strains. Arrests and police checks on increase.

Taiwanese believe trouble imminent and inevitable. Claim anti-Chinese feeling much greater than February 1947 and bloodbath will be greater. We concur, except for imminence, since many forces would presumably join melee: defecting troops, loyal troops, Communist civilians, Taiwanese independence groups and also pro-Communists, and Chinese mainlanders now here all having separate hatreds, prejudices and purposes. Strength Communist organization still uncertain but in confusion, smart group could grab reins. Any one of several things could start trouble at any one of several times.

Sent Dept 453, repeated Nanking 204.

MACDONALD

894A.01/9-649 : Telegram

The Secretary of State to the Consul at Shanghai (McConaughy)

WASHINGTON, September 8, 1949—5 p. m.

1824. Ur 3655 Sept 6, rptd Nanking 1915, Canton 1080. Dept believes in meeting inquiries and charge re Taiwan you could well emphasize that US neither has nor seeks milit bases or special privileges of any kind on island and that there are no Amer armed forces thereon. US is attempting assist Taiwanese to increase productivity and improve living conditions on island thru ECA and JCRR. For this assistance, as in the case of similar assistance to mainland China, it is neither seeking nor receiving special concessions or privileges of any kind. You might at same time suggest contrast this with Sov[iet] record in Sinkiang, Outer Mongolia and Manchuria.

For ur info only Dept and other concerned agencies of Govt studying all aspects Taiwan problem but not prepared at present make any public statement thereon.

ACHESON

894A.00/9-849

The Consul General at Taipei (Macdonald) to the Secretary of State

No. 57

TAIPEI, September 8, 1949.

[Received September 19.]

SIR: I have the honor to report that Hwang Taiam Leong, President of the Entai Trading Corporation, who is a very wealthy Formosan merchant, Mr. C. F. Chien, Chairman of the Taiwan Tea Association, Mr. Hsu Pin Tien, also known as Ko Pien and Kyo Hei, who was a former member of the Japanese Diet and leader of the pro-Japanese independence movement and his son, Kyo Hahn En, who is an important local merchant and banker, invited me to lunch in order to discuss the political situation in Taiwan.

They referred to the current rumor that SCAP is coming to Formosa and asked me if I had any information regarding the date of the change in administration or other details concerning SCAP occupation. When I told them that SCAP is not coming to Formosa, they expressed considerable disappointment and expressed some doubt regarding my statements. During the course of the conversation they frequently referred to SCAP and General MacArthur, making such statements as: "Certainly General MacArthur realizes the importance of Formosa in the United States Pacific defense plans and will take over before the Communists arrive," "SCAP cannot allow us to fall into the hands of the Communists," and "Even the farmers are patiently waiting for American troops to arrive." The Formosans wishful thinking regarding United States occupation is so strong that the majority of people actually believe the matter is settled and that American troops will arrive sometime between September 15 and October 10, 1949.

Mr. Hsu Pin Tien went into a lengthy academic discussion of Russia's aim for world domination. He said that Russia had a very fluid policy and bides its time in waiting for a weak spot or a political vacuum where it can further its policies and establish a Communist regime. China has been a perfect field for Communist expansion and as the Reds take over more of China other Asiatic countries weaken and become a prey for Communist aggression. In order to save Asia from Communism it must be checked now in China. He pointed out that the United States has been successful in preventing the spread of Communism through Western Europe and can do the same thing in

Asia. He said the Formosan people are powerless to do anything themselves to combat Communism on the Island. They are unorganized, have no defense force of their own or weapons, and are at the mercy of the Nationalist Government that has no real interest in the welfare of Formosans and tries to keep them down. Therefore, he said the people of Formosa are looking towards the United States who always champions the cause of small, defenseless nations to come to the rescue of Taiwan.

They discussed the possibility of presenting their case to the United Nations but find they are confronted with insurmountable difficulties. There is no organization representative of the majority of the people that could present a petition to the United Nations. Furthermore, the Chinese Government authorities would not allow such a petition to be transmitted to the United Nations and persons associated with a movement of that sort would be in danger of their lives. Mr. Hsu is in constant fear of imprisonment and was arrested when the Chinese took over Taiwan and spent 18 months in jail. Inasmuch as the Formosans feel they are thwarted and powerless to help themselves they hope that the United States will either step in and keep out the Communists or sponsor their case in the United Nations.

Mr. C. F. Chien, Chairman of the Taiwan Tea Association, was more outspoken in expressing his opinion about the United States and Taiwan. He claims that the United States, as a signer of the Cairo Declaration, has a definite moral responsibility to protect Formosa against the Communists. The people of Taiwan do not want to fall into the hands of the Communists which they are bound to do if the administration of the Island is not taken away from the Nationalist Government. Mr. Chien feels strongly that the will of six million Formosans should be considered and, inasmuch as the United States as a participant in the Cairo Declaration is one of the nations that got the innocent people of Taiwan into this "mess", it is morally bound to accept its responsibility and to protect these defenseless people from the Communists. He said they have suffered enough during the past four years under the Chinese and that every Formosan, from the richest merchant and land owner to the poorest peasant and coolie, is expecting the United States to save them from Communism. People of Taiwan, according to him, look upon the United States as a great, powerful and just nation that believes in protecting the weak and defenseless and still have confidence that they will not be deserted by the United States.

Mr. Chien's attitude became almost belligerent and insulting. He ended his remarks by asking how the United States could have the audacity to face the world, posing as a nation professing democratic principles, believing in self determination of peoples and the rights of

small nations, and then sit back and allow Taiwan to fall into the hands of the Communists which is contrary to the desire of the people. The views and opinions expressed at this gathering are typical of the attitude and feelings of politically conscious Formosans.

Respectfully yours,

JOHN J. MACDONALD

894A.00/9-949

Memorandum of Conversation, by the Assistant Chief of the Division of Chinese Affairs (Freeman)

[WASHINGTON,] September 9, 1949.

Participants: Mr. Dening, British Foreign Office, Assistant Under-Secretary for Foreign Affairs in Charge of Far Eastern Matters
Mr. Meade, Counselor, British Embassy
Mr. Ford, First Secretary, British Embassy
Mr. Butterworth, FE; Mr. Merchant, FE; Mr. Freeman, CA

Mr. Dening opened the conversation on Formosa by inquiring whether in our opinion the Nationalists on Formosa were becoming infected through Communist infiltration.

Mr. Merchant in replying gave a brief background statement on recent U.S. policy with regard to Formosa. He stated that the U.S. Government was of the opinion that it was of great importance that Formosa be kept out of Chinese Communist hands and that we had therefore taken certain steps in an effort to strengthen the present government. In this connection Mr. Merchant mentioned the employment of ECA funds in an effort to increase production and to provide economic stability through such projects as the fertilizer program, the J. G. White Engineering Company and the Joint Commission on Rural Reconstruction. Following the fall of Nanking and Shanghai, Mr. Merchant continued, and the consequent large influx of political refugees and Nationalist troops to Formosa, the Department requested the National Military Establishment to review the position of Formosa with particular regard to its strategic importance to the U.S. and any threat to American security which might arise should the island fall into hostile hands. He said that the NME after studying the question replied that Formosa was of considerable strategic importance to the U.S., but that it was beyond the present capabilities of the U.S. to undertake a military defense of the island. It had therefore been determined, Mr. Merchant stated, that the U.S. would concentrate on diplomatic support of the present government on Formosa and economic assistance to the island. He concluded, however, that there was

considerable evidence of Communist infiltration on Formosa; that the Department was of the opinion that it could not be held indefinitely by the present government; and that the probabilities were that the island would eventually be taken over by the Communists.

Mr. Dening mentioned that they had received an unconfirmed report from the British Consul in Tamsui to the effect that the Nationalists had repulsed an attempt by Chinese Communist forces to effect a landing on the Formosan coast. The British Consul had stated, in this connection, that there was increasing concern on the part of Admiral Kwei and other high officials on Formosa as to the ability of the Nationalists to combat a determined effort by the Communists to take over the island.

Mr. Butterworth stated that the Department had not received any report of an attempted landing on Formosa by the Communists and indicated that he believed such an eventuality was unlikely in the near future. He said that in his opinion the process of Communist infiltration and working from within would be a gradual one and would require some time and careful preparation before a Communist takeover could be effected. Mr. Merchant took occasion to point out the illogic of the situation: (1) Formosa is completely self-supporting; (2) the Nationalists on Formosa have a well-equipped army, air force and navy; (3) the Communist forces have no air force or navy; (4) the Nationalists on Formosa have an abundance of foreign exchange; (5) it would appear on the surface that the Nationalists under good leadership could establish themselves in an impregnable position for an indefinite period; and yet (6) there is every evidence that the Communists will be able to gain control of the island.

Mr. Dening mentioned the Formosan League for Reemancipation and stated that, although it appeared to be a non-Communist non-Kuomintang organization which was working for Formosan independence, the leaders of the movement were unsavory characters and the only thing that could be said for them was that they appeared to oppose Communism. He also mentioned the possibility of an appeal by the Formosans to the UN with a view to holding a plebescite or establishing a mandate under the UN. Mr. Butterworth agreed with Mr. Dening, however, that the possibility of such an appeal was remote, particularly as long as Chiang Kai-shek remained in control of the Government on Formosa.

In conclusion Mr. Dening read the final paragraph of a brief on Formosa which had been prepared for him by the Foreign Office and in which the following points were made:

1. Both the Communists and the Nationalists will continue to lay claims to Formosa;

2. There is no possibility of the present legal status of Formosa being altered without Four Power agreement;

3. The possibility of the Formosan case being submitted to the UN is unlikely and might even cause more harm than good if done;

4. Consequently the question of who is to control Formosa will be decided by the outcome of the present struggle between the Communists and the Nationalists;

5. There is a strong probability that Formosa will in any event fall into the hands of the Communists and, since this eventuality cannot very well be prevented, all that can be done is to hope that occupation of the island by the Communists will not prove disastrous.

894A.20/9-1549 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, September 15, 1949—9 a. m.

[Received September 15—12: 56 a. m.]

476. Called on General Sun Li-jen at his request late yesterday afternoon. He expounded at length on difficulties he is encountering as commander of all ground troops Taiwan. (According to recent order, he has been placed in direct command of all combat troops on island.) Claims he is powerless as he has inadequate supplies and support and in some instances none. He is dependent on Governor Chen Cheng for all equipment. Sun stated that Chen evades issue when he requests equipment or passes buck by saying matter will be discussed at future conference or tells Sun he has no money and to get the supplies himself if he needs them. Sun says that General Chen making same mistakes he made previously and has learned nothing by past unfortunate experiences. Defenses of island appallingly inadequate, according Sun, and he has been unable to get any equipment or funds from Chen Cheng to improve situation and was told by Chen that there is plenty of time but Sun says time running short. Sun naturally discouraged and frustrated but is determined to try and reorganize troops here and build up some sort defense. He plans to spend one-third his time in Taipei in connection his duties commander of ground forces and two-thirds time at training center as he considers training troops now here most important job.

In reply my query as to likelihood of Communist attack Taiwan and possibilities of success, he replied he considers 50-50 chance attack following fall Canton since Communists must either make Chungking or Taiwan next objective and Taiwan is of greater strategic importance for several reasons. He estimates chances of success good. In first place island has practically no defenses and out of approximately 300,000 troops now on island, not over 60,000 at most are combat troops and Communists, according Sun, could land 200,000 troops within 24 hours

easily. These troops could be transported in large fishing junks equipped with sails and motors and are capable of carrying 200 men each with equipment. He said Communists can assemble 1,000 junks without trouble.

In view of this threat of invasion he fails to understand why General Chen Cheng takes such an unrealistic view of situation, saying there is plenty of time. Sun attributes many of former defeats on mainland to attitude that there was plenty of time.

Sun expects fall of Canton before October 10 and thinks that present lull on that front has been due to Communist reorganizing and improving lines of communication in preparation for final blow.

MACDONALD

894A.01/9-2249 : Telegram

The Consul General at Hong Kong (Rankin) to the Secretary of State

HONG KONG, September 22, 1949—2 p. m.

[Received September 22—10:59 a. m.]

743. On 19th September officer of Consulate met group FLR leaders, including Liao brothers, General Huang N Ping, and Hsiao Shen Onu, latter two well known Ambassador Stuart, at their request. Group stated maladministration of present Taiwan Government forcing islanders look to CCP as liberators. Fertile field for CCP underground. Estimate 20 percent armed forces strongly disaffected. Younger members FLR and similar groups taking attitude that failure democratic nations relieve them from Kmt oppression forcing them turn to Communists.

Group inquired if US intended take any positive steps ameliorate situation on Taiwan prior to settlement status island through Japan peace treaty. Urged that situation becoming critical, requiring action soon. Interviewing officer replied no information on this point.

Group then asked if wishes of islanders would be consulted prior to peace treaty decision on future status island. Interviewing officer replied no information this point. Also said would forward their comments to Department.

Sent Department; repeated Taipei unnumbered.

RANKIN

893.00B/9-2349 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, September 23, 1949—4 p. m.

[Received September 23—10:30 a. m.]

514. Reference Hong Kong telegram 743 to Department, repeated Taipei unnumbered September 22. Information similar that reported

reftel received here and I believe some leaders independence groups and their followers feel deserted by democracies and beginning to look upon Communists as liberators from Kmt, but at same time hope US will eventually rescue them from Communists.

Also my opinion FLR and other independence leaders somewhat exaggerating pro-Communist attitude, altho it definitely exists, in hopes of frightening US into positive action their behalf.

Repeated Hong Kong 42.

MACDONALD

Executive Secretariat Files

*Note by the Executive Secretary of the National Security Council
(Souers) to the Council*

NSC 37/8

[WASHINGTON,] October 6, 1949.

THE POSITION OF THE UNITED STATES WITH RESPECT TO FORMOSA

The enclosed draft report by the Department of State on the subject is submitted herewith at the request of the Acting Secretary of State for consideration on the agenda of an early meeting of the National Security Council.

It is recommended that, if the Council adopts the enclosed report, it be submitted to the President with the recommendation that he approve the Conclusions contained therein and direct their implementation by all appropriate executive departments and agencies of the U. S. Government.

SIDNEY W. SOUERS

[Enclosure]

*Draft Report by the National Security Council on the Position of the
United States With Respect to Formosa*

THE PROBLEM

1. To determine what modifications, if any, should be made in existing policy with respect to Formosa and the Pescadores in the light of present circumstances.

ANALYSIS

2. Present U. S. policy with respect to Formosa and the Pescadores calls for efforts to deny those islands to the Chinese Communists through diplomatic and economic means. The diplomatic and economic means through which this objective is being currently sought are set forth in NSC 37/2 of February 3, 1949 and NSC 37/5 of March 3, 1949.

3. The Department of State's memorandum of August 4, 1949 to the Executive Secretary of the NSC (NSC 37/6) outlines certain factors in the existing situation which indicate that the ultimate passage of Formosa to Communist control by external or internal action is probable. These factors remain unchanged. The current CIA¹¹ estimate is that without U. S. military occupation and control, Taiwan "probably will be under Chinese Communist control by the end of 1950." During recent conversations in Washington the British have expressed the view that ultimate Communist control of Formosa is inevitable and have added that they can suggest no measures by which this might be prevented.

4. In considering the courses of action which the U.S. might pursue with respect to Formosa the following limitations must be kept in mind:

a. The Joint Chiefs of Staff have stated in NSC 37/7 of August 22, 1949, that they "must reaffirm their earlier opinion that the strategic importance of Formosa does not justify overt military action, in the event that diplomatic and economic steps prove unsuccessful to prevent Communist domination, so long as the present disparity between our military strength and our global obligations exist(s), a disparity that may well increase as a result of budgetary limitations and the commitments implicit in the North Atlantic Treaty.

"Therefore, replying specifically to the major question in paragraph 7 of the Secretary of State's memorandum of 4 August 1949 (NSC 37/6), the Joint Chiefs of Staff do not regard Formosa and the Pescadores as of sufficient military importance to the U.S. under the circumstances set forth above to commit U.S. forces to their occupation under conditions short of war and on the assumption that in the absence of military measures these islands will sooner or later come under Communist control." The Joint Chiefs of Staff, evidently envisaging the possible loss of Formosa in their strategic planning, add that "the probabilities of the Formosan situation make it more than ever necessary that every effort be made to forestall any weakening of the over-all United States position with respect to the Philippines, the Ryukyus, and Japan, in view of the greatly magnified importance of retention of our off-shore control in the Western Pacific area as a result of developments on the Asiatic mainland."

b. The political importance of Formosa does not give rise to considerations of such importance as to justify overriding, on political grounds, the views of the Joint Chiefs of Staff quoted above respecting the military importance of the islands. On the contrary, it is believed that the employment of U.S. forces on Formosa would enable the Chinese Communists to rally support to themselves as defenders of China's territorial integrity and handicap our efforts to exploit Chinese irredentist sentiment with respect to Soviet actions in Manchuria, Mongolia and Sinkiang.

5. Having in mind the limitations set forth in paragraph 4 above, the U.S. Government might endeavor to insure the continuing freedom

¹¹ Central Intelligence Agency.

of Formosa from Communist control by means of a greatly expanded program of economic aid coupled with a program of military assistance short of the employment of U.S. armed forces. This program might include the reestablishment of a military advisory group in Formosa and have as its prerequisite the undertaking by the Chinese authorities in Formosa of specific administrative and organizational changes designed to improve the over-all defensive position of the island. However, it is believed that it would be unwise to embark upon such a program at this time. Available information indicates clearly that the present weakness of the Island does not arise from lack of economic resources or military materiel. The major portion of the Chinese Government's gold and silver holdings and foreign currency reserves, estimated to be in excess of one hundred million US dollars is located on Formosa and available to the Chinese administration there. It is believed that likewise the major portion of the military materiel purchased under the \$125 million grants is stockpiled on Formosa. It is reliably reported that during his recent visit to the Philippines, the Generalissimo stated privately that he had sufficient resources to hold out on Formosa for at least two years without outside assistance. In view of its natural resources, the economy of Formosa could be made almost completely self-sufficient under efficient administration, although this would be more difficult at present owing to the influx of large numbers of civilians and armed forces from the mainland. The basic weakness of the Chinese administration in Formosa arises rather from the transfer to the Island of the ills and malpractices that have characterized the Kuomintang in China. Against this, external material assistance alone cannot provide a remedy. Under these circumstances the undertaking by the U.S. of an expanded program of aid would in all probability tend to convince Chinese leaders that the U.S. was determined to prevent Communist capture of Formosa regardless of the steps taken by the Chinese themselves and it would therefore discourage rather than encourage essential measures of self-help. Moreover, embarking at this time on an industrial reconstruction program which would not bear fruit for a considerable period would increase the future value of the Island to the Communists if they succeed in seizing control without strengthening its economic powers of resistance in the crucial months ahead. In fact a capital investment program now would have the effect of contributing seriously to the present inflation, thereby complicating rather than helping the immediate economic problem. This Government would find its prestige and its resources engaged in a venture which on the basis of experience would hold little chance of success. In summary, a program of aid of this nature would supply economic

assistance and military materiel not considered at present necessary to a solution of the problem; it would commit American resources and prestige to what is in all probability a lost cause unless the Chinese themselves were to initiate and faithfully carry out essential measures of self-help, and at the same time it would tend to remove their incentive to do this; and finally, it would greatly strengthen the suspicion among Chinese, Communist and non-Communist alike, of U.S. "imperialistic" design on Formosa, thereby consolidating Chinese public support behind the Chinese Communists and tending to nullify our efforts to exploit Chinese irredentism arising from Soviet actions in the North.

6. In view of the circumstances outlined in the preceding paragraph, it would appear desirable to continue on Formosa a course of action along the general lines laid down in existing policy with certain modifications which take into account present conditions on the Island. This course of action envisages the continuation of the present moderate-sized ECA program and the program of the Joint Commission on Rural Reconstruction. Whereas an expanded program of aid would probably create on the part of the Chinese an unwarranted optimism with respect to U.S. intentions to safeguard the Island, abrupt cessation of existing aid would damage the morale and prestige of the present Chinese administration. It would, in fact, be widely interpreted as reflecting lack of interest on the part of this Government which is not in accord with the facts. But the primary objective of any course of action offering even a reasonable hope of success, must be the correction by the Chinese themselves of those administrative faults which are a major cause of the present precarious position of Formosa. To that end the extent of American interest in Formosa and the degree of American support for the present Chinese administration should be made unmistakably clear to the present Chinese authorities and to the Chinese and American publics. Since the real source of authority on Formosa is now Generalissimo Chiang Kai-shek, this Government's views should be conveyed to him along the following lines:

The U.S. has no designs on Formosa and seeks no military bases or special privileges of any kind on the Island.¹² The U.S. Government will [*does*] not [*intend to*] commit any of its armed forces to the defense of the Island.¹³ It is concerned, however, lest the chaos of the mainland spread to Formosa and believes that a higher level of political and economic well-being must be provided if serious unrest is to be avoided and the legitimate aspirations of the population of Formosa met. The previous misgovernment of Formosa has been a cause for serious concern on the part of the U.S. and there have been disturbing

¹² Sentence subsequently deleted (NSC Action 254, October 20, 1949).

¹³ Bracketed revisions made subsequently.

indications of unrest among the population of Formosa as civilian refugees and military forces have arrived in large numbers on the Island. The U.S. attitude toward Formosa will depend largely on the action of the present Chinese administration in establishing an efficient administration which would seek to bring to the people a higher level of political and economic well-being. The resources of the Island, together with the material assets available to the Chinese administration are believed to be sufficient to enable that administration substantially to improve conditions through its own efforts. Unless effective steps are taken initially by the Chinese administration itself, external aid would be of little benefit and would be largely dissipated. The U.S. Government will, therefore, continue to watch with interest the efforts of the Chinese administration to initiate those measures which are necessary to provide the basis for effective administration and effective utilization of the resources of Formosa. While the U.S. Government will continue to furnish economic assistance to Formosa under existing legislation, the provision of any additional aid will depend upon the future performance of the Chinese administration on Formosa.

In order to derive the maximum effectiveness from this step, it is essential that the U.S. position be made clear not only to Generalissimo Chiang Kai-shek, but to the Chinese and American publics as well. This might be accomplished initially by means of a press release. It is believed that the approach should be delayed until Canton falls, at which time the division of power between Li and the Gimo and the latter's undisputed control of Formosa should be clearly apparent to all.

7. Either of the alternative courses of action outlined in paragraphs 5 and 6 above might be accompanied by action within the United Nations. There are a number of forms which such action might take and a number of ways in which it might be initiated. However, in any realistic appraisal of the desirability of such action it must be kept in mind that the United Nations possesses no armed forces with which to enforce a decision respecting Formosa against the will of those in control of the Island. With respect to the possibility of the U.S. contributing forces to this end, the Joint Chiefs of Staff have stated in the NSC 37/7 that "The suggested possibility of future joint or concerted Formosan action with other governments within or without the framework of the United Nations would, from the military viewpoint, have serious implications in that our military involvement in Formosa might differ little in degree from that envisaged as a result of unilateral occupation." In view of this circumstance, it is probable that any action contrary to the wishes of the present or future Chinese authorities in Formosa which the United Nations might take not only would fail to affect tangibly the fate of the Island, but would undermine the prestige of the United Nations as well. Informal and explora-

tory steps are now being taken to ascertain the degree to which the Chinese Government would initiate or cooperate in United Nations action respecting Formosa. Until information in this respect is available, it would be unprofitable to discuss the form which such action might take. However, even though Chinese cooperation were lacking, United Nations action with respect to Formosa might be advantageous as a means of obtaining wider support for the course of action which the United States follows. This possibility is likewise being explored.

CONCLUSIONS

8. The policy set forth in NSC 37/2 and NSC 37/5, respecting Formosa, should be continued. Steps should be taken following the capture of Canton by the Communists to make unmistakably clear to the Chinese in control of Formosa and to the Chinese and American publics the extent of American interest in Formosa and the degree of American support for the present Chinese administration of the Island. This should be done by means of an approach to the Generalissimo as outlined in paragraph 6 and by a public statement¹⁴ as suggested in paragraph 6.

9. Further consideration should be given to the desirability of concurrent action in the United Nations when information regarding the Chinese Government's attitude toward such action becomes available.

894A.00B/10-1049 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, October 10, 1949—9 a. m.

[Received 3:30 p. m.]

566. Article in September 26 issue *Newsweek* that US and Britain will let Communists take Formosa has disturbed top level officials here considerably, according K. C. Wu, who called this regard. Such statements, he said, are terrific blows to liberal elements and groups desiring resist Communists. He asked if this State Department's attitude. I assured him US most anxious see Taiwan denied Communists, referring our ECA program, etc. He said article has raised doubts regarding our intentions, encouraged defeatism and given moral encouragement to Communists. Realizing we cannot prohibit such articles, he suggested US press be warned that type statement plays into Communist hands.

MACDONALD

¹⁴ Marginal notation: "NSC agreed to make no public statement (Action 254 10-20-49)".

894A.00B/10-1049: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, October 10, 1949—noon.

[Received October 10—11:58 a. m.]

568. After imparting information contained mytel 566, October 10, K. C. Wu said, if Formosa is held and resistance groups on mainland assisted, Reds can be defeated within 3 years and democratic government restored China. He thinks present organized military resistance mainland doomed, expecting Canton fall within week to one month followed by successive defeats. Formosa, however, must be denied Communists because he feels they will encounter increasing administrative difficulties, growing opposition from people resulting in pockets resistance in China and when system sufficiently weakened from internal troubles Taiwan can be used as base for launching new offensive mainland. He thinks these troubles will become sufficiently serious by spring to counter attack.

Plans now under consideration by special military, political and economic committees of Taiwan branch Kmt extraordinary committee for defense of island and liberalization of provisional government. Wu said confidentially civilian group dominated by himself, Wang Shih-chieh, Hollington Tong and Huang Shao-ku are insisting on government made up of civilians for Taiwan plus broad reforms including freedom of press, free enterprise and giving Formosans important administrative positions if they are capable of filling them. It is to be a government by law not decree. He even proposes suggest Chiang Wei-chuang, a Taiwanese independence leader, be given position of trust. Wu is confident civilian group will win Generalissimo over their side and after that Wu confided in strictest secrecy that he intends to present following plan to Generalissimo and extraordinary committee Kmt which he feels confident they will adopt: US should be approached for assistance and cooperation with Chinese Government to save Formosa. In reply to my question what form of assistance and cooperation he had in mind, he said military supplies, especially planes, ammo, naval craft and military advisors. Re military advisors, he will insist it be mandatory to accept their advice and he would turn over entire supply system to Americans to operate as Chinese cannot control supplies properly due widespread corruption. Said he has not worked out all details of plan, but hopes it can be presented to us by November 1 but wants to be sure first that proper democratic reforms will be made here in order to prove to US Chinese can reform themselves. Claims this information given me because he wants it passed on State Department inasmuch as it might influence our thinking and prevent US from writing off Formosa as reported by *Newsweek*.

This nebulous plan strikes me that K. C. Wu is trying to find a new approach for identical often-repeated requests for aid. He has great confidence in his ability influence Generalissimo to agree wide reforms, and continues stress big change in Generalissimo's attitude. However, if he is supported by Wang Shih-chieh and few other Kmt trustees Generalissimo might consent to any plan in last attempt obtain US assistance in order enable him maintain Kmt as recognized government. Wu and Wang Shih-chieh work closely together and undoubtedly have considerable influence over Generalissimo.

Conversation of Wu's might have been just a feeler or an indication that Generalissimo is preparing set himself up as head of Nationalist Government with headquarters here, and openly break with mainland group. Suggestion that Wu favors giving capable Formosans positions in provisional government could have some connection with and confirm rumors of proposed semi-autonomous government Taiwan.

Sent Department 568, repeated OffEmb 208.

MACDONALD

894A.00/10-2149 : Airgram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, October 21, 1949.

[Received October 27—5: 13 p. m.]

A-110. The following is a translation from the Japanese of a letter received at this office:

"Dear Mr. Consul General,

"With the establishment of the Central People's Government of the Republic of China, the entire continent will be overwhelmed by communism.

"In the past four years, the people of Taiwan have suffered immensely both in spirit and material under the incompetent, despotic and feudalistic control of the corrupt Chinese Government. The sorrow and sufferings of the 7,000,000 people of the island of Taiwan can never be fully expressed in writing or in words, and not a single islander is satisfied with the present situation.

"Once Canton and Amoy fell into communist hands, there would be no more guaranty of Taiwan's security. We, the people of Taiwan can no longer tolerate the rule by incompetent Chinese irrespective of their being communists or not.

"It is the desire and wish of the seven million islanders that you will transmit to the U.S. Government our wishes to the latter to immediately dispatch an army to occupy and protect Taiwan, to expel the cruel Chinese troops and restore us to hope.

"From a representative of the Taiwanese people."

It is believed that the above does, in fact, represent the desires of a great majority of the Taiwanese.

EDGAR

894A.00/10-2349: Telegram

The Chargé in China (Strong) to the Secretary of State

CHUNGKING, October 23, 1949—noon.

[Received October 24—4:19 a. m.]

Cantel 1221. As third major point in conversation on October 22 (Cantels 1219 and 1220, October 23¹⁵) Chu Chang-wei¹⁶ said President Li was anxious be informed of U.S. policy on Taiwan and declared Li authorized him say that Li was willing see Taiwan in hands of a friendly country rather than taken by Chinese Communists as they controlled by USSR. Chu stated Li would prefer a joint Sino-American Commission govern Taiwan but if US not favor this proposal US could properly take over Taiwan "by right of conquest." To avoid charges that such action violated moral obligation undertaken by US at Cairo to return Taiwan to China, he explained US could promise cede Taiwan back to China some future time. Moral obligation of US respect to recovery of Taiwan by China had now become, he averred, responsibility to keep island from Communist control. He declared that reference Taiwan problem to UN would be inadvisable because of Soviet opposition and urgency of problem.

Disclosing that General Chen Cheng recently telegraphed General Pai Chung-hsi¹⁷ his concern about Taiwan defense and referring present Communist military activity at Chinmentao¹⁸ he asked for information soonest on US position regarding Taiwan.

STRONG

893.00/10-2449: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, October 24, 1949—noon.

[Received October 24—1:43 a. m.]

606. China Customs [head] L. K. Little, having transferred headquarters here, had long talk Generalissimo latter's request—who, although claiming unofficial status, proceeded give orders. Generalissimo seriously worried over danger invasion Formosa and wants customs boat for defense.

EDGAR

¹⁵ Vol. VIII, "Political and military situation in China", chapter VIII.¹⁶ Secretary and political adviser to Acting President Li Tsung-jen.¹⁷ Chairman of the Chinese Military Strategy Advisory Board.¹⁸ Quemoy Island.

894A.00/10-2349 : Telegram

The Secretary of State to the Chargé in China (Strong)

WASHINGTON, October 28, 1949—8 p. m.

TelCan 739. Reur Cantel 1221 Oct 23 reporting Li Tsung-jen desire be informed US policy Taiwan, Dept desires you seek suitable opportunity inform Li orally US views:

"The US Govt does not intend to commit any of its armed forces to the defense of the Island. It is concerned, however, lest the chaos of the mainland spread to Taiwan and believes that a higher level of polit and econ well-being must be provided if serious unrest is to be avoided and the legitimate aspirations of the population of Taiwan met. The previous misgovernment of Taiwan has been a cause for serious concern on the part of the US and there have been disturbing indications of unrest among the population of Taiwan as civilian refugees and mil forces have arrived in large numbers on the Island. The US attitude toward Taiwan will depend largely on the action of the present Chi administration in establishing an efficient admin which wld seek to bring to the people a higher level of polit and econ well-being. The resources of the Island, together with the material assets available to the Chi administration are believed to be sufficient to enable that admin substantially to improve conditions through its own efforts. Unless effective steps are taken initially by the Chi admin itself, external aid wld be of little benefit and wld be largely dissipated. The US Govt will, therefore, continue to watch with interest the efforts of the Chi admin to initiate those measures which are necessary to provide the basis for effective admin and effective utilization of the resources of Taiwan. While the US Govt will continue to furnish econ assistance to Taiwan under existing legis, the provision of any additional aid will depend upon the future performance of the Chi admin on Taiwan".

You shld also inform Li that steps being taken convey these views to Gimo. During this conversation you shld be accompanied by Rinden¹⁹ to check accuracy of translation.

ACHESON

894A.20/10-2849 : Telegram

The Secretary of State to the Consul General at Taipei (Macdonald)

WASHINGTON, October 28, 1949—8 p. m.

412. Ref memo re Formosa which was submitted to NSC²⁰ and copy of which transmitted you under cover Top Secret instr Oct 13.²¹ Memo approved with fol changes:

¹⁹ Robert W. Rinden, Second Secretary of Embassy, temporarily detailed to Chungking.

²⁰ NSC 37/8, October 6, p. 392.

²¹ Not printed.

(1) Delete first sentence in outline views this Govt to be conveyed to Gimo contained in nrd [numbered] para 6 and change second sentence to read "The US Govt does not intend to commit any of its armed forces to the defense of the Island".

(2) No public or press statement US views to be made.

Dept accordingly desires you seek suitable opportunity convey to Gimo fol US views re Formosa :

"The US Govt does not intend to commit any of its armed forces to the defense of the Island. It is concerned, however, lest the chaos of the mainland spread to Taiwan and believes that a higher level of polit and econ well-being must be provided if serious unrest is to be avoided and the legitimate aspirations of the population of Taiwan met. The previous misgovernment of Taiwan has been a cause for serious concern on the part of the US and there have been disturbing indications of unrest among the population of Taiwan as civilian refugees and mil forces have arrived in large numbers on the Island. The US attitude toward Taiwan will depend largely on the action of the present Chi admin in establishing an efficient admin which wld seek to bring to the people a higher level of polit and econ well-being. The resources of the Island, together with the material assets available to the Chi admin are believed to be sufficient to enable that admin substantially to improve conditions through its own efforts. Unless effective steps are taken initially by the Chi admin itself, external aid wld be of little benefit and wld be largely dissipated. The US Govt will, therefore, continue to watch with interest the efforts of the Chi admin to initiate those measures which are necessary to provide the basis for effective admin and effective utilization of the resources of Taiwan. While the US Govt will continue to furnish econ assistance to Taiwan under existing legis[lation], the provision of any additional aid will depend upon the future performance of the Chi admin on Taiwan."

You shld convey foregoing forcefully and orally to Gimo stating that you are doing so under instrs from your Govt. Martin ²² shld accompany you prepared either to translate himself or to check accuracy of Chi translator but in preparing his informal translation he shld not use Chi members ConGen staff. You shld leave *aide-mémoire* in English quoting foregoing statement.

Dept also desires that subsequent to informing Gimo you apprise Chen Cheng and Sun Li-jen of action which you have taken and nature of views expressed, providing opportunity can be found to do this casually and informally.

For ur info Dept instructing Strong Chungking to inform Li Tsung-jen of foregoing US views and of fact that these views being conveyed to Gimo. This action in response to request from Li for info re

²² Edwin W. Martin, Consul at Taipei.

US policy Taiwan reported in Chungking Cantel 1221 Oct 23, which being rptd you separately.

You shld keep Moyer informed of action being taken pursuant this instr impressing upon him Top Secret nature of matter.

ACHESON

894A.20/10-3149: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, October 31, 1949—5 p. m.

[Received October 31—2:21 p. m.]

640. For Butterworth. ReDeptel 412. Although from our point of view Chen Cheng leaves much to be desired his presence creates fewer problems than the Generalissimo's. Suggest therefore that Department consider conveying any US Government views to Chen instead of Generalissimo unless request for Chen's removal is contemplated which is not recommended. Any apparent US support of Generalissimo might defer reported locally plotted action to remove him for China's good and might maintain belief only Generalissimo and Madam can get outside aid. Although Chen is not popular among Taiwanese, he is not subjected by Chinese here and elsewhere to same charges as Generalissimo. If we must deal with one as we apparently must, Chen appears preferable. Also Chen would be principal Formosan authority implementing any agreed program since Generalissimo has not interfered extensively in strictly local administration.

Gist of US views could subsequently be got informally to Generalissimo through Wang Shih-chieh or K. C. Wu.

Also trust Department will supply in addition to proposed statement some specific suggestions for political and economic improvement. These might include (1) greater use of Tarring, as economic adviser, (2) unification of military including supplies under Sun Li-jen, (3) granting of city and district local self government soonest, (4) elevation of selected Taiwanese to positions of importance near government, (5) granting sufficient freedom of press to permit Taiwanese to express selves in moderation, (6) elimination of Kmt carpet baggers from public trough.

Suggestions could be presented confidentially for consideration and subsequent discussion.

At this stage believe we should not overlook statement in Chen Cheng's letter to SCAP²³ carried by Sun Li-jen requesting SCAP

²³ Not printed.

advice and guidance. Also Chen's September statement indicating need and willingness for outside aid.

Have requested Strong to defer action.

MACDONALD

894A.00/10-3149

The Consul General at Taipei (Macdonald) to the Secretary of State

No. 83

TAIPEI, October 31, 1949.

[Received November 15.]

SIR: I have the honor to enclose the full text²⁴ of a broadcast made by Generalissimo Chiang Kai-shek on the eve of the Taiwan Liberation day October 25, 1949.

Insofar as can be determined this is the first appeal made by the Gimo to the Taiwanese since the recent establishment of his headquarters in Taiwan. The principal point of the speech, which is arrived at after an excess of references to his "Taiwanese brothers" and the mainland devotion to the welfare of the Taiwanese, appears to be a call for general mobilization and the adoption of total war methods. "I do hope", he said, "that our Taiwanese brothers will, in memory of the heroic deeds of Cheng Cheng-kung (Koxinga, the legendary hero of the Taiwanese) and following in the footsteps of their revolutionary martyrs who have sacrificed their lives to the cause during the last three hundred years, unite heart and soul and mobilise all their manpower and material reserves to defend their island and Pescadores and to support the war on the mainland."

There is still no indication that the Taiwanese have any intention of overexerting themselves or in pooling their resources in the defense of a Taiwan subjected to the unpopular government of a Kuomintang despite their inbred dislike for Communism.

Respectfully yours,

JOHN J. MACDONALD

894A.20/10-3149 : Telegram

The Secretary of State to the Consul General at Taipei (Macdonald)

WASHINGTON, November 1, 1949—7 p. m.

419. Ur 640 Oct 31. Dept appreciates your views. However, procedure outlined Deptel 412 is based upon NSC decision which in turn embodied views of Dept arrived at after careful consideration all factors. Dept believes Gimo is ultimate real authority on Formosa and

²⁴ Not printed.

that accordingly approach should be made to him. However, as provided in Deptel 412 it is expected that you will independently and informally convey these views to Chen Cheng and Sun Li-jen. For urinfo, Dept fears that if views reach Gimo through medium third party they may be distorted or watered down.

Dept had given careful consideration desirability of making specific suggestions of remedial measures which should be taken in Formosa but decided it preferable at present not assume responsibility of adviser to Chi administration without authority and fears that half-hearted compliance with suggestions would merely involve US more deeply without accomplishing objectives. On whole Dept believes that Chinese, if they can be convinced of need for remedial action, much better qualified decide upon specific steps and method implementation thereof than is US Govt.

However, Dept sees no objection to and some possible benefit your taking occasion your discussion with Chen Cheng to suggest in personal capacity and as ur personal views specific remedial measures as outlined para 3 reftel.

Re penultimate para urtel, for urinfo Dept believes present resources Formosa adequate enable substantial improvement situation and question increased aid less urgent than that effective use present resources. Dept believes increased aid this time rather than encouraging effective use present resources would tend to convince Chinese that efforts their own part not necessary. Dept desires you have in mind this basic thought which underlies present US attitude on Formosa and that you comment thereon whenever in ur view developments Formosa warrant.

Pls request Strong proceed accordance earlier instructions.

ACHESON

894A.01/11-349 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 3, 1949—2 p. m.
[Received November 3—4:56 a. m.]

652. Yesterday afternoon K. C. Wu called at his request to discuss progress being made by special committees of Taiwan branch Kmt Extraordinary Committee for defense of Formosa and liberalization of Provincial Government as reported mytel 568, October 10, repeated OffEmb Canton as 208. Civilian group, according to Wu, has run into difficulties with "old duffers of Whampoa clique"²⁵ but he hopes plan

²⁵ Chinese military academy at Canton where Generalissimo Chiang was director before entering politics.

will be ready by end this month although committee has set November 15 as deadline. Wu is discouraged by slow progress made and obstacles presented by Whampoa clique old duffers, but is optimistic re eventual outcome. However, he looks tired, harassed, shows strains of overwork and worry and lacked his usual enthusiasm.

Wu reaffirmed his determination to stress the importance on Generalissimo and Kmt Extraordinary Committee of necessity for having Formosans in Provincial Government as a means of gaining confidence of local population and enlisting their support in defense of island. He hopes to make use of Chiang Wei-chuan (mentioned on page 930 of White Paper²⁶) in some capacity for the purpose of rallying the Taiwanese in forming a civilian defense corps. Wu claims that Chiang Wei-chuan has the largest popular following of any Formosan leader and discounts importance of FLR and other independence groups.

Wu said he is endeavoring to promote General Sun Li-jen and influence the Generalissimo and General Chen Cheng to give Sun more support and, according him, both are agreeable but Sun is handicapped also by Whampoa clique old duffers who still exercise considerable power and influence in high quarters.

When plan now under consideration by Taiwan branch Kmt Extraordinary Committee is in rough draft form, Wu said, he will show it to me and Service Attachés for comments and suggestions.

Sent Department, Department pass Chungking.

MACDONALD

894A.20/11-349: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 3, 1949—5 p. m.

[Received November 3—7:12 a. m.]

654. Reference Deptels 412, October 29 [28] and 419, November 1. Accompanied by Martin, I conveyed US views re Formosa to Generalissimo this morning. He appeared very interested but an expression of displeasure was apparent when statement re previous misgovernment of Taiwan was translated.

After conveying Department's message to Generalissimo, his first question was to whom was this message addressed, to which I replied I was instructed by my Government to deliver it to him personally. Generalissimo appeared pleased that the message was for him.

He then asked me my own opinion at present re conditions in Taiwan. I pointed out that, while present economic condition of the island is not bad, there are many danger signs and that it could de-

²⁶ Department of State, *United States Relations With China* (1949).

teriorate rapidly which would be disastrous. I mentioned that large numbers of troops from mainland and refugees who had come here several months ago were cause for considerable alarm and if they had continued to enter in force the strain on the economy of island would have been more than it could have stood. I stressed that a steady and rapid rise in prices accompanied by food shortages plus other privations which civilian population would have to undergo would tend to make people lose all confidence in present government and that they would be more likely to turn to communism. I remarked that, while not a military man, it is my understanding from talking to military experts and our own Attachés, that present defenses of Formosa leave a great deal to be desired. I also told him that it has been brought to my attention that there is growing discontent with present government among the local population which probably could be alleviated if some qualified Formosans were taken into the provincial government. This at least would make them feel that they are part of the governmental organization and inspire them to assist in defense of the island.

This seemed to be about all the Generalissimo was interested in hearing and then remarked that he wanted to study the message I had conveyed to him from the State Department and that he would call me later and give me his ideas re conditions in Taiwan and what should be done. He made other vague remarks about seeing me again and discussing the general situation.

The Department's message was translated to Generalissimo by one of his own translators but, according to Martin who had a prepared translation with him, Generalissimo's translator did excellent job in translating message as I delivered it.

The Generalissimo was exceedingly cordial and friendly and at end of the meeting gave both Martin and me impression that he was highly pleased, perhaps not by the message we conveyed to him, but due to the fact that I was instructed to deliver it to him rather than to someone else.

He looked relaxed, rested and showed no signs of strain, worry or nervous tension.

Repeat Chungking if Department deems advisable.

MACDONALD

894A.00/11-449: Telegram

The Chargé in China (Strong) to the Secretary of State

CHUNGKING, November 4, 1949—2 p. m.

[Received November 4—12:53 p. m.]

Cantel 1258. Accompanied by Rinden, I orally informed President Li at 11 a. m., November 3, US views on Taiwan as given in telCan 739,

October 28. On morning same day we requested appointment for afternoon only to learn Li leaving for Kunming at 1 p. m. Li proved willing to see us at once. We spent 80 minutes with him until he left for airfield.

Replying that US views on political and economic situation Taiwan were correct, Li advocated as means raising people's living standards and allaying unrest separate civil and military administrations for island. This proposal, Li says, he will soon discuss with Generalissimo. He said that if Sun Li-jen were given chief military responsibility, Taiwan would be securely defended.

On grounds Taiwan strategic value to US he proposed US Navy use its harbors as was done at Tsingtao. He felt that presence US warships would deter Communist attack and again averred US could properly claim Taiwan by "right of conquest". Said would like to see joint Sino-American administration of Taiwan.

Pointing out Taiwan's strategic importance and great natural resources, notably iron ore, he suggested Sino-American commission control island and develop its agriculture and industry.

He remarked that his suggestions re Taiwan and Hainan approved by majority Legislative Yuan and National Assembly members, including those in Taiwan, and that Hainan officials endorsed his proposal for that island. On this question too he said he will confer with Generalissimo.

Li then went on to express thought that in China there was much division of authority. In US, he said, President automatically is head of his party but not so in China, where Generalissimo as party head not only considered himself in government but even above government. Li then declared Kmt was backbone of government.

At this point arrival of Pai Chung-hsi broke up conversation and Li left for airfield.

Throughout interview Li was very gracious; he gave no sign that US attitude toward Taiwan was less favorable than he expected.

Sent Department Cantel 1258; repeated Taipei 205. Department pass Taipei.

STRONG

894A.20/11-549: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 5, 1949—3 p. m.

[Received November 6—11:50 p. m.]

662. During call on Governor Chen with Martin yesterday, took opportunity to refer to my call on Generalissimo and conveyed to Gov-

ernor contents of message for Generalissimo in Deptel 412, October 28. Commissioner Finance C. K. Yen also present.

Governor's first statement after hearing gist of *aide-mémoire* was expression of regret and shame for past failures of government on Is[lan]d and thanks for continued US interest and aid.

Asked if we had time to discuss question at length and indicated anxiousness to express himself.

He said when he first assumed Governorship in January, [he] realized people and Government too far apart. His program has been to bring them together.

His first task was to increase food production and has met with some success. (We noted that despite large influx troops and refugees in spring, according our agricultural people, no shortage basic foodstuffs now exists or anticipated.)

Next problem one of stabilizing currency. This is a question of confidence in Government and stable economy. Took steps (under C. K. Yen's direction) to bring many industries operated by Central Government under control Provincial Government, in order integrate with Provincial economy. Currency not linked to US dollar but managed in relation US dollar (calculations made on basis dollar) so that pound devaluation has not had serious effect, though some trade necessary with sterling areas and pound devaluation caused some complications.

Another step, which he said made him unpopular, was to limit immigration from mainland in order prevent increase burden Taiwan economy.

On political side, he and committee have just drawn up set of guiding principles to be put into effect by all government organizations. (Copy to be made available to US.) In 1950, will begin to institute self-government and local elections will be held.

This summer over 2,000 persons were placed in lower and middle grades of Provincial Civil Service, of whom 95 percent were Taiwanese, mostly recent graduates local middle schools and colleges. (Comment: This important because on mainland, particularly Peiping, in Consul Martin's experience, thousands of university and upper middle schools graduates were unable to find any employment whatsoever commensurate with education, which was great source of discontent and anti-government feeling. A very substantial percentage of these unemployed graduates, particularly of the university, went over to the Communists who always made sure to give them a job.)

Chen apparently much impressed with the turnout on Liberation Day October 25 when over 100,000 participated in parades and exercises. No unfavorable demonstrations anywhere.

Militarily, Chen said that first must make sure of internal security, then take care of external defense. When he first came to Taiwan, he was quite concerned with possibility of internal sabotage, etc.; but in view recent public demonstrations he now feels people support him.

Another illustration was fact that when recently Communists succeeded in getting a number of secret agents into Taiwan, they were turned in to the local authorities by the local people. Comment: This is very significant if such actions by local people have been on substantial scale. In Central China General Pai Chung-hsi constantly complained of cooperation local people gave to Communists' agents in hiding, feeding and warning them. He admitted Nationalist troops could get no such cooperation. Chen said that he had virtually completed reorganization of armed forces here, placing Sun Li-jen at head of all ground forces on Taiwan, Chou Chih-jou head of air forces, General Ho, son of Sir Robert Ho Tung of Hong Kong, as head of Service of Supply, Dr. Lim at head of medical units and trying to get Yu Ta-wei to head political unit. Latter declined for health reasons.

Chen feels he has best men. Reference to Sun, the Governor said he not only very able but also very willing to assume responsibility and carry out plans which is even more rare these days. Sun is handicapped because of longer service and seniority of great many old-line generals. However, Chen says from now on officer's status will be determined solely by his success on battlefield. Policy already carried out after Kinmen²⁷ battle when number high ranking officers removed from their commands; for example, Tang En-po.²⁸

Chen made a plea for more technical assistance from the US to be supplied by experts in the field of economics, politics and military science. He praised the achievements of the industrial J. G. White and economic ECA and JCRR advisors at present on Isd. He indicated that many of the Isd's present problems could be solved by competent advice and he promised that he would not disappoint his advisors. (Comment: J. G. White and JCRR officials have both commented on good cooperation received from Governor and generally good cooperation all around on Isd.) Chen mentioned success of land rent reduction program as illustration concrete achievements brought about by cooperation.

On subject of foreign trade, which we had mentioned seemed to be suffering from red tape and confusion, Chen said he was drawing up a new regulation and instructed Mr. Yen to make further studies on how to improve situation.

In closing, Chen said he would like to feel free to consult me at any time and at any time I should feel free to call upon him. It would be

²⁷ Quemoy.

²⁸ Pacification Commissioner for Fukien.

hard to ask for a more cooperative attitude from a high official than that displayed by Chen throughout interview.

Interesting sidelight: In asking me for comment, Chen said that I could feel free to tell him things which I might not have felt free to mention to Generalissimo. Except for above statement, Chen at no time mentioned Generalissimo and gave not [no] indication whatsoever that he (Chen) was not in complete charge of affairs on Isd or of military matters under his southeast headquarters command. In discussing military, political, and economic plans, programs, personal appointments, etc., Chen always appeared to be taking for granted that these things he decided on his own authority. The question just how much authority the Generalissimo wields here is one which deserves a great deal of attention.

What are the Department's criterions by which to measure "improvement in the political and economic well-being of the people of Taiwan?" Certainly some steps have been taken in this direction. According to Chen, others of the type we approve of are about to be put into execution. He also indicates a great willingness to accept advice almost to the point of attempting to do anything we ask. How many steps will have to be taken to show that he acting in good faith? These are questions which will have to be answered sooner or later if Chen carries out his plans, and right now it seems rather a good gamble that he will.

I was impressed with the Governor's frankness and feel he was sincere. As a matter of fact he has been going up in my estimation steadily since my arrival here.

MACDONALD

894A.20/11-649 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 6, 1949—11 a. m.
[Received November 6—2:04 a. m.]

664. Saw K. C. Wu yesterday who is very interested in Department's message to Generalissimo (reference Deptel 412, October 28). According to Wu, after my visit to Generalissimo at 11 a. m. November 3, he immediately called special meeting all members his headquarters for 4 p. m. that day to study *aide-mémoire* I left him and meeting lasted late into night. In reply to my question regarding how Generalissimo received message, Wu said he was very pleased and stated to members his headquarters that US now willing to deal with him again and that he had not been completely deserted by his old friend and ally. At end of meeting, Wu claims he told Generalissimo

this was his last chance as far as the US is concerned and to agree to any terms that might be forthcoming. Generalissimo left November 4 for secluded mountain resort in Mt. Voleoi to ponder over message and will return tonight. Generalissimo hopes have reply ready November 7 or 8.

Message to Generalissimo has K. C. Wu in highly elated state and he feels opportunity now presented them which they must use to best advantage. Several questions were raised by him similar to those asked in the penultimate paragraph mytel 662.²⁹ Present administration would be willing do most anything we suggest at this time and Wu said Governor Chen offered to resign if such a desire on part of US was indicated in the *aide-mémoire* I gave Generalissimo. I assured Wu I saw no indication of such a wish in the message and emphasized that US merely indicated that the Chinese administration of the isd should initiate those measures necessary to provide the basis for effective administration and utilization of the resources of Taiwan, I told Wu that my own estimation of Governor Chen had gone up considerably and that I hoped he would carry out the plans as outlined to me by him during our conversation on November 4.

The Department's message to the Generalissimo has definitely given them the moral support for which they have been asking recently. In addition to giving them moral support, it has interpreted, as the Generalissimo mentioned to the members of his headquarters, that the US Government is willing to deal with him directly again.

MACDONALD

893.00/11-649

Memorandum of Conversation, by the Ambassador to China (Stuart)

[WASHINGTON,] November 6, 1949.

On the afternoon of November 6 General Cheng³⁰ called on me. He had arrived the day before in New York, directly from China, and stated that Chiang Kai-shek had sent him to me as still the Ambassador to China to convey the readiness of the Chinese authorities to accept any suggestion or advice that we might care to give in our common struggle against the spread of Communism. I pointed out that to do so would be to take a responsibility we were not in a position to assume and that before anything else could be seriously considered the Chinese leaders ought to be able to unite more effectively than had been the case for some time. Chiang Kai-shek and Li Tsung-jen had been

²⁹ *Supra.*

³⁰ General Cheng Chieh-min (Cheng Kai-ming), Chinese Vice Minister of National Defense.

openly at odds for almost a year and, as far as I could see, this was becoming even more irreconcilable. On the island of Formosa, Governor Chen and General Sun Li-jen were entirely uncooperative and although the latter had recently been given an imposing title, yet the indications seemed to be that the real authority continued with Governor Chen as the agent of Chiang Kai-shek.

He replied that General Sun with whom he had had a thorough discussion just before his departure felt convinced that if he could have the equipment to train 12, or better still 15, M-strength divisions (13,000 men each) he was confident that he could not only defend the island but could defeat the Communists. He said that the native islanders because of their Japanese training made better soldiers and could be willingly recruited. Between the ages of 21 to 30 years 320,000, or if extended to 36 years, 420,000 recruits could be enlisted on the island.

He said that the 4 men closest to Chiang Kai-shek now are: Wang Shih-chieh, K. C. Wu, T'ang Tsung,³¹ Huang Hsiao-ku³² and that he depended chiefly on their advice. The C-C clique³³ had lost influence and were now working chiefly with President Li.

I reminded him that we had given last year, U.S. 125 million dollars which did not seem able to enable them to defeat the Communists whose advance had become increasingly successful and looked as though it would soon cover the mainland of China. Could it be expected that any more assistance of this nature would be of any value at this late date, or that General Sun or anybody else would not have the personal difficulties to which I referred, in addition to complications with all other top level army officers? Americans might be of help in technical matters and material aid but if the Chinese could not settle these personal relations among themselves, any American attempt to do so would merely aggravate the problem. He admitted that they had made serious mistakes and tried to minimize the personal tensions but not very convincingly. He urged that they had determined to institute a number of far-reaching reforms but I remarked that the area in which these could be carried out was rapidly diminishing and that they had announced their intention of doing this more than once before. He said that the plan now was to hold bases on the islands of Formosa and Hainan, in Yunnan and Sikang. In view of Pai Ch'ung-hsi's defeats he would probably go to Hainan.

³¹ Director-General of Police in the Chinese Ministry of Interior.

³² Chief Secretary of Generalissimo Chiang's office of Leader of the Kuomintang.

³³ Faction of the Kuomintang led by the brothers Chen Li-fu and Chen Kuo-fu.

Hu Tsung-nan would withdraw when necessary to Sikang. This latter statement seemed to be a vital admission that Szechuan would soon be lost. He said that General Hu had 11 armies, 7 of which were relatively well-equipped. He understood that the Russians would press the CCP³⁴ to collectivize farms beginning next year and that this would doubtless lead to a great deal of rural discontent and resistance, with the possibility of effective guerrilla warfare. I inquired about the amount of military materiel still on the island of Formosa and he said that the strictly military part of it was practically exhausted, there still were medical and other supplies. As to gold reserves, he estimated that these had dwindled to about 80 million U.S. dollars.

I also referred to the crowded condition on the island, the dissatisfaction of the natives because of the arrogance of mainland visitors, the increased cost of living, etc. and the instability of the naval and air-trained personnel which made them easy victims of CCP infiltration.

He did not stop in New York to see T. V. Soong, H. H. Kung or Madame Chiang Kai-shek, but he came straight to Washington. He will not be in the country more than a month. He intends to keep very quiet and is using the name of Mr. Chen. General P'i³⁵ is acting as his interpreter here. He would like to talk with officers in the Department at their convenience.

After my conversation with him had continued some time, I invited Admiral Badger³⁶ to join us and because of another engagement left them talking together. The Admiral has more than once recommended two tankers of fuel oil and gasoline and some spare parts as the principal need of the Navy and said as much in this interview.

My impression is that Cheng has come on behalf of Chiang Kai-shek in a last desperate effort to get American military aid by playing up General Sun and that while he is personally honest and loyal, yet he has failings which might be summed up as being excessively Chinese and has not grasped the reality of the outlook from the American standpoint. A lengthy cable was sent the same evening to Chiang Kai-shek reporting the essence of this conversation and recommending that K. C. Wu be made the Governor of Formosa which might have been an easy inference from my repeated questionings about the present Governor and the esteem in which K. C. Wu is known to be held by Americans.

³⁴ Chinese Communist Party.

³⁵ Brig. Gen. Peter T. K. Pee, Chinese Military Attaché in the United States.

³⁶ Vice Adm. Oscar C. Badger, Adviser on Far Eastern Affairs, Navy Department, and former Commander, U.S. Naval Forces, Western Pacific.

894A.00B/11-749 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 7, 1949—3 p. m.
[Received November 8—4: 42 a. m.]

674. Chairman Taiwan Provincial Assembly, Huang Chao-chin, during conversations this morning revealed a complete defeatist attitude. He said Formosans have lost all confidence in their Government to defend them against Communists and as much as they oppose Red rule they realize their helpless situation and are resigned to inevitable Communist domination. I inquired if Government could take some action to change this attitude. He repeated that the people and the Government are so far apart that nothing Government could do would change the apathy of the Formosans. American aid, according to Huang, is the only means of restoring confidence of the Taiwanese in their future and alleviating defeatism.

MACDONALD

894A.20/11-949 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 9, 1949—9 a. m.
[Received November 9—3: 38 a. m.]

678. Generalissimo requested I see him at 5: 30 yesterday afternoon at which time he read me his reply to *aide-mémoire* left with him on November 3 (see mytel 654, November 3). K. C. Wu present and acted as interpreter after which I was given *aide-mémoire* of Generalissimo's reply.

Following is complete text of *aide-mémoire* handed me:

"After perusal of the *aide-mémoire* delivered to me on November 3, 1949, under instructions of Secretary of State Acheson, I have communicated its contents to the Chinese Government.

"The Chinese Government and myself both attach great importance to the concern which the US Government shows over the situation in Taiwan. I fully share the view that improvement of the political and economic well-being of the Taiwanese people will fundamentally strengthen the security of Taiwan. During recent months the administration of Taiwan has made some serious efforts in that direction and has attained, I believe, a certain degree of success. In the programme which the administration of Taiwan has adopted for the coming year, further concrete measures are provided for the implementation of that policy. I have the conviction that should such efforts be able to continue for another year or more, a new and progressive Taiwan will be built up to satisfy the desires of its people and their sympathetic friends. In the meantime, any concrete suggestion for further immedi-

ate political and economic improvement of the island from the United States Government will be received with the fullest appreciation and consideration by the administration of Taiwan.

"At the present moment, however, Taiwan is facing the most serious menace of a full-scale Communist invasion. Its fate will be decided in the next few months. This is a fact which I cannot refrain from telling frankly the United States Government whose concern over this island we appreciate. Besides facing economic difficulties, the administration of Taiwan is now profoundly anxious about the strength of its armed forces and must endeavour in every possible way to improve it.

"Governor Chen Cheng of Taiwan has been asked by me to make a general statement on the Taiwan situation, outlining the measures which his administration has already taken as well as those which it intends to take in the immediate future, and also stating the position of Taiwan in regard to American aid. A copy of the statement is hereby attached for the consideration of the US Government. It is hoped that the Governor's requests for American aid, including military assistance of a technical nature, will not be deemed to be outside the scope of the present policy of the US Government. And it is my firm belief that if the US Government decides to meet these requests, they can count on the fullest cooperation from the administration of Taiwan."

After translating Generalissimo's reply, K. C. Wu gave me Governor Chen Cheng's statement on the Taiwan situation, which is being transmitted in a following telegram.³⁷

Generalissimo was in excellent spirits. When Wu finished translating Generalissimo's reply and his *aide-mémoire* and Governor's statement given me, tea was served and we talked informally for fifteen minutes.

MACDONALD

894A.20/11-949 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 9, 1949—11 a. m.

[Received November 9—5 a. m.]

679. Reference mytel 678, November 9. Following is full text statement by Governor Chen Cheng on the Taiwan situation :

"With the development of adverse circumstances on the mainland, Taiwan has become more and more significant in its strategic and political importance. Strategically, it is more easily defensible than any other part of China and can serve as a base for fighting back and regaining the country. Politically, clinging to democratic ideals, it can be made to demonstrate to the freedom-loving people of China a vivid contrast to the totalitarian tyranny on the mainland, defeating the

³⁷ *Infra.*

defeatist view of the invincibility of communism and kindling in the hearts of the Chinese people a hope and confidence for eventual Nationalist recovery. Judging from the limited resources and manpower of this island as compared with the large Communist-dominated area, however, we know that our struggle will be a singularly difficult task and will have to demand long-sustained painstaking efforts.

[“]The Taiwan Provincial Government agrees heartily with the American view that military solidarity and popular support are of primary importance. On the military aspect, great confusion was seen as a result of the retreat to this island of number of troops from Nanking, Shanghai, Tsingtao, Foochow and elsewhere a few months ago. After repeated measure of reorganization, many military units, including army corps and armies, have been abolished, the existing troops are being further trained and substantiated and have been put under one unified command, extensive coastal fortification has been under construction, and general conditions are being gradually improved. The enhanced morale and fighting spirit of the troops have been manifested in the recent battles on Kingmen and Penghu³⁸ Islands.

“In the meantime, the Taiwan Provincial Government has fully realized that the gap existing between the people and the Government should be bridged over and the well-being of the people should be further promoted. To start with, efforts were made to increase production, especially of food, to which extensive irrigation projects and fertilizers, much of which came from ECA, have made conspicuous contributions. In order to bring the benefits derived from production to the masses of people, drastic measures have been introduced in rent reduction for the tenant farmers; such land reform, known as ‘375 rental’ (i.e., limiting rental not to exceed 37.5 percent of the main crop), has produced profound effects on rural economy. The influx of refugees, which caused much concern on this island earlier, has been checked and reduced to minimum by restrictive entry regulations. The menace of food shortage caused by the influx has been offset by increased production, and food prices have been among the most stable commodity prices. Then, a currency reform was introduced in June, whereby monetary deterioration was arrested and a comparatively stable currency was established. For the sake of coordination, all public productive enterprises were placed under unified control. As a result, general economic conditions have been largely stabilized during these few months, though still not without serious difficulties, mainly on account of disturbing influences from threatening Communistic invasion.

“Recently, an outline of a provincial administration program for the year 1950 was passed and adopted in a meeting of the Provincial Government. Politically, the program places the greatest emphasis on the gradual systematic establishment of local self-government on the basis of universal suffrage. Economically, it aims at further increase in production and at the promotion of the well-being of the people,

³⁸ Quemoy and Pescadores.

especially of the farmers and industrial workers. In education, though the present number of school children has already much exceeded that during the Japanese times, it is intended to extend further the opportunities of education to those of scanty financial means.

"As the establishment of self-government at different levels will take some time, it is planned that more of the local capable men will be installed in responsible positions and that more officers in government services in general will be recruited locally. It is believed that in this way the people by more participation will find more interest in the government, and that the betterment of the well-being of the people will be the most powerful safeguard against communism.

"As stated above, the difficulties lying ahead should not be underestimated. While the people and the Government of Taiwan should seek their own salvation in a united effort, we are nevertheless looking forward to assistance from our traditional friend, the United States of America. The economic aid through ECA and its Joint Commission on Rural Reconstruction, including the technical assistance of their experienced experts, has already proved of immense value to this island and made considerable accomplishments. An extended program which the United States Government can provide under the present legislation is requested, for it will not only help to augment the economic stability of this island but will also uplift considerably the morale of the people at the present critical moment.

"The most imminent menace in the next few months, however, will be of military nature. While the fighting forces of this island are determined to put up a stiff resistance against any invasion, we are still in urgent need of some military assistance, at least military assistance of a technical character. We earnestly suggest that an American military advisory group be immediately sent to Taiwan, with whom we can assure close cooperation and for whose advice full appreciation and weight will be given."

I consider this a factual, accurate and realistic statement. The Governor's request for aid is sound and much more reasonable than anticipated. It is my suggestion that we agree to this request in principle and start working out details for implementation immediately. This is no time for indecision or pursuing a procrastinating policy if we really intend to make a last effort to deny the Communists Taiwan, even if it is a gamble as far as the results of our efforts are concerned or the length of time Taiwan can be prevented from falling into hands of Communists. Time is now of utmost importance and as Generalissimo stated in his reply the fate of Taiwan will be decided in the next few months.

Suggestions and recommendations for a military advisory group will be telegraphed in a few days after discussing question with Attachés.

MACDONALD

894A.00/11-1049: Telegram

The Chargé in China (Strong) to the Secretary of State

CHUNGKING, November 10, 1949—11 a. m.

[Received 11:04 a. m.]

Cantel 1270. Conversation with Foreign Minister³⁹ November 7, reported Cantel 1268, November 9, 4 p. m.,⁴⁰ repeated Taipei 209, tends confirm our thought, incompletely expressed in final sentence Cantel 1258, November 4, that President Li and his group may well not be displeased at US position regarding Taiwan. Li unquestionably believes main effort must be on continent and that Chinese Government will have no meaning when leaves mainland.

Refusal of US Government to underwrite Taiwan for Gimo will doubtless be used as lever in attempt change Gimo concept of Taiwan as site of last stand. It may be speculated that Yeh as man acceptable to both groups and with wide experience in foreign affairs will fire the first of several heavy guns on behalf of "continental" group in a campaign to force Gimo agree make retention of southwest the major effort. Li also doubtless feels that if arms stockpile and treasury are moved to mainland he will have much greater influence in their utilization. Trained and equipped troops on Taiwan are badly needed as well this area. Seems highly doubtful Gimo will change his views.

Sent Department Cantel 1270, Department pass Taipei 211.

STRONG

894A.20/11-1049: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 10, 1949—11 a. m.

[Received 3:41 p. m.]

690. It is our opinion, as stated in ConGentel 679, Nov. 9, that if it is US intention to comply with Chinese request for military advisers, compliance in initial form should be prompt. However, first public move might best be arranged to come from Chinese, possibly in form of visit by Governor Chen to CinCFE for preliminary consultations, Chou Chih-jou⁴¹ to Stratemeyer,⁴² and Admiral Kwei⁴³ to Admiral Berkey.⁴⁴ These could then be followed up quickly by visits

³⁹ George K. C. Yeh.⁴⁰ Vol. VIII, "Political and military situation in China", chapter VIII.⁴¹ Commander in Chief of the Chinese Air Force.⁴² Lt. Gen. George E. Stratemeyer, Commanding General, Far East Air Forces (FEAF).⁴³ Kwei Yung-ching, Commander in Chief of the Chinese Navy.⁴⁴ Russell S. Berkey, Commander, U.S. Naval Forces in the Far East.

to Taiwan of somewhat lesser US officers for survey and recommendations.

Service Attachés here unanimously and strongly support our thought that nothing resembling JUSMAG is needed here nor should be considered. A few carefully selected advisers operating out of CinCFE and FEAF and supported by Taipei Attaché offices should be adequate for the immediate future. Greater morale benefit would accrue, we believe, from officers visiting from Japan, Hawaii and Philippines than from a large permanent establishment here. Return visits by Chinese to those areas would also serve good purpose.

Because of the attitude of both sides by the time of disestablishment of JUSMAG,⁴⁵ American officers identified therewith should not be reappointed in this new effort. This restriction should also apply to military "old China hands". Emphasis should rather be placed on logistics and operations experience and ability.

It is generally believed in all circles that because of rapidity of receipt of equipment purchased with \$125 million aid program, coupled with local confusion and lack of organization and preparation, no true picture exists locally as to what is available or how it can best be used. Without full survey of this, the inevitable later requests for further military equipment cannot be properly appraised.

If the American Government is seriously considering a broader pre-occupation with the affairs and well-being of Taiwan than is contemplated by Chen Cheng's request, much can in our opinion be accomplished from the above recommended small beginnings provided that no opportunity is permitted to recur to Chinese minds that the new advisers are retired officers. A principal adviser of outstanding merit attached to Chen Cheng might be able to obtain the gradual elimination of the currently top-heavy organization here wherein fully discredited "old friends" continue to make their influence felt to the detriment of the defense of the island. This malignant influence extends into local politics and economics as well as into the military picture and could also be corrected as part thereof.

It is our further belief that we should take every precaution to continue the policy at least read into the White Paper and avoid the development of any general thought that our renewed assistance in Taiwan is in support of an eventual triumphant return to the mainland of a rejected Kmt under its present leaders. US interest here is understood by us to be based solely on military strategy. To give the appearance of supporting an unrehabilitated Kmt could well jeopardize our long-term political objectives in China. In denying Taiwan to the Communists, care will be necessary to avoid identifying ourselves

⁴⁵ By March 1949; see bracketed note, *Foreign Relations*, 1948, vol. VIII, p. 269.

with the forces which the Chinese people rejected in favor of communism. Therefore a carefully developed campaign designed to make forceful use of every opportunity to encourage those individuals and groups who are currently working for the elimination of reactionaries and the placement of liberals might succeed in seeing the creation of a resurgent movement in Taiwan which would have that appeal among the people of the mainland necessary to any attempt to pierce the armor of communism and profit by such weaknesses as must inevitably appear there.

If, on the other hand, we thoughtlessly support or even appear to support without reservation the politically as well as militarily rejected Kmt leaders, we run the danger of playing into the hands of Communist propaganda and deserting the basic tenets on which our domestic and foreign policies are supposedly founded.

Although many will argue the point, it is possible that Chinese liberal elements can so regroup themselves about the Generalissimo that his name might regain some of the sweeping national support which he initially obtained and subsequently held until his popular program was taken from him and his high purposes by less honorable Chinese to screen their self-centered operations, thus bringing the reputation of the movement to its present low.

Sent Department 690. Department pass Chungking 218.

MACDONALD

894A.20/11-1049: Telegram

*The Acting Secretary of State to the Consul General at Taipei
(Macdonald)*

WASHINGTON, November 10, 1949—7 p. m.

452. During call at Dept Nov 9 Amb Koo described efforts being made by Chi admin Formosa and pointed to need US aid enable Chi admin build up Island and utilize Island and its resources for recapture mainland. Amb also referred to ur recent statement to Gimo.

Butterworth made fol reply to Koo: Dept had instructed ConGen Taipei make clear to Gimo US Govt had no intention using its armed forces defend Island. This was done in order prevent any misconceptions on part Chi admin re US Govt position. In past Chi Govt had made misapplication of concentration in its efforts obtain US aid and had failed concentrate on more essential and vital internal measures. Past was being brought up only because of its application to present situation Formosa. Island contained all elements in terms admin and technical civilian and milit personnel and resources to enable Chi admin to make Formosa going concern and external aid was of sec-

ondary importance and cld not be effective in absence essential internal measures. It seemed necessary now concentrate on building up Island as example to mainland Chi people of efficient non-Commie Chi admin which wld have beneficial effect in view inevitable comparisons with lot mainland Chi people. Alternative was to concentrate immed on utilizing Island resources recapture mainland at expense internal situation Formosa and dissipation Formosan assets and thus lose support populace and make inevitable repetition on Island of events on mainland. Another misconception held by high Chi quarters was inevitability World War III and desirability doing nothing but await that event which would solve all problems. Chi admin Formosa must rid itself these misapprehensions and concentrate efforts on creating efficient admin rallying popular support and only after such conditions firmly established shld or cld question recapturing mainland be seriously considered.

Koo expressed gen[eral] concurrence foregoing views and said Gen Marshall ⁴⁶ had frequently made same comment to him re Chi expectation World War III wld solve their problems. He further said he had always reported real facts of situation to his Govt but that reports from other quarters reaching Chi Govt may not have portrayed true situation.

In any conversations with ranking Chi officials you shld emphasize foregoing themes.

Full text memo conversation ⁴⁷ being forwarded pouch.

WEBB

894A.20/11-1149: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 11, 1949—2 p. m.
[Received November 11—6:43 a. m.]

692. Yesterday General Sun Li-jen told Assistant Military Attaché Captain Manning and me that he is not yet receiving sufficient cooperation and authority from Governor Chen and his southeast military and political headquarters to execute properly his responsibilities as defense commander of Taiwan. For example, he does not have authority to remove inefficient officers without permission from southeast military headquarters. Some of the officers he is forced to keep are insubordinate and worthless which weakens his entire organization. With regard to supplies, he stated that in most cases he gets seconds while first-class material is given to other commanders. He is con-

⁴⁶ Gen. George C. Marshall, Secretary of State, January 1947–January 1949.

⁴⁷ Not printed.

cerned over his soldiers' pay and emphasized urgent necessity for obtaining funds from some source in order pay soldiers their salaries when due them. He also referred to lack of sufficient equipment and blankets for his troops but it is our belief that plenty of such equipment is on the island for his men. Victories on Kinmen and Tinghai, according to Sun, have given some of the top ranking generals and officials here swelled heads, which he views as dangerous from standpoint of minimizing danger facing this island and its present unpreparedness to withstand full-scale attack.

On favorable side, however, General Sun reported that coastal defenses are now under construction and a series of pill boxes should be completed by end December at latest and possibly by middle December. He has cement and other material necessary for their construction in his possession. About 2 months ago he complained to me bitterly that he had asked for this equipment but had been turned down by General Chen.

Sun also reported progress he had made with Commissioner of Finance, C. K. Yen, in having funds released for repairing highways for military defense.

Although General Sun is still faced with many difficulties and encounters serious obstacles in his defense program from old-line generals with considerable influence, he has and is making progress and the entire situation as far as defense of the island is concerned may be said to be more encouraging now than 2 months ago.

MACDONALD

894A.00/11-1449 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 14, 1949—noon.

[Received November 14—9:13 a. m.]

695. During conversation with Military and Air Attachés and me on November 12, K. C. Wu made statement that efforts of Sun Li-jen were being hampered by interference of old generals. In reply to inquiry as to which were worst and who should go, Wu said Governor Chen Cheng. At close of conversation, he answered another direct inquiry with the statement that he would assume governorship if required.

These statements indicate two new points of view by Wu. First, he was originally a staunch supporter of Chen claiming that only a military man of his background could control numerous old generals on island. Second, he consistently stated after arrival in Taiwan that he would assume no new official position in an unregenerated regime.

It can therefore be deduced, perhaps incorrectly, that Wu believes (1) that military problem no longer exists or (2) that Chen has proven himself incapable this respect; and that regeneration has been accomplished.

During earlier conversation Wu reported Generalissimo's inquiry of Wu and Wang Shih-chieh whether our *aide-mémoire* included desire remove Chen Cheng and if so tell Chen Cheng. When told possibility, Chen reportedly offered resignation.

Basis above and reported general willingness Generalissimo meet all US desires, stage appears set for selection new governor if suggested.

However, in our opinion, any such change would fail to accomplish its intended purpose unless Wu as civil governor and Sun Li-jen as supreme military commander Taiwan were assured by Generalissimo of elimination of present cumbersome organization here, and complete removal of interfering old generals and politicians. Although such a development would have been out of the question a few months ago, it is possible now but will not be accomplished we believe unless US makes some fairly direct approach, possibly through Chinese Embassy, Washington.

Opinions re the governor differ considerably. Department and ECA officers I believe have for some time had the feeling that best results from American aid are impossible under Chen Cheng. Many local Chinese officials in administrative positions regularly complain of Chen's obstruction of their efforts because of his economic ignorance and old style administrative systems. He has surrounded himself with old friends whose reactionary opinions influence him in many ways.

At the same time Moyer of JCRR and technical advisers in J. G. White regard him highly and claim splendid cooperation. Many of his moves reflect a sincere interest in the welfare of the Taiwanese and there is every indication that Chen has, within the limitations of his restricted education and experience and the national military demands on Taiwan, tried to do a good job here.

With few exceptions, however, American officials have found him unsympathetic and possibly because of his lack of English stiff and hard to deal with.

Because of the identification of K. C. Wu and Sun Li-jen with American interests, it is probable that the replacement of Chen by Wu and the elimination of Peng Meng-chi in favor of Sun combined with the appearance on the island of visiting American officer advisers would instill new life and hope among the Taiwanese and Chinese here and go far to remove the growing defeatism among both civilians and the military without the immediate addition of other

American aid. Such a set-up would also permit a greater separation of island and mainland responsibilities.

MACDONALD

894A.24/11-1449

Memorandum of Conversation, by Mr. William McAfee of the Office of Chinese Affairs

[WASHINGTON,] November 14, 1949.

Participants: Mr. Hubert Graves, Counselor, British Embassy
Mr. Sprouse, CA
Mr. McAfee, CA

Mr. Graves called this afternoon and, referring to recent press reports of the continued shipment of U.S. tanks and other military materiel to Taiwan, said that his Government was interested in such shipments because of the possibility of Chinese Communist capture of Taiwan and Nationalist military materiel there. He explained that he was not making this inquiry on instructions from the Foreign Office but that the Foreign Office had expressed its concern in this regard in view of the inevitable strengthening of the Chinese Communist forces which would result from such capture and its relation to Hong Kong. He further stated that, while the British Chiefs of Staff had indicated that the British armed services could withstand an attack upon Hong Kong, this was a matter which was under weekly review by a committee set up by the British Government for this purpose. Mr. Graves expressed particular interest in the matter of tanks and B-25 bombers.

Mr. Sprouse said that we had noted newspaper reports of these recent shipments and that we were endeavoring to ascertain whether this materiel had been purchased under the \$125 million grants or from the Chinese Government's own funds.

Mr. McAfee explained that these shipments consisted of items purchased by the Chinese Government under contracts concluded between 1947 and the early spring of 1949 and that in each case the Department had issued an export license covering such materiel, customarily at the time of the conclusion of the contract. He pointed out that the newspaper reports of the B-25 shipments had apparently been vastly exaggerated and that the number of B-25's was 11 rather than the 100 reported by the press. He explained that the contract for these B-25's had been concluded here in late 1947 or early in 1948. Mr. McAfee also stated that the tanks in question were, so far as he knew, light tanks and did not include Shermans. He pointed out that the Chinese had requested import licenses on tanks which they proposed to purchase as

military surplus from the British Government, some of which were Shermans. The necessary import licenses, he stated, had been granted some time during the summer of 1949 and the tanks may have subsequently been shipped to this country for reconditioning. Mr. McAfee called to Mr. Graves' attention additional Chinese Government purchases of military materiel from other foreign governments, such as Canada, Belgium and possibly Spain.

Mr. Sprouse suggested to Mr. Graves that the British military liaison officers in Washington should be able to obtain from the National Military Establishment some indication of the types and quantities of military materiel now in Taiwan, as well as similar information regarding U.S. equipment captured from the National Government by the Chinese Communists.

Mr. Graves said that the Foreign Office would appreciate being kept informed, if possible, of further shipments of U.S. military materiel to Taiwan in view of the relation of such shipments to the problem of Hong Kong. Mr. Sprouse replied that we would be pleased to give him appropriate information in this regard.

102.21/11-1349 : Telegram

The Acting Secretary of State to the Consul General at Taipei (Macdonald)

WASHINGTON, November 14, 1949—8 p. m.

457. Re Army tel cite C 53512, Nov 13,⁴⁸ passed to Taipei by Dept. Understand Dept Army sending interim message to SCAP advising that trip be postponed pending further consideration Washington. Will keep you advised.

WEBB

102.21/11-1549 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 15, 1949—noon.

[Received November 14—11:45 p. m.]

703. Reference Deptel 457 November 14, re army telegram cite C 53512. Would appreciate more details purpose this visit and why suddenly postponed. Clearance already obtained and cancellation of trip without providing good reason to local officials might be serious blow their morale.

MACDONALD

⁴⁸ Not printed; it requested diplomatic clearance for a staff team from Far East Air Force to visit Taipei (811.2394A/11-1349).

811.2394A/11-1549: Telegram

*The Acting Secretary of State to the Consul General at Taipei
(Macdonald)*

WASHINGTON, November 15, 1949—5 p. m.

460. Reurtel 703, Nov 15. Dept was of opinion visit of staff team to Taipei proposed by CinCFE wld be inadvisable at this time and wld lead to unwarranted speculation re reasons for visit and possible implications of US mil action in Taiwan. Consequently after preliminary discussion with Dept Army Dept sent Deptel 457 to Taipei and Army sent similar tel to Tokyo. In light however ur unnumbered tel Nov 14⁴⁹ to CinCFE stating clearance obtained which crossed Deptel 457, Dept informed Army objection withdrawn since cancellation after clearance obtained might multiply speculation. Army now sending follow-up tel to Tokyo informing CinCFE no objection staff team proceeding as originally planned.

Dept desires you pass off visit as routine affair in order avoid far as possible publicity and undue speculation re purpose visit.

WEBB

811.2394A/11-1549: Telegram

The Secretary of State to the Consul General at Taipei (Macdonald)

WASHINGTON, November 15, 1949—7 p. m.

464. ReDeptel 460 Nov 15. Reasons for Dept's concern over proposed visit Taiwan CinCFE staff team similar to those expressed urdes 68, Oct 4,⁴⁹ which pointed out unfortunate publicity re similar previous visit and accentuated speculation re US plans in Taiwan and rumors occupation by SCAP. Dept of opinion you shld render all possible assistance to CinCFE staff team while in Taiwan, while at same time keeping yourself informed of their activities, and that you shld act as channel to any Chi auth[oritie]s they may desire visit.

In event you receive similar requests for clearance in future and shld you have any doubts re appropriateness proposed visits, you shld refer requests to Dept for advisory opinion prior to approaching Chi auths. Urinfo, CinCFE's tel was passed automatically to Taipei by code room without opportunity for Dept to append comments.

ACHESON

⁴⁹ Not printed.

894A.01A/11-1649 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 16, 1949—4 p. m.
 [Received November 16—8:05 a. m.]

711. ReDeptel 464. Consulate General was under impression Department had been fully advised regarding nature of proposed visit CinCFE staff team to Taipei, otherwise Chinese authorities would not have been requested grant clearance.

If we are considering starting Taiwan assistance, I strongly feel visits of well-selected military teams from Japan or other areas highly advisable immediately. However, such visits should have Department's prior approval and this office should be informed of nature of visit and type of information sought. Any activities engaged in here by SCAP personnel should be coordinated closely with State and Consulate General in order prevent confusion, misunderstanding and unneeded speculation.

MACDONALD

894A.20/11-1849 : Telegram

The Secretary of State to the Consul General at Taipei (Macdonald)

WASHINGTON, November 18, 1949—7 p. m.

470. Fol are Dept's views re inquiries, comments, and suggestions contained ur recent tels cited below.

In ur 662 Nov 11 [5] you inquire what Dept's criteria are by which to measure "improvement in polit and econ well-being people Taiwan" and "how many steps will have to be taken [by Chen] to show that he acting in good faith". As you aware US policy is endeavor deny Formosa [to] Commies by using polit and econ means. Resources on Island now available Chi appear adequate at this time if resolute steps taken utilize these resources effectively; until these steps taken, any commitment of increased US support wld not contribute to achieving our objective since it wld probably lead to Chi conviction US assuming active role and responsibility and that Chi self-help measures not essential and wld thus in end be costly to US in terms of its prestige as well as resources and very possibly achievement polit objectives on mainland. While these costs are not decisive and might be incurred if sound prospect success were offered thereby, it wld, of course, be foolhardy incur them without such prospect success. As was pointed out in 452 Nov 10, Dept believes Formosa contains all elements in terms admin and technical, civ and mil personnel and resources to enable Chi admin make it going concern and external aid of secondary

importance and could not be effective in absence essential internal measures. Consequently, Dept's principal criterion by which to measure improvement polit and econ well-being Formosa is that such substantial advances in this and other fields relating Formosan security shall be made as to offer sound prospect that with continuation or expansion of ltd aid which US is currently supplying Island can be successfully denied to Commies. Dept has noted unencouraging appraisal of situation contained ur 446 Sept 6 and 453 Sept 7 and fact that ur present appraisal apparently more optimistic. Since criterion depends upon over-all appraisal situation Formosa, it obviously impossible state in advance how many or what specific steps or measures wld have to be taken to meet it.

This wld depend upon manner in which measures carried out and effectiveness measures themselves in improving situation—factors which cannot be measured in advance. Furthermore, perhaps even more important than any specific measures is need for some kind spiritual regeneration Chinese leaders themselves which wld lead them lay aside self-aggrandizement and internal bickering and devote themselves with determination and patriotism to their cause and which wld revitalize their followers. External aid cannot supply such leadership. In connection this general question Nason⁵¹ ECA now in Formosa making survey situation with view submission recommendations re ECA economic aid program for consideration upon his return Washington.

Dept has noted with concern statement K. C. Wu reported ur 664 Nov 6 that he had told Gimo that this his last chance as far as US concerned and "to agree to any terms that might be forthcoming". Msg to Gimo was not opening gambit to be followed by specific demands or "terms" but was designed to place Gimo clearly on notice that US had no intention of using its armed forces to defend Island and that responsibility for undertaking effective measures with respect internal and external security Formosa rested squarely upon him and Chi auths who were appraised of this notification. Through K. C. Wu, C. K. Yen, and Sun Li-jen you shld do what you can to clear up any possible misunderstanding this point (See Deptel 452 Nov 10).

With reference to ur 678 Nov 9 and 695 Nov 14 re possible change of governorship upon US initiative, US Govt can not place itself in position of advising Chi Govt re polit appointments. To offer such advice is to accept responsibility for developments arising from the acceptance thereof and inferentially to commit US Govt to support of succeeding admin regardless of US interests. You will appreciate that advice such as that now being provided by ECA, JCR and J. W. [G.] White

⁵¹ John Nason, Director of ECA China Program.

Engineering Co. is entirely different in import and connotation from advice of essentially polit character such as appointment or discharge of officials.

Similar considerations apply to suggestion contained in ur 679 Nov 9 and 690 Nov 10 respecting providing of US mil personnel to act as advisors to Chi Govt. It is evident that presence of such advisors wld soon become well publicized and widely interpreted as evidence Amer intention to underwrite mil defense of Island. Damage to US prestige wld be very great if notwithstanding presence such advisors, Island's defenses collapsed for same reasons responsible for collapse on mainland, i.e. failure Govt take steps necessary secure popular support and raise troops morale. Furthermore, Chi wld undoubtedly look upon presence of Amer advisors as channel to exploit for extraction Amer aid rather than addressing their full efforts to the pressing problems which only they can solve. In any case, it wld be unwise to permit attachés on Formosa to become involved in advisory functions which is contrary to our world-wide practice respecting service attachés and wld in this instance place service attachés in Commie areas in jeopardy. Ltd n[umbe]r of private Amer cit[izen]s whose services were contracted directly by Chi Govt without responsibility on part of this Govt wld be as effective as official advisors if Chi sincerely desire advice and this might be accomplished with substantial reduction of risks to this Govt set forth above.

As long ago as last June Admiral Badger transmitted to Navy Admiral Kwei request for ltd nr naval advisors. In reply CNO⁶² stated "In view of the complete withdrawal of JUSMAG from China, the well-established US policy not to participate in the Chinese fratricidal war, the existing governmental decision that in the initial stages care shld be exercised to minimize the appearance of US officials on Formosa and the belief that this request if granted wld only encourage Kwei to make greater demands for aid, the Chief of Naval Operations does not approve active or retired US Naval officers in an official capacity assisting the Chinese Natlist Navy, but perceives no objection to the Chinese Govt making individual arrangements to employ former Naval officers as advisors in a private and civilian capacity". Chi Navy has not, insofar as is known, made any effort to obtain advisors on basis outlined this msg.

In reply Chen Cheng's suggestion (urtels 679 Nov 9 and 662 Nov 5) that "Amer mil advisory group" be sent to Taiwan, you shld refer to Admiral Kwei's request and Navy reply thereto and add that Dept wld not oppose employment on Chi initiative and responsibility of

⁶² Chief of Naval Operations.

former officers of other services or other private Amers in private and civilian capacity if this deemed desirable.

Contents this msg intended to assist you in removing any misconceptions re our attitude which may exist on part Chi auths.

ACHESON

894A.00/11-1949: Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, November 19, 1949—noon.

[Received November 19—1:26 a. m.]

721. C. C. Huang of PPC⁵³ tells us Governor Chen's opinion that people are solidly behind Government is not correct and that dissatisfaction is general. Greatest fear is that Kmt Govt would come Taiwan from Chungking, placing further heavy burden on Taiwan. Feeling is local Kmt Government bound to collapse sooner or later due lack of funds and people will not back lost cause to detriment future treatment by Communists. Good men will not run in forthcoming elections. However, if American interest were known and support available, people would renew activity with hope of salvation.

Huang claims he has been urging Governor Chen Cheng group to issue proposed series new defense regulations which would only perturb people and to place emphasis on improving present setup rather than follow usual Chinese tendency to reorganize. Cite Chen proposal to divide island into innumerable small districts under new local self-rule plan in order accommodate maximum number officials rather than continue highly efficient Japanese system of five principal hsien. Huang expressed particular displeasure with Peace Preservation Corps of General Peng for such things as suppressing signs in English and requiring shops mark prices. Latter resulted in immediate 30 per cent price increase in fear of imminent price freeze.

MACDONALD

894A.20/12-149

Memorandum by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant) to the Assistant Secretary of State for Far Eastern Affairs (Butterworth)

[WASHINGTON,] December 1, 1949.

Subject: If Formosa Falls.

For the purposes of this memorandum it is assumed that at some uncertain date in the future Formosa will either be successfully invaded

⁵³ People's Political Council.

by Communists from the Mainland or that the Island by a deal or otherwise turns over to the Communists.

It is assumed that prior to such event the Congress and the American people will have been prepared for this unhappy event by process of increasingly frank discussion of our policy with respect to Formosa.

Other steps involving strategic and political preparation must also be taken in advance in order to release on D-Day a carefully prepared series of decisions and announcements designed: *a*) to reassure the American people as to the preparedness and competence of this Government; *b*) to minimize the psychological repercussions elsewhere in the general area; and *c*) to repair or neutralize the resultant shift in the strategic balance of our defenses.

Under *a*) above we should have prepared and cleared in advance statements for the Secretary which could be released on D-Day covering the following subjects:

- 1) A calm and reasoned statement of why preventive military action by the U.S. was impossible and stressing our non-predatory tradition;
- 2) An announcement that ECA aid had been suspended, and;
- 3) A submission to the Security Council of the United Nations of the facts of the case with the statement that we regarded it as a threat to world peace, this latter step being designed not to provoke a military adventure under UN auspices but for the purpose of fully ventilating the facts and placing the Communists in an unfavorable world light.

b. We should also have prepared for despatch telegrams explaining our position to Korea, the Philippines, Siam, USI,⁵⁴ India, Pakistan, Australia, New Zealand and the British, French and Dutch.

We should arrange for the prompt release of a statement breathing calm and confidence by General MacArthur in Tokyo.

c. We should also have available for prompt release some significant decision or action in the field of national defense. I have in mind some such step as the announcement of the formation of a Joint U.S.-Philippine Defense Board or, for example, a unilateral assumption of responsibility for the defense of Japan.

Assuming that in the interim some association of Pacific or Asiatic states is maturing, we should shortly after D-Day take some constructive forward step to indicate our interest in or willingness to participate directly in such an association. In this connection, we should bear in mind that the loss of Formosa, meaning the liquidation of the Nationalist Government, would automatically remove the most dangerous and unattractive feature of the original Quirino proposal.⁵⁵

⁵⁴ United States of Indonesia.

⁵⁵ For President Quirino's meeting with Generalissimo Chiang Kai-shek in July, see volume VII.

Finally, I am inclined to think that we should attempt to arrange for a moderate and well-publicized increase in our Far Eastern fleet and soon thereafter arrange for a series of visits of that fleet to Manila, Singapore, Surabaya, Bangkok (if the harbor is open) and possibly Korea.

The important thing, it seems to me, is that we should meet this expected unhappy event with calm, followed by a series of calculated and prepared positive reactions.

If you agree with the foregoing in general outline, I suggest that we discuss it first with Mr. Sprouse⁵⁶ and Mr. Connors⁵⁷ and then with Mr. Davies⁵⁸ with a view to assigning an individual or a group to be responsible for all of the varied and complicated staff work. We should, I believe, start on such a program without loss of time.

693.002/12-349 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, December 3, 1949—9 a. m.

[Received December 3—2:26 a. m.]

766. Point brought out by L. K. Little of China Customs with ECA Nason believed worthy of relay is: Announced US policy is to resist communism at Chinese borders; regardless of opinion elsewhere Far Eastern peoples consider Taiwan outside China; therefore, if US allows Communist take over Taiwan doubt will develop in Japanese and Southeast Asian minds as to sincerity US pronouncement and advisability their own resistance. In addition many in same areas consider US has special responsibility for Taiwan through its military liberation of island, Yalta and Cairo Declarations,⁵⁹ and dominant position rest Japanese Empire. Concluding, Little said, of course, nothing constructive possible while Generalissimo still around.

This office unable comment on Japanese or Southeast Asian thinking but above does reflect general Taiwanese opinion.

Little believes sufficient qualified Chinese here willing and able to insure good administration if given opportunity. Criticized Governor Chen Cheng for unthought-out decisions and insistence on personally

⁵⁶ Philip D. Sprouse, Director of the Office of Chinese Affairs.

⁵⁷ W. Bradley Connors, Officer in Charge of Public Affairs, Bureau of Far Eastern Affairs.

⁵⁸ John Paton Davies, Jr., member of the Policy Planning Staff.

⁵⁹ For Cairo Declaration of December 1, 1943, see *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 448. No declaration regarding Taiwan was issued at the Yalta Conference, February 4-11, 1945. For correspondence on the Conference, see *ibid.*, The Conferences at Malta and Yalta, 1945.

determining most minor procedures without consultation with administering officials.

Sent Department 766; repeated Manila. Department please pass Tokyo, Saigon, Bangkok, Rangoon.

MACDONALD

894A.20/12-549 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, December 5, 1949—5 p. m.
[Received December 5—4:10 p. m.]

775. Suggestion contained in penultimate paragraph of Deptel 470, November 18, not yet conveyed Governor Chen Cheng because it is deemed advisable wait for decision on Nason's recommendations for continued economic aid (see mytel 774, December 5⁶⁰).

When ECA program for future economic assistance Taiwan is determined, it is suggested this Consulate General then be instructed reply to Governor Chen's request for economic aid and military advisors (mytels 662, November 5 and 679, November 9). Inasmuch as Department's message to Generalissimo and Chen Cheng was delivered in form of *aide-mémoire* and their request for assistance was in same form, I suggest Department's reply be handled same manner. When ECA program determined, Department can telegraph Consulate General wording to be used in *aide-mémoire* for Governor Chen in reply to his request for economic assistance and military advisors.

MACDONALD

894A.00/12-649 : Telegram

The Ambassador in the Philippines (Cowen) to the Secretary of State

MANILA, December 6, 1949—3 p. m.
[Received December 6—4:46 a. m.]

2755. We have read with interest statement L. K. Little (Embtel 2729, December 2,⁶¹ Taipei's December 3), regarding probable reactions SEA⁶² should US permit Communists take over Taiwan. Under Secretary Neri in conversation with officer Embassy December 3, alluded published suggestions US might take control that island, voiced question as to existence Chinese right thereto and said that, speaking merely for himself, he thought Filipinos would feel much more secure were Taiwan to be occupied by US rather than by Chinese Communists.

⁶⁰ Not printed.

⁶¹ *Ante*, p. 211.

⁶² Southeast Asia.

We suspect Neri's line thought provoked by discussion previous day during third meeting *ad hoc* committee consider Philippines policy with respect recognition Chinese Communist regime. . . . Source quotes his information as saying question was raised why US unwilling defend Taiwan and that Colonel Garbriel and Lt. Colonel Salientes explained it in terms US disappointment Chiang's failure effectively use aid previously given his Government. Foreign Office members committee stated then to have required meeting members on US attitude regarding defense of Philippines.

Informant states they replied US greatly interested therein but specific military measures taken by US with respect Philippines would depend upon overall strategic consideration.

COWEN

894A.24/12-649

Memorandum of Conversation, by the Director of the Office of Chinese Affairs (Sprouse)

[WASHINGTON,] December 6, 1949.

Participants: H. A. Graves, Counselor, British Embassy
Livingston T. Merchant, FE
Philip D. Sprouse, CA

Mr. Graves called this afternoon at his request and after handing Mr. Merchant the attached memorandum regarding Formosa, dated December 6, 1949,⁶³ explained that the Foreign Office had instructed the Ambassador⁶⁴ to take up with the Secretary of State certain questions relating to Formosa. He said that since the Ambassador was out of town temporarily and would not return for a day or two he was bringing this matter to the Department's attention. Mr. Graves requested that the Secretary be informed of the British action in this matter inasmuch as the British Ambassador hoped to call on the Secretary within the next few days.

Mr. Graves briefly reviewed the concern previously expressed by the British Government, both in Washington and in London, regarding provision of military supplies to the National Government and the danger that these supplies would eventually fall into Chinese Communist hands. He pointed out that the British were particularly concerned with the shipment of tanks and planes for Formosa and expressed apprehension lest the Chinese Communists might eventually be in a position to use such equipment against Hong Kong and/or

⁶³ *Infra.*

⁶⁴ Sir Oliver Franks.

French Indochina. Mr. Graves recalled that Mr. Bevin and Mr. Schuman ⁶⁵ had expressed their concern along these lines to the Secretary at Paris in November but that he did not know what reply the Secretary had made. He said that the British Government was interested in knowing whether the U.S. Government was disposed to halt the shipment of military materiel to Formosa at this time and what the views of the U.S. were regarding Formosa, what information regarding U.S. policy toward Formosa could be told to the British Government and what the U.S. Government expected to do about Formosa.

Mr. Merchant briefly reviewed current U.S. policy toward Formosa. He said, emphasizing he was speaking in the strictest confidence, that the highest U.S. military authorities after studying the strategic importance of Formosa had reached the conclusion that U.S. armed forces should not be employed for the defense of the island. Mr. Merchant continued that about a month ago we had authorized the U.S. Consul General at Taipei to approach the Generalissimo and make clear to him that the U.S. Government had no intention of using its armed forces for the defense of the island. This step had been taken in an effort to impress upon the Generalissimo and his associates the need for energetic efforts on their own part if they were to be successful in denying the island to the Chinese Communists. Mr. Merchant pointed out it was the U.S. Government's belief that sufficient military, economic and financial resources were available on the island to the Chinese Government to enable it to make a successful defense of Formosa and that the prime requisite was the will to stand off the Communists. In answer to Mr. Graves' query whether the U.S. Government's attitude regarding Formosa now differed from that expressed to Mr. Denning in September, when the latter was in Washington, Mr. Merchant replied that under existing circumstances it seemed likely the Chinese Communists would eventually be able to take over the island but that there was a hope that the Nationalists might so exert themselves as to prevent such an eventuality. Mr. Sprouse explained that it was the U.S. Government's view that the only guarantee of the denial of the island to the Chinese Communists lay in U.S. military occupation of Formosa. He asked whether the British Government had any suggestions as to how this might be accomplished and what its views were with regard to Formosa. Mr. Graves replied the British Government's views had just been stated and that the British Government believed, as did the U.S. Government, that all the essential ingredients for successful defense of

⁶⁵ Robert Schuman, French Minister for Foreign Affairs.

the island were available to the Chinese Government. He added it was the British view, however, that the Communists would probably gain possession of the island within the next few months.

With respect to the furnishing of military materiel to the Chinese Government on Formosa, Mr. Merchant explained that the materiel now going forward to Formosa consisted of shipments under the \$125 Million Grants as well as supplies purchased by the Chinese with their own funds. He further stated that this was a relatively small amount, particularly with respect to planes, compared to the materiel already on the island. When Mr. Graves expressed the opinion that it seemed paradoxical to continue shipments of military materiel when it was believed that the Chinese Communists would eventually capture the island, Mr. Merchant pointed out that the U.S. Government desired to take all feasible and practicable steps to assist the Chinese Government in preventing Communist occupation of the island and that by so doing it was, on the one hand, possible that the island might be successfully defended and, on the other hand, such action was at least buying time. Mr. Merchant concluded he did not believe that the U.S. Government would be disposed to take steps to halt the shipment of military materiel now going to Formosa for the Chinese Government.

894A.24/12-649

The British Embassy to the Department of State

777/26/49

MEMORANDUM

FORMOSA

According to information received by His Majesty's Government substantial quantities of American military equipment are now reaching Formosa. A hundred tanks and eight B.25 bombers were recently unloaded, and it is reported that further large consignments of tanks as well as up to one hundred additional B.25 bombers are expected. Aviation spirit is included amongst other essential military supplies reported to have recently arrived in Formosa from American sources. As far as is known, many of these items seem to have been purchased by the Chinese Nationalist authorities from American surplus stores through private contracts with individual American firms, the necessary export authority having been given by the State Department.

2. During Mr. Bevin's visit to Washington in September last his advisers gained the impression, from talks with officials of the State

Department, that the United States Government had concluded that no practical steps could be taken to prevent Formosa falling into Communist hands, and that such a development was in fact inevitable. For this reason the continuing supply of military equipment does raise in the mind of His Majesty's Government a doubt as to whether this course will not eventually bring about a dangerous state of affairs.

Unfortunately it is to be feared that limited support to the Chinese Nationalists in the Island will be inadequate to stop the Chinese communists from securing control, sooner or later, with the serious consequence that the supplies of American arms would fall into their hands. It would seem that the loss of the Island could only be prevented if the United States Government were prepared to assume large scale and long term responsibilities for its protection, but there has been no indication that this may be expected.

3. His Majesty's Government feel much concern at the above circumstances and hope that the United States Government will feel able to take steps to stop or restrict the flow of arms from the United States to Formosa.

4. His Majesty's Government also hope that they may be kept informed of the views of the United States Government regarding the complicated situation which has arisen in Formosa.

WASHINGTON, 6 December, 1949.

894A.24/12-649

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Secretary of State

[WASHINGTON,] December 7, 1949.

Attached is a memorandum of a conversation⁶⁶ with Mr. Graves, Counselor of the British Embassy, which foreshadows what the British Ambassador will say to you tomorrow regarding Formosa. Mr. Graves also left an *aide-mémoire* which is likewise attached.⁶⁷

Also attached is a memorandum listing the military supplies which remain to be shipped to the Chinese Government on Formosa, some of which have been purchased from the \$125 million grants and other items which have been procured by the Chinese with their own funds.

W. W[ALTON] B[UTTERWORTH]

⁶⁶ December 6, p. 435.

⁶⁷ *Supra.*

[Annex]

MEMORANDUM

A list of military materiel procured or being procured for the Chinese Government by agencies of the U.S. Government under the \$125 Million Grants which has not yet been shipped is as follows:

ESTIMATED AS OF NOVEMBER 1, 1949

	<i>Quantity</i>	<i>Value</i>
Light tanks	100 ea.	
Scout Cars, M3A1	100 ea.	
Motor carriages, 75 mm. Howitzer	125 ea.	
Rifles, Auto., Brng., M1918A2 (BAR)	1, 000 ea.	
Mounts, combination, M23A1 for 37 mm. Gun (used on light armored car)	100 ea.	
Shells for 4.2'' Chemical Mortar	25, 000 ea.	
Tires (various)	7, 000 ea.	
Automotive spare parts		\$1, 680, 000
Weapons spare parts		85, 000
Tools and tool sets		240, 000
Raw materials (inclusive of gun powder)		1, 850, 000
Antimony sulphide (for vulcanizing rubber)	5, 000 lbs.	
Gyro stabilizers	100 ea.	
Dry batteries	40, 000 ea.	
Radio sets	600 ea.	
Radio spare parts		6, 500
Electrical equipment (including one 5 KW Diesel driven generators per set)	12 sets	
Medical supplies and equipment		995, 000
Vacuum tubes		47, 000
Naval spare parts (hull and engi- neering spares)		265, 000
Aircraft spare parts		305, 000
Plastic film		80, 000

The foregoing is a listing of significant unshipped items. Miscellaneous other items requested by the Chinese Government remain to be procured and/or shipped. A rough estimate of the dollar value of all unshipped items, by federal agencies concerned, is as follows:

Army	\$6, 793, 500
Navy	310, 000
Air Force	390, 700
Treasury—Bureau of Federal Supply	500, 000
	<hr/> \$7, 994, 200

The following list covers military materiel being procured by the Chinese through commercial sources in this country on which as yet unused export licenses have been issued. Some of the items listed are being procured with funds from the \$125 Million Grants, but the exact quantity of such items is not known.

A. *Items other than Aircraft and Aircraft Parts*

1. Items approved for export

	<i>Quantity</i>	
Drop steel forgings		\$4, 550
Tank spares	400 tons	60, 000
Motor carriages tracks	40 sets	19, 000
Motor carriages (in transit from U.K.)	30 ea.	75, 000
Sherman tanks (in transit from U.K.)	85 ea.	300, 000
Powder and ammunition		205, 475
Propellant flakes and powder		668, 520
Cartridges (in transit from Canada)	81, 000, 000 rnds	4, 900, 000
Ammunition,* .30 caliber		21, 281
Shot firing cord		4, 570
Motor carriages*	42 ea.	100, 000
Light tanks and dozers	9 ea.	72, 000
Mauser rifles & ammunition, 7.9 mm (in transit—Belgium)		4, 215, 000
Mauser rifles & machine guns, 7.9 mm (in transit—Belgium)		559, 100
Telescopes and periscopes		2, 300
Gun-sights		1, 000
Gun-sight noise filters		45
Smokeless powder		3, 355
Rocket igniters		5, 500
Tanks spare parts*	200 tons	30, 000

2. Items not yet approved for export but requested by the Chinese Government.

Used light armored cars*	200 ea.	\$50, 000
Used tanks with flame throwers*	4 ea.	8, 000
Tracked landing vehicles*	156 ea.	75, 000
Staghound armored cars (in transit from United Kingdom)	200 ea.	200, 000
Rifles and machine guns (in transit from Belgium)		84, 000
Machine guns (in transit from Belgium)	3, 000 ea.	1, 395, 000

B. *Aircraft and Aircraft Parts*

There are still valid export licenses for approximately \$6,800,000 worth of aircraft and aircraft parts purchased commercially by the

*Items for which the Chinese have made arrangements with Commerce International Trading Corporation for purchase from U.S. Army surplus stocks. [Footnote in the source text.]

Chinese Government. As this total includes some \$2,700,000 for 180 AT6 aircraft which have been reported by the Chinese to have been shipped on a continuing basis throughout this year, it is believed that a good portion of the \$6,800,000 total has already been shipped, though customs reports on such shipments have not yet reached the Department.

894A.00/12-749 : Telegram

The Consul General at Taipei (Macdonald) to the Secretary of State

TAIPEI, December 7, 1949—1 p. m.
[Received December 7—6:50 a. m.]

788. K. C. Wu called unannounced this morning to inform us that Nationalist Government has requested him to assume governorship of Taiwan. He has sent special messenger carrying his acceptance provided following powers granted him: (1) He can establish truly democratic form government there, (2) personally choose his officials, (3) control all national and provincial organs here, (4) attend all military conferences.

Wu claims Generalissimo will accept demands but less certain of Yen.⁶⁸ Reply may be slow due also to uncertain whereabouts top officials.

Wu assumes Chen Cheng will continue to head southeast command but would have little say in local civil affairs. He mentioned several leading Taiwanese he would want about him, particularly Chiang Wei-chuan. Mentioned unpopularity of C. K. Yen but offered no substitute. Pointed out all governors always control garrison, thus "taking place of General Peng". General Sun Li-jen should have complete local military responsibility within several months if US aid comes first. Without aid, economy will collapse in two to three months. Confirmed C. K. Yen's previous estimate that Nationalist gold on island just over one million ounces.

He hopes US will accept change as first step in right direction and give indication of interest and possible aid since all necessary reforms and reorganizations will take months and not succeed if aid not forthcoming on step by step basis.

MACDONALD

⁶⁸ Marshal Yen Hsi-shan, President of the Chinese Executive Yuan (Premier).

894A.24/12-849

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] December 8, 1949.

Participants: Sir Oliver Franks, British Ambassador

The Secretary

Mr. W. Walton Butterworth, Assistant Secretary, FE

The British Ambassador called this morning at my request and I explained to him that I wished to discuss with him the question of recognition of the Chinese Communist regime. He said he was glad that I had sent for him because he also had two or three matters which he wished to raise, particularly, the question of Formosa and the discussions at the Ceylon Conference regarding a possible Japanese Peace Treaty.

By agreement, we began with Formosa. Sir Oliver Franks said there were two aspects of that question of concern to his Government. In the first place, they were concerned about the further shipment of military supplies from this country to Formosa and, in particular, such weapons as medium and heavy tanks and aircraft since it was their considered view that through defections Formosa would sooner rather than later pass into the hands of the Chinese Communists who might well at some stage use such materiel and weapons against Hong Kong. I summarized for the British Ambassador the status of shipment under the \$125 million grants as set forth in the attached documents⁶⁹ and in this connection called his attention to the possibility that Sherman tanks and Staghound armored cars might have been purchased or were in the process of being purchased by the Chinese in the U.K. for repair in this country and onward shipment. I pointed out the implications both foreign and domestic of our arbitrarily cutting off remaining shipments to Formosa which would amount to less than \$8 million (as of November 1) of the \$125 million. The fact was that through these previous shipments and through shipments from the Mainland to Formosa there was such a wealth of materiel on that Island that any such action on our part would be of insignificant practical value. I did agree, however, to look into the question of medium and heavy tanks since the British Ambassador had represented that the British military in Hong Kong had not now in their possession anti-tank weapons that could deal with other than light tanks and in view of the undesirability of diverting to Hong Kong such weapons. I expressed the view that I thought it would be possible if export licenses had not already been issued to deal with these two categories. Sir Oliver Franks vouchsafed that the figure on aircraft indicated in the

⁶⁹ Annex printed on p. 439.

memorandum which Mr. Graves presented on December 6 was incorrect and he seemed to agree that so numerous were the aircraft already on Formosa that such additions did not constitute an important aggravation of the problem.

The British Ambassador said that in the second place he wished to inquire whether our attitude toward Formosa had undergone a change since Mr. Bevin's conversations in Washington. I told him that the President had approved the recommendations of the Joint Chiefs that Formosa was not of sufficient strategic importance to make it desirable for the U.S. Government to employ force to prevent the Island falling under the control of the Chinese Communists though we were seeking by political and economic means to do everything feasible to prevent that. To this end, we had recently attempted to disabuse the Generalissimo of any misconception he might have had in this respect and to exhort him to take the necessary action to consolidate the position since all the ingredients for success were available on the Island.

[For next section regarding question of recognition, see page 219.]

894A.00/12-849

The Consul General at Taipei (Macdonald) to the Secretary of State

No. 120

TAIPEI, December 8, 1949.

[Received December 28.]

I have the honor to enclose a translation of the draft ⁷⁰ of the principles governing the enforcement of self-government in hsien and municipal areas in Taiwan as drawn up by the Governor's Self-government Research Committee and recently published in the local press.

The Governor's committee was organized some three months ago under the chairmanship of Chang Li-sheng, former Vice President of the Executive Yuan and Minister of Interior.

If these proposals are adopted by the Provincial Government they would, according to local officials, in the normal course of events be returned to the Governor for submission to the National Government through the Ministry of Interior. From the Ministry of Interior they would go to the Legislative Yuan then to the Executive Yuan and finally receive the signature of the President of the Chinese Republic. To insure more rapid action and in view of the uncertainties in the mainland at present Taiwanese administrative conference is recommending that they be put in force immediately and subsequently sent to such National Government establishments as can be found.

⁷⁰ Not printed.

Chinese citizens of twenty years of age and over will have the rights of suffrage, recall, initiative and referendum. Councils will be set up in each hsien and municipal area, their size being determined by the population concerned. One-tenth of the members will be female. Each hsien will have a Magistrate elected by the people and each municipality a Mayor. The smaller political divisions known as *hsiang* and *chen* will also be entitled to elect their public officers.

Although the proposals appear to be in accordance with the usual procedures of democratic self-government, unfortunately the Taiwanese reaction in many quarters is not optimistic. The Taiwanese point out that they had little or no part in developing the desired procedures and that so long as the unpopular Chinese officials must be looked to for the implementation of the program corruption and political chicanery will be inevitable and a true expression of Taiwanese desires impossible. Although there is undoubtedly much justification for the doubts expressed by the Taiwanese, their attitude is typically defeatist, and more satisfactory results might be obtained if something could be done to arouse their interest and obtain their cooperation and full participation.

Respectfully yours,

JOHN J. MACDONALD

893.02/12-1449 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, December 14, 1949—8 a. m.

[Received December 14—1:29 a. m.]

818. L. K. Little offered resignation as inspectorate [*inspector*] general Chinese Maritime Customs on grounds health and no longer need of inspectorate general with only Tainan and Taipei customs houses open. Finance Minister rejected resignation on grounds national reputation and morale but granted 6 months' leave which Little is starting immediately but on self-imposed greatly reduced pay in interests national economy.

I plan cite this example praiseworthy, realistic approach to Government's current desperate financial position and no longer useful organizations in future conversations Nationalist officials in probably vain hope others may do likewise. However, on own initiative Hollington Tong several days ago asked my reaction to Chinese dollar-a-year men, so some such thinking on general subject may exist in highest quarters.

Sent Department 818; repeated OffEmb Hong Kong 227.

EDGAR

894A.00/12-1449 : Telegram

*The Consul at Taipei (Edgar) to the Secretary of State*TAIPEI, December 14, 1949—3 a. m. [*p. m.*?]

[Received December 14—10:01 a. m.]

822. In great agitation K. C. Wu called last evening and stated that the opposition including Wang Shih-chieh and Chen Cheng had won out and that his provisos (see mytel 788⁷¹) had been rejected. Generalissimo is now offering him title of Acting Governor with 1 month to get American support. If successful, Wu would then be granted the full powers he had requested.

Wu wanted advice whether he could expect US aid under such conditions and within 1 month. I pointed out that such decoy measures did not appear to meet requirements of recent *aide-mémoire*. So far as I knew, the Chinese subsequent to receipt of that notice had taken no action toward creation of efficient administration. On contrary, they had recently transferred unneeded Liu An-chi Army from Hainan and useless lot of government officials from mainland. I continued that Generalissimo appeared as usual more interested in US aid than in basic reform and preferring half measures to forthright facing of facts. Taiwan did not now need US material aid but US moral support and that only way toward latter was through drastic reform. I cited Little [as] example (mytel 818, December 13 [14]).

Wu agreed but asked if I could obtain Department's agreement to aid if he promised subsequent reforms. I replied that I did not recommend such procedure by Department and also doubted if US Government would be interested in more Chinese promises.

He left stating he would phone Generalissimo his rejection of offer.

EDGAR

893.00/12-1449 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, December 14—1949—4 p. m.

[Received December 14—5:33 a. m.]

825. K. C. Wu came this morning directly from Generalissimo to say that after long night session Generalissimo had prevailed and obtained agreement to Wu governorship and provisos and wanted immediately announcement. Premier Yen remained neutral throughout. Wang Shih-chieh came over due to Wu's "courageous stand".

Wu now busily selecting new government. Plans replace C. K. Yen due latter's unpopularity with Taiwanese with Jen Hsien-chuen.

⁷¹ December 7, 1 p. m., p. 441.

Generalissimo will make Yen National Minister of Economy. Wu considering all big Taiwanese names. Hopes have some influence on military through attendance at military conferences but doubts any early real reform there. Has asked Generalissimo remove General Peng.

EDGAR

893.20/12-1649: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, December 16, 1949—4 p. m.
[Received December 16—6:50 a. m.]

839. At his request called yesterday on General Sun Li-jen who asked if any word yet on request for military advisers. I replied no and stated I and Attachés could see no evidence of Chinese efforts toward military reorganization. Sun begged that some move be made by US. He had 1 hour's conference with Generalissimo previous day and spoke frankly of need for military reorganization and simplification. Generalissimo appeared definitely influenced by Sun, has no Chinese Generals willing or able "or with sufficient military strength" to reinforce his appeal but believes that time is ripe for American intimation of need for change, "Otherwise old generals will continue control policy". K. C. Wu has been told by General to keep out of military affairs.

Sun had talked with Wu and felt encouraged on civil score but urged US approach to Generalissimo or military without which no possibility civil success. Also requested military aid step by step where conditions were best. Believes military can hold alone for 6 months but plan should be made now for next period and must include outside aid.

I reiterated that US would probably make no positive move prior to evidence of Chinese willingness to face facts and reform in accordance with realities of current desperate situation. Sun asked me at departure, please do my best explain situation to Washington.

EDGAR

894A.00/12-1949: Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, December 19, 1949—7 p. m.

572. Intelligence agencies reviewing prospects Taiwan. Request urgently ur estimate fol:

1. Present popular support Nationalist Govt, Commies, Taiwanese independence leaders, and factors influencing changes such support.

2. Internal unity Nationalist Govt, including prospects coup by anti-Communist Nat Govt milit comdrs.
3. Views Nationalist leaders on survival prospects Govt and estimate probability defections to Commies.
4. Effect on General situation (a) establishment Nat Govt Taiwan (b) appointment K. C. Wu governor.
5. Prospects economic stability.
6. Official and public receptivity (a) US milit occupation (b) UN trusteeship.

Queries also being made by other agencies to their reps Taiwan.

ACHESON

894A.20/12-1949 : Telegram

The Secretary of State to the Ambassador in the Philippines (Cowen)

WASHINGTON, December 19, 1949—7 p. m.

1531. Dept has noted press despatch from Manila dated Dec. 12 stating US has informed PhilGov that "it will take positive action to counteract communist threat to Formosa" citing "high source at Malacañan", source adding understood US would send adequate arms to enable Chiang hold Formosa and stating "it is very assuring to us" to know Chiang being given backing Formosa.

Has Emb any information as to source this unfounded assertion and reasons therefor? Suggest ur discretion you inform PhilGov Dept finds such irresponsible statements difficult understand and often embarrassing. While not optimistic this sort of thing can be stopped think it highly desirable again caution PhilGov.

ACHESON

893.00/12-2049 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, December 20, 1949—3 p. m.

[Received December 20—8:24 a. m.]

857. Provincial political crisis has developed over Wu appointments in new Government. What he calls his "social revolution" for Taiwan is encountering expected difficulties (see mytel No. 858 dated December 20, 1949 for published details).

K. C. Wu tells me privately he cannot make changes now and maintain dignity. Also still believes Chiang Wei-chuan is best representative of people although unpopular with intellectuals and Taiwanese vested interests. Latter have control of PPC. Wu suspects C. C. Huang's group of causing alarming recent rise in black market rate

citing their control local banks and newspapers. Also suspects Chen Cheng of fostering resistance. States lack of time precluded fuller advance negotiations which would have resolved differences.

C. C. Huang tells me he has attempted be mediator in fight. Has high hopes for Wu administration but concurs in dislike of Chiang Wei-chuan, and Ju Peng Teh. To avoid charge of PPC revolt against Nationalist Government, he had PPC pay respectful call on Generalissimo after passing resolution. Generalissimo urged cooperation and continuance of session but members failed reassemble this morning as scheduled. At PPC call on Chen Cheng yesterday, Chen suggested compromise plan including seating of new government and early resignation of objected commissioners. Chen presented this to Wu late last night. Wu's reaction still unknown although morning press suggests general acceptance.

Wu tells me he has received calls by leaders of local laborers, dock workers, et cetera pledging support and expects to win out over vested interests of doubtful probity, intellectuals, and local reactionaries.

Wu has had 2-hour talk with Craig and Tarring on local economic problems and both parties came away well impressed.

EDGAR

893.9111 RR/12-2049: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, December 20, 1949.

[Received December 20—9:08 a. m.]

858. Local papers December 20 carried following on PPC objection to K. C. Wu's personnel lineup:

Prov. PPC which began 8th general session December 19 decided indefinite recess same day, objection unsatisfactory appointment certain members new Taiwan Province Government. Objection first brought up by Kaohsiung representative Huang Lien-teng who declared:

"Prov. Commission has included traitors and one who collaborated Japanese suppression own fellow countrymen and even betrayed own elder brother to Japanese. Inclusion such elements in government not only renders local administration hopeless but also affects Communist suppression and blackens future of China".

Huang's objection immediately supported by several PPC members including Penghu (Pescadores) representative Hsieh Han-ju who declared

"It is to be regretted (1) Government has carelessly announced list members Prov. Government, (2) did not inform PPC of these ap-

pointments beforehand although Dr. Wu claimed to organize a government of people”.

After 2-hour secret session PPC arrived at following four-point decision: (1) support Governor K. C. Wu but urge Government reconsider appointment several members Prov. Government who do not command confidence of people, (2) request Government consult PPC regarding appointment directors, bureau heads, (3) urge Government complete local self-government in hsien and cities next year as already decided, effect new election Prov. PPC whose term already expired, (4) effect indefinite recess until Government accepts foregoing three points. After meeting PPC called on Generalissimo who expressed hope (1) unity consolidate strength, (2) PPC resume session December 20. He assured Government respect for popular opinions; K. C. Wu subsequently accepted points 2 and 3 and urged PPC reconsider request in order help maintain Government prestige and give [garbled group] chance try [garble]. Governor Chen told reporters last night: Government will effect satisfactory settlement re personnel dispute, Dr. Wu will respect PPC opinions, local self-government will be enforced 1950. He urged “unity for sake general situation”.

In public statement, Wong Chien, Taiwanese Vice Civil Affairs Commissioner concurrently Chairman Taiwan local Self-Government Association (civic organization), avoided direct comment on dispute but said new lineup has broadened base Government. [“]Both Government and people must be careful and place nation before anything else.” Taiwanese members Yu Mi-chien, Li Yu-pang, Yang Chao-chia, Chen Tien-shun reportedly declining appointment. Some others expressed opinion that their acceptance entirely rests with desire of Government. New Civil Affairs Commissioner Chiang Wei-chuan declared will not make any personnel change in his department except in posts of chief secretary, cashier and custodian of official seal. Government changeover will take place December 21 as scheduled despite PPC objection.

Editorials—*Kung Lun Pao* (Young China Party), *Chuan Min Jih Pao* (operated by group government officials Mayor Yu Mi-chien, General Wang Cheng-chang, banker Liu Chi-kuang, etc.) fully supported PPC objection which is “undoubtedly representative popular opinion” and urged government “seek immediate remedy”. First paper said: “Confronting issue is how consolidate people’s good-will and concentrate local talents, which can be attained only by appointing the virtuous capable who command respect of people. In his regard, opinions local population should be valuable to Government”. Both

Chung Hua Jih Pao (Kmt), *Shao Tang Pao* (military Kmt) disapproved PPC recess as "may not be unanimous wish of people".

Worried by possible result of PPC objection, and urged forbearance and mutual toleration for sake of nation. *Chung Yang Jih Pao* (Kmt from Nanking) maintained dispute is "normal phenomenon unavoidable in democratic government". Hoped "will not cause split between people and Government which will seek reasonable means to obtain reasonable compromise".

EDGAR

894A.20/12-2149 : Telegram

The Ambassador in the Philippines (Cowan) to the Secretary of State

MANILA, December 21, 1949—3 p. m.

[Received December 21—7 a. m.]

2900. As Department will have surmised, "high Malacañan source" was President Quirino (Deptel 1531, December 19) who, however, asked correspondents not use his name.

President's statements were elicited by question whether officials Chinese Government would be afforded sanctuary if they were forced leave Taiwan. President replied in affirmative but went on point out reasons why he believed they would not have to leave Taiwan. *Times*, *Herald* and *Chronicle* in handling story attributed to "high Philippine Government source" statement that US had lately shipped large quantities military materiel to Formosa but did not go so far as the news story which Department quoted in reftel saying US had informed Philippine Government "it will take positive action to counteract Communist threat to Formosa", nearest approach latter statement which appeared Manila press was assertion of *Chronicle* that high Government officials declared US shipments war supplies indicate determination of American Government take positive action in warding off onslaught communism in Asia. (Incidentally, local press gave approximately equal play to item with December 13 Washington dateline citing explanatory statements Michael McDermott.⁷²)

American correspondents queried me immediately after their interview with President and I informed that I knew nothing about alleged recent US shipments arms aid to Taiwan. However, Embassy immediately endeavored ascertain Quirino's sources information. We

⁷² At press conference on December 12, a question was raised regarding a story from Manila that the United States was taking positive action to counteract any threats of Formosa falling into Communist hands. Mr. McDermott replied: "I don't know what that is based on. I have contacted the Department people and I am unable to find anybody who has given any such information to anybody in the Philippines". When asked whether the story was true, McDermott replied: "I have nothing to say on Formosa".

found impressions correspondents ranged from those of Boguslav who gathered from President that his source was US Government to those INS correspondent that President cited *New York Herald Tribune* correspondent Dorothy Brandon who allegedly passed through Formosan port some months ago. Our efforts resolve this divergence opinion were unsuccessful but I have strong suspicion based on statements made to Melby⁷³ and myself by Chinese Ambassador Chen Chih-ping that he was President's principal source. President Quirino is prone sound off without checking his facts and to state as fact that which he wishes believe, and I am inclined think his credulity and wishful thinking also were responsible for character statements made during interview in question.

I have recently had occasion warn President about incorrect statements involving US, and I December 20 had meeting with US correspondents requesting them assist keeping incorrect stories involving US to minimum by checking them with me. I shall again raise matter with President Quirino soon as opportunity presents further to impress upon him undesirability his releasing misinformation such as that involved in December 12 story.

Sent Department, repeated Taipei 22, Hong Kong for telCan 63.

COWEN

894A.00/12-2349 : Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, December 23, 1949—9 a. m.
[Received December 23—4:22 a. m.]

865. Following in reply to Deptel 572, December 19, 7 p. m.:

1. Present popular support: Nationalist Government has no popular support in Taiwan. General opinion is Government as such no longer exists, power resting with untitled Generalissimo, southeast commander Chen Cheng, secret police. Only small group loyal followers remain.

Communist support believed limited to isolated small groups under flimsy organization. Infiltration from mainland continues, proselytizing is on increase using argument peaceful conversion only alternative to military conquest and chaos, but Taiwanese so far slow to react. Hsieh Hsueh-hung reported now in Taichung.

After 50 years of oppressive occupation Taiwanese are politically inarticulate, unorganized and unpredictable. Only Liao brothers can

⁷³ John F. Melby, Officer in Charge of Philippine Affairs, representing the Department of State for preliminary discussions regarding proposed Mutual Defense Assistance Program with the Philippines.

be called independence leaders and their reliable following in Taiwan most uncertain. They now advocate trusteeship. Other Taiwan "big names" most of whom in new Wu Government equally without solid backing. However, 2-28 revolt⁷⁴ suggests constant possibility of sudden mass support for any movement favoring Taiwanese basic aims of relief from Kmt misgovernment, autonomy or independence.

Continued US aid to unreformed Kmt and supporting armies will delay or preclude Taiwanese self-expression and increase arguments of Communists. General diplomatic recognition of Mao Tse-tung and non-arrival US aid will lead many of all classes fatalistically to Communist side. Announcement of US aid clearly destined for Taiwanese Government combined with US military assistance to selected generals would quickly check local Communist conversion and strengthen Taiwanese Government for resistance. Local government such as Wu's would receive greater Taiwanese and Chinese cooperation.

2. Nationalist Government's internal unity: There is no unity in Nationalist Government now nor has there appeared to have been for some time past. However, Generalissimo through careful balances of power has turned this disunity to his advantage. No general now here is permitted sufficient strength of men plus material to insure successful coup. Probably only outside force promising secure future for participants could cause cooperative action to dislodge Generalissimo, who is government. Private assurances of subsequent continuing US support would weight scales. Only at last hour and on Generalissimo's complete collapse when action could be called patriotic and not traitorous, some general might assume command despite remaining resistance.

3. Survival prospects: It is the general official opinion that survival is impossible without outside aid; resources to maintain military estimated sufficient for 6 to 9 months; with minimum aid such as 75 million President's fund and ECA unused 90 million, another year could be added during time deterioration on mainland should permit comeback.

Taiwanese constantly fear defection Chinese soldiers. If US aid does not arrive soon, increasing defections this quarter can be expected as well as army officers and former government officials seeing no alternative.

4 (a). Effect National Government in Taiwan: Taiwanese reacted unfavorably to establishment of National Government in Taiwan, saying move makes island necessary objective of Communists particularly if military harassing of mainland from Taiwan bases continues. Also object to financial and food drain on Taiwan economy

⁷⁴ See *Foreign Relations*, 1947, vol. VII, pp. 423 ff.

of military located here in numbers excessive for defense of island and justifiable only as return of unpopular Generalissimo and Kmt to mainland. Scattered charges US should object on basis Taiwan legal status and Cairo [Declaration?].

(b). Effect Wu appointment: Immediate result of Wu appointment is political confusion. Established elements and vested interests naturally fear and voice objection his "social revolution" selections of commissioners. His efforts to placate Taiwanese common people can be sabotaged, the chances of which increase with further delay of US economic aid. ECA and US technical advisers believe Wu more understanding of and receptive to industrial integration, foreign trade simplification, modern economic rehabilitation than Chen Cheng. Unless sabotage efforts including currency black market flights and soldier disorders discredit him, personally believe he can obtain more general support than Chen Cheng had and accomplish more. However, many now differ this opinion.

5. Economic prospects: Unless unbridled military demands now being made upon its economy are curbed, Taiwan will go bankrupt within 6 to 9 months. Thus far indications are that current demand will be increased rather than curbed. In view of traditional Chinese military disregard of civil authority and advice, I believe that only strong direct pressure from outside would force military to pare their demands on Taiwan Treasury to point where they would not wreck the local economy, for such step would mean abandoning at least temporarily any thought of retaking mainland and require scaling military force down to size just sufficient defend island. Disposition of rapidly discharged soldiers would present problem. While provincial government has succeeded in keeping its own civil budget balanced, its revenue is just sufficient for that purpose (see mytel 816, December 13⁷⁵), thus no part of current expenditures for military purposes, which in November were seven times civil budgetary expenditures, have been met by revenue. This military bill has so far been paid without serious inflationary effects by drawing on reserves. When reserves are exhausted there will be nothing to fill the tremendous gap between anticipated revenue and combined civil and military expenditures for Nationalist Government revenue from local customs, salt tax, et cetera, just sufficient its civil needs.

But even should military demands on the economy be scaled down to proportions which the island's economy theoretically support on the basis of its present agricultural and industrial capacity to produce, the economy in its present state could not actually be expected to sustain them unless current assistance is increased or substantial amounts

⁷⁵ Not printed.

of private capital induced to flow into industry. Many of Taiwan's key industries are now in doldrums due primarily to their inability to adjust to loss of mainland markets and source of supply. In order to compete in new (foreign) markets or be able to afford to buy supplies abroad these industries must increase efficiency so as reduce costs and improve products. This takes capital. The ability of provincial government to provide capital from its reserves is not only limited but is being rapidly reduced by the military drain. Thus unless ECA fills the gap the burden must fall on private capital. While it is believed that there is substantial private capital available to Chinese now on the island, such capital is not being invested in industry where it is vitally needed because of uncertainty of Taiwan political future. Furthermore, confidence in the ability of the Chinese to secure Taiwan against communism without outside help is so low that it is highly doubtful that any Chinese administration alone, no matter how reformed, could inspire the confidence of private capitalists sufficient to encourage them to invest the capital needed. Element of confidence can only be supplied by display of American support.

The economy of Taiwan is basically sound and it possesses the necessary physical elements to make it self-sustaining under normal conditions of peace and security. But only after military demands are directly related to the ability of the economy to pay and the confidence of the people in the island's security is restored can these elements be so coordinated as to make the economy a going concern. Given these conditions the amount of material aid actually needed to put Taiwan on its feet would be relatively small.

6 (a). US military occupation: Generalissimo, generals and topmost officials could be expected to require face-saving formula with emphasis on support for eventual victorious return to mainland before accepting US military occupation. An unnegotiated occupation could expect some initial Chinese military opposition. However, US military control through advisors with authority is entirely feasible at this point and has been suggested by Chinese officials. Many highest Chinese officials have repeatedly requested maximum US military cooperation, even suggesting military condominium.

Over million Chinese civilians here look hopefully to temporary US take-over to save selves and what they have salvaged from mainland.

Mass of Taiwanese hate Kmt, fear Communists and would welcome US military occupation. For months past there have been recurring hopeful popular rumors that SCAP would take over, as relief from Kmt and step toward independence. More realistic ones have suggested

Chinese armies and civil administration here be placed under SCAP supervisory control as deterrent to Communist attack. Expected Chinese military and official cooperation would eliminate need large bodies US soldiers.

(b). Trusteeship: Trusteeship idea is held by most Taiwanese as alternative to US or SCAP intervention. [Garbled group] independence group has recently admitted impossibility immediate independence and made alignment with trusteeship group as interim necessity. Self-concerned mainlanders here could be expected to accept trusteeship.

Opposition would, most naturally, come from Nationalist officials who would see in move loss of Nationalist face and probable event loss of Taiwan to Chinese. US military and economic controlling participation in local problems would be more palatable and is generally desired. In present desperation, Chinese officials would accept any proposed formula.

EDGAR

893.503194A/12-2349: Telegram

The Consul at Taipei (Edgar) to the Secretary of State

TAIPEI, December 23, 1949—11 a. m.

[Received December 23—1:39 a. m.]

868. During my courtesy call on new Governor yesterday, Wu told me he has sent Jen⁷⁶ to Hong Kong to try to interest Wu's Shanghai friends to invest their capital estimated at 300 million US in Taiwan. With industry revived and employment opening up he can start government employee reduction but not before.

I strongly urge that ECA funds be released to start this ball rolling. Best impetus would, of course, be US declaration of interest in island.

Wu is considering appointment Shanghai judge now in Taiwan University as Supreme Court Judge to reorganize courts.

Mayor Yu still declining participate new government, reportedly wanting Education Minister or nothing. Others appear to have buried prejudices and will at least try new game.

Hsu Pin declined offered post on grounds age but selected younger substitute Chen Ching-fen.

EDGAR

⁷⁶ Jen Hsien-chuen, new Finance Commissioner of Taiwan.

894A.00/12-2349

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Secretary of State

[WASHINGTON,] December 23, 1949.

Attached is a transcript,⁷⁷ obtained from Mr. McDermott's office, of a statement made by the President to the press on December 22, 1949 in which he said: Formosa is a part of Nationalist China and we still recognize the Nationalist Government as the government of China. The Counselor of the British Embassy called this morning to ask for an interpretation of the meaning of this statement. We are informing him that the President is in Missouri and that we do not know exactly what the President had in mind.

894A.00/12-2349

Memorandum of Conversation, by the Assistant Secretary of State for Far Eastern Affairs (Butterworth)

[WASHINGTON,] December 23, 1949.

Participants: Dr. V. K. Wellington Koo, Chinese Ambassador
Mr. W. Walton Butterworth, Assistant Secretary, FE
Mr. Livingston T. Merchant, Deputy Assistant Secretary, FE

The Chinese Ambassador called at his request this afternoon and left with me for transmission to the Secretary the attached communication concerning Formosa.⁷⁸ He then briefly recapitulated the steps recently taken by his Government with respect to Formosa, including the appointment of K. C. Wu as Governor, the inclusion as a majority of Formosans among the heads of the provisional departments and the introduction of certain land tax reforms.

I accepted the communication and stated that without benefit of having read it and without prejudice to its consideration, I wished to make clear our view that the economic resources on Formosa were so rich, the stocks of arms so large and the collection of administrative talent so impressive that the Island could be developed with tranquility and prosperity to a state where a comparison of conditions there with those existing on the Mainland would have a powerful influence on the Chinese under Communist rule in China proper. I said that I had a very high opinion of K. C. Wu's administrative genius but that the test would be the extent of the powers granted him and

⁷⁷ Not printed.

⁷⁸ *Infra.*

I went on to cite his difficulties when Mayor of Shanghai which arose from his lack of control of the military and made mention of my fear that the same situation might exist on Formosa. I then referred to the apparent confused lines of authority among the various military commanders. Finally, I stated that we were concerned by evidence from time to time that the Chinese authorities on Formosa were thinking in terms of making certain arrangements or instituting reforms because they thought the United States desired them. I emphasized that we had no such desire to impress our will and that such affairs were exclusively a Chinese responsibility. I concluded by reminding him that we had no intention of using American troops to defend the Island.

The Ambassador elaborated on his earlier remarks and emphasized the degree of autonomy which K. C. Wu and General Sun Li-jen as Commander of the defenses of the Island possess.

I then asked the Ambassador if as a matter of military policy it was intended that the Island was to be utilized as a base for military operations against the Mainland or devoted to the defense of the Island and the well-being of its inhabitants. The Ambassador replied that the Island's own resources were sufficient for its own support and defense but that the thought underlying the request for aid contained in the communication he was leaving was based on the intention of developing the Island to carry the war to the Mainland. The Ambassador then said that the details of the economic aid which his Government requested had already been communicated to ECA and that he would be glad to supply us next week with the details of military aid which was being requested.

I thanked the Ambassador and assured him that his Government's communication would receive our urgent attention and I reminded him that Formosa had been the subject of intensive attention by the United States Government since the days of Chen Yi.⁷⁹

894A.00/12-2349

The Chinese Ambassador (Koo) to the Secretary of State

WASHINGTON, December 23, 1949.

DEAR MR. SECRETARY: I am directed by my Government to present to you the following Memorandum.

My Government hopes that you will be good enough to give it early consideration and lay it before the President for decision.

⁷⁹ First postwar Governor of Formosa.

"On November 3, 1949, Mr. John J. Macdonald, United States Consul-General at Taipeh, Taiwan (Formosa), called on Generalissimo Chiang Kai-shek and, pursuant to instructions of the Secretary of State, presented to him a Memorandum expressing the concern of the United States Government over the situation in Taiwan. The Generalissimo duly communicated the contents of the Memorandum to the National Government and the Provincial Government of Taiwan. General Chen Cheng, Governor of Taiwan, in response to similar representations made to him on November 4, 1949, by Mr. Macdonald, sent him a written statement for the information of the Department of State regarding the military and political situation of Taiwan.

"After careful consideration of the United States Memorandum the National Government wishes to declare solemnly to the United States Government that it will spare no effort to preserve Taiwan as a central base of operations against Communist aggression and that it will urge the Provincial Government of Taiwan, following the principle of full cooperation between the provincial authorities and the people, to exert its utmost efforts for the political and economic progress of the Province in order that the people of the island may enjoy a democratic and stable life, thereby establishing a marked contrast to the enslavement and miserable conditions obtaining in the Communist-controlled areas on the mainland and thus serving to strengthen the will of the Chinese people in opposing Communism.

"To attain the above-mentioned objectives, the Chinese Government will make the utmost effort on its own part to overcome the great difficulties with which it is confronted in the present situation; but it earnestly hopes at the same time that the United States Government will have a sympathetic understanding of these difficulties and will help it to resolve them. For the defense of Taiwan from Communist domination will have a very important bearing upon the general defense strategy of the democratic and free nations in combating Communist aggression in the whole Pacific area.

"If the United States Government could see its way to approve China's request for technical and material assistance as proposed below, the Chinese Government will not, on account of such aid, neglect its own responsibilities or relax in any degree its own efforts. The Chinese Government believes that the following requests for aid are well within the limits of the existing legislations of the United States providing aid to China.

"I. Technical assistance:

"A. The Chinese Government wishes to procure the services of 30-40 officers for each of the three branches (military, naval and air) of its defense establishment. The officers are expected to assist in the planning of the three defense services of China and in the work of supply, administration and training of the armed forces. The proposed number of officers should include five to seven marine officers who will assist in the training of Chinese forces for amphibious operations. These officers may be selected by the United States Government for appointment from among American officers in active service or in retirement. If the United States Government desires that these officers should not be asked to participate in first-line combat duties, the Chinese Govern-

ment will respect this desire and will not ask them to undertake any such work.

"B. The Chinese Government also desires to engage 20-30 American political and economic experts to assist the authorities of the Taiwan Provincial Government in planning and carrying out projects in the fields of industry, finance, commerce and trade, agriculture and public administration, and in ensuring the effective use of any aid granted.

"The above-mentioned officers and specialists will be employed by the Chinese Government on a voluntary and contractual basis and their remunerations will be paid by the Chinese Government. It is hoped, however, that some arrangements may be made for defraying their remunerations out of the funds provided for under the existing legislations on United States aid to China.

"II. *Material assistance:*

"A. *Of a military kind:*

"(1) Military supplies and equipment for at least six "M" divisions.

"(2) About 16 naval craft of categories suitable for patrol duties, and fuel and oil for such craft and other vessels of the Chinese Navy.

"(3) Necessary spare parts, certain repair shop equipment, and aviation gasoline for the Air Force.

"(4) Equipment for Signal Corps, spare parts and repair shop supplies for Tank Corps, and a small number of field radar stations.

"B. *Of an economic kind:*

"(1) The Chinese Government hopes that the United States Government will take steps to bring about an extension of Section 12 of Public Law 47 (81st Congress),⁸⁰ so that the existing balance of the fund for aid to China under the Act may be fully utilized until the end of 1950, and that two-thirds of such balance, approximately \$60,000,000, may be spent in Taiwan for the following purposes:

- (a) Purchase of commodities;
- (b) Industrial reconstruction;
- (c) Agricultural rehabilitation; and
- (d) Stabilization of currency.

"With reference to the foregoing proposals, the Chinese Government has consulted Generalissimo Chiang Kai-shek for his views. The Generalissimo, in view of the urgency of the situation in Taiwan, also earnestly hopes that the President of the United States and the Secretary of State will see their way to give full consideration to the proposals as promptly as possible.

"The Chinese Government wishes to add that, although the foregoing proposals have been prepared on the basis of the particular needs of Taiwan alone and although the difficulties in the other combat areas are exceedingly great, it will continue to exert itself to maintain these areas. The security of Hainan Island, especially, is of strategic importance as an auxiliary base of operations to supply the Government forces in the south-western Provinces of China now still resisting the Communist advance. The Chinese Government therefore earnestly

⁸⁰ Approved April 19, 1949; 63 Stat. 50, 55.

hopes that the United States Government will also give the necessary aid in order more effectively to defend the said Island."

I remain [etc.]

V. K. WELLINGTON KOO

[For a Department document entitled "Policy Information Paper—Formosa", "Special guidance No. 28, December 23, 1949", prepared by the Public Affairs Area, Policy Advisory Staff, and circulated to posts in the Far East, see *Military Situation in the Far East*, Hearings before the Committee on Armed Services and the Committee on Foreign Relations, United States Senate, 82d Congress, 1st session (Washington, Government Printing Office, 1951), part 3, pages 1667-1669. For testimony by Secretary of State Dean Acheson in June 1951 in regard to this document, see *ibid.*, pages 1663-1711.]

Executive Secretariat Files

Note by the Executive Secretary of the National Security Council (Souers) to the Council

NSC 37/9

[WASHINGTON,] December 27, 1949.

POSSIBLE UNITED STATES MILITARY ACTION TOWARD TAIWAN NOT INVOLVING MAJOR MILITARY FORCES

At the request of the Secretary of Defense, the enclosed views of the Joint Chiefs of Staff on the subject are circulated herewith for the information of the National Security Council and for the use of the Council in its discussion of "The Position of the United States with Respect to Asia" (NSC 48/1⁸¹) at the meeting scheduled for Thursday, December 29, 1949.

SIDNEY W. SOUERS

[Annex]

Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Johnson)

WASHINGTON, 23 December 1949.

Subject: Possible United States Military Action Toward Taiwan not Involving Major Military Forces

The Joint Chiefs of Staff have assessed the military measures, short of the dispatch of a major military force, which might be undertaken

⁸¹ Text in United States Department of Defense, *United States-Vietnam Relations, 1945-1967*, 12 volumes (Washington, Government Printing Office, 1971), vol. 8, p. 225.

with respect to Taiwan in furtherance of United States political, economic and psychological measures now under way.

The following are the major conclusions arrived at as result of their study:

a. A modest, well-directed, and closely-supervised program of military aid to the anti-communist government in Taiwan would be in the security interest of the United States; and

b. A modest program of military aid to the Chinese Government in Taiwan should be integrated with a stepped-up political, economic, and psychological program pursued energetically in extension of present United States programs there.

The Joint Chiefs of Staff will, subject to your concurrence:

a. Direct the Commander in Chief, Far East, with the assistance of the Commander, 7th Task Fleet, to make an immediate survey of the nature and extent of the military assistance required in Formosa in order to hold Formosa against attack; and

b. Based on the results of the survey, make recommendations to you as to the military program.

The Joint Chiefs of Staff desire to point out that the recommended action with respect to Formosa is a part of the overall problem of resisting the spread of Communist domination in East Asia. It is recognized that this is a piecemeal approach, as is their recommendation with respect to assistance to Indonesia forwarded to you on 22 December 1949,⁸² but it is likewise a matter of urgency. These separate but related projects point up the necessity of early determination of an overall program for the solution of the major problem.

For the Joint Chiefs of Staff:

OMAR N. BRADLEY

Chairman

Joint Chiefs of Staff

894A.00/12-2849

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Secretary of State

[WASHINGTON,] December 28, 1949.

The latest Joint Chiefs of Staff recommendation with regard to Formosa⁸³ is understood to call for stepped-up economic and diplomatic aid and, even more important, military advisers and the gift of military equipment and supplies. It parallels with extraordinary

⁸² Not printed.

⁸³ *Supra.*

loyalty the request for increased assistance from the Chinese National Government received on the same date.⁸⁴

Dealing with the first two and the least contentious points first, there is in the view of both the Department and ECA comparatively little in the way of an increased economic aid program which could be established beyond that now in existence that would not either assume unjustified responsibility for the entire imports of the Island, thereby reducing the incentive to export, or embark on an industrial and capital goods program which would aggravate the inflation and would not result in any immediate near term increase in the Island's productivity. In summary FE would not favor as practical a program running appreciably in excess of the contemplated \$25 to \$30 million ECA estimate of expenditures for the next eighteen months. If Congress extends existing legislation there are ample appropriated funds for this.

It is difficult to see how we could increase our diplomatic support. We have moved our Embassy to Taipei⁸⁵ and it remains under the Chargé d'Affaires who has represented this Government since last August. Possibly the JCS are considering the appointment of a new Ambassador from the U.S. This would not appear justified coming at a time when the holdings of the Government have shrunk to two islands and other major powers are in the act of recognizing the Communist regime.

With respect to the provision of military advisers, although proposed in different form, this seems to FE in essence to constitute the re-establishment of JUSMAG which was closed out eleven months ago as a sober considered decision. Essentially this proposal flies in the face of all our past experience from Stilwell to Barr. It is the old question of responsibility without authority and it is the even older question of an attempt by the Chinese to involve us directly in the civil war and to capitalize on our military as special pleaders for increased aid.

Before embarking on this new venture it is reasonable to ask what are the chances of success. This proposal flies in the face of the Joint Intelligence estimate quoted in the body of NSC 48/1⁸⁶ and in effect runs counter to the entire analysis and discussion contained in this paper. It can be presumed, therefore, that the chance of permanently or indefinitely denying Formosa by the use of this device is slim.

What then would be the consequences of failure? Essentially U.S. prestige, if not U.S. military forces, would be nailed firmly to the

⁸⁴ *Ante*, p. 457.

⁸⁵ See telegram Cantel No. 1343, December 27, 1 p. m., from the Chargé in China, vol. VIII, "Successive moves of the Embassy office in China . . .".

⁸⁶ See *United States-Vietnam Relations*, vol. 8, p. 245.

mast of a discredited regime to the dismay of our friends in Asia and to the delight of the Communists who could unite all Mainland China on the issue of U.S. military intervention. It would cancel all our efforts to disengage from the hopeless affiliation and regain our initiative. It would obscure the fact that the failure was a Chinese one despite their possession of resources adequate for their own defenses. It would moreover encourage and enable the Nationalists to carry the war by air and sea to the Mainland and thereby almost inevitably lead to frictions and complications with the British and other friendly powers who will recognize the Communist regime without holding out any real possibility of a re-conquest of China itself.

The British attitude on aid to Formosa is clear. They are justifiably concerned over the possibility of an increased military threat to Hong Kong if Formosa and its military dumps fall into Communist hands.

The sincerity of the Generalissimo in the pledges he is now offering can be judged by K. C. Wu's statement that he is being given one month in which to obtain increased American aid. It should also be noted that last June and again last November in response to Chinese suggestions that we supply military advisers we informed the Chinese that we had no objection to their employment of former U.S. Army and Naval officers provided they were employed directly by the Chinese Government. The Chinese have shown no interest in such an arrangement.

894A.20/12-2949

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] December 29, 1949.

Participants: General Omar N. Bradley
 General J. Lawton Collins
 Lt. General Lauris Norstad
 Admiral Forrest Sherman
 The Secretary
 Dean Rusk, Deputy Under Secretary
 W. Walton Butterworth, Assistant Secretary, FE
 Livingston T. Merchant, Deputy Assistant Secretary,
 FE

The Joint Chiefs of Staff met with me this morning in my office at my request for the purpose of obtaining clarification of their memorandum of December 23⁸⁷ submitted to the National Security Council.

In reply to General Bradley's opening statement to the effect that he assumed I desired them to discuss their strategic concept in the Far

⁸⁷ *Ante*, p. 460.

East, I replied that I was specifically interested in ascertaining exactly what is the strategic importance of Formosa. I stated that my understanding of their past pronouncements on the subject was that the strategic importance of Formosa was insufficient to warrant the use of United States armed forces; that the Department of State had been doing its best to execute the existing policies laid down by the National Security Council with respect to Formosa; and that we had reported to the Council last summer that we foresaw the probability of ultimate failure. The Joint Chiefs' most recent memorandum, however, I said, appeared to give a different view or weight to the matter.

General Bradley denied that there had been any change in the position of the Joint Chiefs. He recapitulated their past statements, pointing out that they had always considered Formosa important and mentioning that their recommendation last February to base minor U.S. Naval units on Formosa had been overruled by the National Security Council. He added that a study made by the Joint Chiefs in October arrived at the conclusion that military assistance to the Nationalist Government was desirable but that since no funds were then available for the purpose, the matter was not pressed. The December 23 recommendation, General Bradley continued, was based on the existence of funds under Section 303 of the Military Assistance Act⁸⁸ and on the estimate that in the recent past the situation had changed on Formosa. In this connection, he pointed out that Chinese Air Force units have been brought to the Island in force, that the families of officers had been moved from the Mainland to the Island with resultant lessened risk of individual defections and that it was evident that the Chinese Air Force, ground force and Navy were in need of gasoline, bombs, ammunition and certain maintenance parts. General Bradley then asked Admiral Sherman if he had adequately covered the Joint Chiefs' position, which the Admiral agreed had been done but added that in the recent past K. C. Wu had been installed as Governor. General Bradley concluded by stating that they believed a survey team should now assess the needs of the Chinese since money was available to meet those needs. General Collins interjected that the Intelligence Estimate of October 19 was going to be changed and added that the Joint Chiefs' views were that by comparatively small expenditures Formosa might be placed in a position where it would hold out longer than otherwise, with a consequent significant effect on the ability of the Chinese Communists to consolidate their regime.

In response to Mr. Butterworth's question, General Collins elaborated on the underlying reasoning of the Joint Chiefs. He referred to the importance of preventing an extension of Communist domination

⁸⁸ Approved October 6, 1949; 63 Stat. 714, 716.

to Indochina, Burma and Siam, agreeing that the risk was one of infiltration and subversion rather than invasion by armed forces from China. He emphasized the importance of maintaining Formosa for its diversionary value, expressing the belief that Chinese Communist expansion to the south might be deflected so long as they had Formosa to contend with or subdue.

Mr. Rusk and Mr. Butterworth questioned whether there was not an element of pre-judgment in the JCS paper in that it stated that it was in our security interests to give military aid to Formosa and then suggested sending a team in to ascertain what the need was. They were also asked whether the Joint Chiefs visualized such aid as a Government-to-Government transaction and whether it was their intention to establish a new JUSMAG or merely to permit the Chinese to employ ex-military men as advisers.

It developed from these and other questions that there was no intention to send combat troops into Formosa, that it would be up to the State Department as to the mechanics on which the aid would be made available and that, if anything, the Joint Chiefs had a preference for ex-officers being employed by the Chinese as advisers. During the course of this phase of the discussion, General MacArthur was stated to feel very keenly the importance of preventing the early fall of Formosa, but that he did not recommend sending U.S. troops in.

At this point I stated that I would like to explain the background against which I viewed the problem of Formosa and to ascertain whether we were discussing the best methods of checking Communism in Asia or the degree of essentiality of Formosa to the defense of the United States. I pointed out that the Communists now in fact control China and that the conquest has not primarily been by force but due to the collapse of the Kuomintang and the existence of a long-smoldering agrarian revolution on which the Communists have capitalized. We must face the fact that there is no Chinese basis of resistance to Communism. We must also face the certainty that throughout Southeast Asia the Communists will seek to extend their domination, probably by subversive methods and not invasion. We must do our utmost to strengthen the neighbors of China. What we have to do is build up their internal stability, help them to produce more food and raise even moderately their standard of living. Above all we must get ourselves on the side of Nationalist movements, a task which is easier now that the dead hand of European colonialism has been removed. We must help these young countries to organize and assist them by Point IV⁸⁹ and other demonstrations of our ability and willingness to help them. More-

⁸⁹ See President Truman's inaugural address on January 20, 1949, Department of State *Bulletin*, January 30, 1949, pp. 123-126.

over, I said we must accept as fact that the Chinese Communists are Marxists who regard the Soviet Union as their great and only friend. In all this we must take the long view not of 6 or 12 months but of 6 or 12 years. I said that in the Soviet effort to detach the northern tier of provinces in China exists the seed of inevitable conflict between China and the Soviet Union. Mao is not a true satellite in that he came to power by his own efforts and was not installed in office by the Soviet Army. This situation, I pointed out, is our one important asset in China and it would have to be for a very important strategic purpose that we would take an action which would substitute ourselves for the Soviets as the imperialist menace to China. For these reasons we oppose waging economic warfare against China. Of course we can't let them have strategic materials but we must not provide them with a basis for propaganda to the effect that by our actions we are responsible for creating the economic difficulties which the Chinese people are bound to undergo under the Communists, nor must we overlook the fact that Japan, whose natural trade is with China, cannot remain forever a pensioner of the American taxpayer. We are in a position resembling that in which Russia found herself in 1927 when she was driven from China and her influence liquidated. It has taken her 22 years to return to a position of dominant influence and it may similarly take us as long.

I continued that it is against this backdrop that the Department of State looks at Formosa. We ask ourselves is the risk of its falling due to assault—that seems unlikely. The real danger is the continued decay within. With a hostile population, overrun by refugees, a corrupt government, even though K. C. Wu has been brought forward as scenery, it seems likely we will see a continuation of the process which lost the Mainland.

Assuming that by following the course recommended by the Joint Chiefs we can postpone the fall of Formosa for a year, we must ask what price do we pay for this delay. I believe that, first, we will have once more involved U.S. prestige in another failure for all to see; moreover, and of greater importance, we will excite and bring upon ourselves the united Chinese hatred of foreigners. We risk giving the Soviets a chance of bringing us before the Security Council and throughout all Asia we would be represented as the supporters of this discredited, decayed Kmt Government. If at this price we acquire an island essential to the defenses of the United States then it might be worth the price but there does not appear to be demonstrated a claim that the loss of Formosa really breaches our defense.

General Bradley replied that my reasoning was political and the Joint Chiefs were only giving the military view, while recognizing that political considerations often must override military considera-

tions. He added that he inferred that I had decided it was better to let Formosa go for political reasons. I agreed that unless the Joint Chiefs could offer strategic reasons beyond those adduced, I was inclined to regard the political price as too high to pay for the purchase of some additional time. In response to General Bradley's latter question, however, I stated that from this it did not follow that we should let Formosa go and then recognize the Communist Government.

There followed some discussion on the seriousness of both the military supplies on the Island and the Nationalist gold falling into the Communist hands and, in this connection, I pointed out the British concern over this former risk. The possible covert support of guerrilla activities on the Mainland came up and it was indicated to the Joint Chiefs that we did not feel there was present basis for such support, General Collins having made the point that if such support were intended Formosa had a further usefulness as a base and headquarters.

In response to a question by Mr. Rusk concerning the relative strategic importance of Korea from which we had militarily pulled out and Formosa, General Collins admitted that the former was more important as a base for attack against Japan and that there was little difference in terms of exposure of Okinawa between hostile air bases on the China Mainland and on Formosa. Admiral Sherman pointed out that the value of an island rests on the fact that being surrounded by water it is more easily defended. He also suggested that if Formosa is doomed we should plan some preventive action to avoid the planes and other military equipment on the Island falling into Communist hands in useful condition.

As the meeting concluded, General Bradley reiterated that the Joint Chiefs were presenting a purely military point of view which reflected the fact that Congress had appropriated money to support these people who were resisting Communism and that he recognized that political considerations might override their views.

894A.00/12-3049

Memorandum of Conversation, by the Director of the Office of Chinese Affairs (Sproue)

[WASHINGTON,] December 30, 1949.

Mr. Ford ⁹⁰ called at his request this afternoon and said that he and Mr. Graves felt it inevitable that the Foreign Office would request the Embassy to inquire of the Department regarding the story appearing in the American press regarding the JCS recommendation for U.S.

⁹⁰ J. F. Ford, First Secretary of the British Embassy.

military advisers and assistance for Formosa. He asked whether there was any information that I could give him at this time to enable them to give the Foreign Office some indication of the Department's attitude on this question. Emphasizing that what I was telling him was solely for the confidential information of the Foreign Office, I said that the Joint Chiefs of Staff had proposed a program of military assistance, including military advisers, for Formosa but that no decision had been reached in this regard. I told him that there was nothing I could say at this time beyond the foregoing.

711.94A/12-3049 : Telegram

The Secretary of State to the Consul at Taipei (Edgar)

WASHINGTON, December 30, 1949—7 p. m.

597. [For] Krentz.²¹ For ur secret info Natl Security Council Dec 29 reconfirmed existing top policy re Formosa contrary to JCS Dec 23 recommendation that mil aid program to Nats be instituted following report on specific needs which would be made by SCAP—Seventh Task Force Survey Mission. Any prelim comments reports on general situation possible for you cable now will be welcomed. Send eyes only Butterworth.

ACHESON

894A.24/12-3049

The Counselor of the British Embassy (Graves) to the Director of the Office of Chinese Affairs (Sprouse)

777/46/49

WASHINGTON, 30 December 1949.

DEAR PHIL: I mentioned to you on the telephone on the 23rd December that I would give you the full story about the thirty demilitarised Sherman tanks which, you pointed out to me, had been shipped from the United Kingdom direct to Formosa. As you were able to note at the time the information took me by surprise. The explanation is, in the language of the message from the Foreign Office, as follows:—

“The position is that in March of this year various departments of His Majesty's Government were approached by an applicant who wished to sell 100 demilitarised Sherman tanks to the Chinese Nationalist Government. When the necessary permission was refused the applicant asked if the tanks could be shipped to the United States.

²¹ Kenneth C. Krentz, former Consul General at Taipei, was now a member of the Policy Planning Staff.

He made no effort to conceal the fact that the intention would be to endeavour to arrange for their onward shipment from the United States to Formosa. The usual procedure for the shipment of military equipment to the United States is that Export Licences are granted provided that copies of the necessary United States Import Licences are produced. After consultation with the United States Embassy, who gave us to understand that it was very unlikely that United States Import Licences would in fact be forthcoming, the Foreign Office advised the departments directly concerned that there seemed no reason to vary the usual procedure in this case.

We heard recently from Formosa that tanks destined for Formosa were said to be awaiting shipping in the United Kingdom. On investigating the position we ascertained that United States Import Licences had in fact been granted, and that United Kingdom Export Licences for shipment "to Formosa via the United States" had also been granted. We at once arranged for all outstanding licences to be cancelled.

It is unfortunately true however that 30 tanks had already been shipped on the S.S. "Ocean Side" which sailed on October 20th. On receipt of your telegram under reference we enquired into the movements of this ship and ascertained that she did not in fact go to a United States port but proceeded to the Far East via Suez. Although she was scheduled to make no stop between Aden and Kobe, she is understood to have called at Koshun in South Formosa on December 12th. We learn that it was originally intended to have the tanks re-conditioned and re-equipped in the United States and they must therefore have reached Formosa in their present demilitarised condition.

We are looking further into the question whether any breach of the regulations has been committed, but in the meantime you will no doubt wish to explain the position to the State Department."

2. You will note that the tanks were in a demilitarised condition when they arrived in Formosa.

3. Immediately on receipt of this message we telegraphed to ask whether we could give you an assurance that steps had already been taken to see that the remaining 55 tanks should not leave the United Kingdom for direct or indirect shipment to Formosa. We have had a reply to the effect that this assurance can be given.

4. Now that this particular episode has been presented may we get back to the choric song—that is, the memorandum I left on the 6th December? I have of course passed on the list of light armoured vehicles and outstanding aeroplane procurements which you gave me on the 21st December but if you could let us know what your attitude is to our suggestion that the flow of arms might be stopped or restricted I should be very grateful.

Yours sincerely,

HUBERT GRAVES

893.00/12-3049

The Governor of Taiwan (Wu) to the Director of the Office of Chinese Affairs (Sprouse)

TAIPEH, December 30, 1949.

DEAR MR. SPROUSE: I am writing you this letter in the belief that as head of the Division of Chinese Affairs of the State Department you will be deeply interested in the present situation in Free China and the steps we are taking to solve the problems confronting us on this island. In assuming my new duties as Governor of Taiwan I am well aware that whatever reforms we undertake must aim at the achievement of a most important twofold object: that is, political and economic stability. In order to achieve political stability we have decided to give the Taiwanese a greater voice in the provincial administration. The recent reorganization of the Provincial Government has resulted in the inclusion of seventeen Taiwanese leaders among its twenty-three Commissioners, while out of the five Departmental Commissioners no less than three are Taiwanese. My attempt to bring the various Taiwanese groups together into a united front has proved successful and I have been greatly encouraged by their readiness to give whole-hearted support to both the National Government and the Provincial Government in our anti-Communist struggle.

I also wish to mention here in passing that great stress is placed by us on respect for freedom of the press, which has been the consistent policy of the National Government since the termination of the war with Japan.

In the meantime, we are taking positive measures for bringing about economic reforms. Trade with our neighbors in the Far East and with other parts of Free China is being facilitated by removing all barriers. Free enterprise is being encouraged as far as possible. In addition, we are taking active steps to reform the land system in Taiwan in order to improve the livelihood of the people. All these measures, I believe, will not fail to help us achieve economic stability.

Notwithstanding the reverses we have suffered on the mainland, I firmly believe we still have a bright future if the reforms we are undertaking are pushed with vigor and determination. The success of our own efforts, of course, is doubly assured in view of the generous support your great country is ready to accord to us. With the constant encouragement and increasing aid of the United States, which we shall gratefully utilize to the fullest extent, we cannot fail to accomplish our task of checking Communist expansion and eventually recovering all the territory lost to the enemy.

In giving you this brief outline of the reforms we are trying to carry out in our administration of this island I venture to hope that you

will be kind enough to favor me with your friendly advice whenever time permits.

With warm personal regards and best wishes for a Happy New Year.

Yours most sincerely,

K. C. WU

893.002/12-3149: Telegram

The Chargé in China (Strong) to the Secretary of State

TAIPEI, December 31, 1949—3 p. m.
[Received December 31—4:05 a. m.]

Cantel 1349. Appears to be good possibility that Generalissimo's effort assuage US will result in ouster of Yen Hsi-shan and appointment of Chang Chun⁹² as Premier.

At lunch December 29 K. C. Wu invited Chang as only guest with Krentz, Edgar and myself and took great pains to point out that, although some people might be unaware of it, Chang was a real liberal. Wu also referred to Chang as his former boss and friend.

Secretary to Yen on December 30 himself volunteered possibility Yen resignation in favor Chang.

If appointed, Chang will complete the triumvirate of American favorites together with Sun Li-jen as Defense Commander of Taiwan and Wu as Governor.⁹³

STRONG

⁹² Chinese Minister without Portfolio and former President of the Executive Yuan.

⁹³ Marshal Yen and General Chang both became Senior Advisers to President Chiang Kai-shek in March 1950, while General Chen Cheng became President of the Executive Yuan.