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U. S. POLICY IN THE FAR EAST — FREE ASIA

by

Dr. Walt W. Rostow

Gentlemen :

It was the fundamental conclusion of the discussion on Communist China yesterday that a margin of Free World influence exists in Free Asia over the course of events and courses of action likely to be taken in Communist China.

The lecture today is concerned with the area within which, if we are to affect the evolution of Communist China, we must mainly bring our influence to bear — that is, Free Asia. From the point of view of American action — towards which these lectures are leading — there are two intelligence evaluations that must be made.

The first, in a rough and ready way, I tried to make in my first lecture in the stylized consideration of the determinants of the prospects for Communist China.

I shall take a shot today at making the second intelligence appreciation; namely, an appreciation of the problems, dangers, and potentialities of Free Asia — the area which in one sense constitutes the raw materials with which the United States in a large part must work in coping with the problem posed for us by Communist China. Again I shall try to set up this argument in such a way that it leads naturally from intelligence appreciation to U. S. action, which I hope to treat on Monday.

First, there is a question which I should like to raise in your minds as to whether there is such a thing as “Free Asia”. The term “Free Asia” arises in part from an attempt in strategic papers in Washington to have a convenient phrase for the vast

area stretching from Japan around to West Pakistan. In part it is a phrase of propaganda. As we shall see, when I come back at the end of this lecture, I believe that there *is* real substance in the phrase "Free Asia", but I should like to begin with skepticism.

One of my favorite quotations is from an old classics scholar at Cambridge, England, who once defined propaganda (this is more or less accurate) as "that branch of the art of lying which succeeds in confusing your friends without quite deceiving your enemies." It is generally true of propaganda, as my old friend and former colleague, Gunnar Myrdal says . . . "the one sure victim of propaganda is the propagandist".

I think it is important when we use a phrase like "Free Asia" to begin with a fairly skeptical look at what we are talking about.

Geographically, we are considering an arc stretching from the northern island of Japan around through certain mainland positions, certain islands, through Malaya, India, and out to West Pakistan. We can and should include in Free Asia two societies quite different from the rest — those of Australia and New Zealand.

Politically, we are considering traditional kingdoms, hardly touched by this century in some ways, around through quasi-dictatorships, to more or less stable — on the whole *less* stable — democracies. Within these democracies we have some radical governments in our normal political sense, and such conservative governments as that of Japan.

Economically, we embrace within this area traditional, and virtually untouched, segments of Asian economy. There are societies which are beginning to develop the conditions for a transition to modern status, and societies which are struggling to make that transition into a position of sustained economic growth. And we have in Japan, at least, one modern economy.

Culturally, we are dealing with societies whose ultimate ethical and religious foundations range from the Shinto religion to Moslem societies and Buddhist societies; we have Hindu areas; we have Confucianism in Free Asia, and we have Christianity.

We are dealing with a vast area, sprawling in an exterior arc around the periphery of eastern Eurasia. The segments of this arc are at widely different stages of political and economic development. The human beings who live there are loyal to widely different cultures and religions; and, above all, they confront the Communist aggression in highly differing forms and with different degrees of urgency.

In trying to make some order out of this analysis and avoiding a kind of quick and rather meaningless travelogue, the best approach I could think of was this: to define Free Asia in terms of five (5) key problems, each of which I will symbolize in a particular area. This is a device of intelligence appreciation which I think may help to lead us in the end into the issues of U. S. action.

The five key problems, isolated quite arbitrarily to draw this sketch of Free Asia, are the following: (1) the problem of the industrial power base — there, uniquely, the case of Japan; (2) the problem of the transition to sustained economic growth, which I shall treat briefly in the context of India; (3) the problem of the pre-transitional areas — there I shall have a few remarks to make about Burma and Indonesia; (4) the 'soft' area — south Vietnam, Laos, Cambodia, Thailand, and, if you like, Malaya, the area which is most vulnerable and at the moment the most intense focus for Communist aggression; and finally, (5) the special case of Formosa.

What I should like now to do is briefly to make a few observations on each of these key problem areas, leaving for your question period an exploration of the issues which I cannot touch. I shall discuss first the economic problems of the area and then the psychological and political problems.

First, the economic problem of Japan. The economic problem of Japan is — or should be — in many ways familiar to us. It is the last industrial country in the world which still faces the kind of balance of payments problem which led in Western Europe to the Marshall Plan. By that I mean it now requires to sustain its economy a higher level of imports than the foreign exchange available to it can afford. Not only is there a problem of the size of exports, but there is the so called 'dollar problem' — that is, it now can only get certain of its key imports, physically, from the United States and other dollar areas, notably raw cotton and food. It is not in a position in its foreign trade to earn enough dollars to get the food and raw materials it requires.

If one is looking to a solution, this balance of payments problem breaks down into two quite separate problems. The first problem is the internal structure of Japan. There, it is clear that if Japan is to solve its problem, it must produce a new pattern of Japanese industry, and therefore, it must inaugurate a new pattern of domestic investment. In a sense it must do what Britain has succeeded in doing in the post-war period. It must shift out of its traditional cotton textile exports and build up those industries which have the best chance of earning foreign exchange in the contemporary world. It must build up its engineering industries, its machine tools, electricity, and motor transport industries in particular. There is some fighting chance that Japan, in a healthy Free World economy, could learn what it needs if it exported these more advanced goods. There is very little chance that it can pay its way in the modern world if it does not produce a transformation in the scale and productivity of these industries and if it continues to rely on cotton textiles.

The success of the British export drive since 1945, incidentally, if the story is tracked back far enough, hinges on exactly the same factors which won the Battle of Britain for that country. By that I mean that between the wars there quietly developed, in the period when the general trends were downward, a vigorous

light engineering industry; and the sort of men that made the light engineering industry vigorous and creative without much public attention were also the kind of men who made the R. A. F. a vigorous and capable service. It is the engineering industry which has taken the burden of the British export drive in the post-war world and has produced a sustained level of exports about 50% higher than pre-war. It is something like that kind of a transformation, internally, which Japan requires.

Of course, the second thing which Japan requires is larger markets for its exports and enlarged sources of supply for its foodstuffs and raw materials. It was this fact — the fact that Japan depends for its survival on a rapidly developing environment — which explains Premier Yoshida's speech when he was recently in the United States. It was perhaps something of a surprise to some that in his one public statement he did not advocate a large program of aid to Japan directly. He advocated a 4-billion-dollar-a-year investment program in Free Asia as a whole. This was sound nationalist economics from the Japanese point of view, because Japan requires a more rapid rate of growth in the areas to which it might sell, and it requires enlarged production in those areas for the things it needs. Roughly speaking, I would say that Premier Yoshida's recommendation, whatever the appropriate scale, was in the right direction from the Japanese point of view; and also, I would add, from the American point of view.

The question then arises to what extent, if at all, East-West trade is — or should be — a solution to the Japanese problem. There, my own recent immersion in the Asian problem has brought me up with a conclusion which I had not expected. I was quite prepared to come up with a conclusion which might be roughly along these lines:- East-West trade could be of great importance to the Japanese economy. Enlarged East-West trade, however, is not in the U. S. political interests. We must therefore cope with these cross-purposes.

I think it turns out that, if you examine carefully the position of Communist China and also the Soviet Union, you find that there is in prospect no significant margin of East-West trade that will be available for Japan. The scale of the potential exports from the Soviet Union and especially Communist China, and the commodities which they would have available for export, in no way promise to afford a solution to the Japanese problem, even if it were politically wise. Specifically, Japan above all needs food-stuffs and it needs raw cotton, which account for about 60% of what it imports in value. Then there is a whole raft of raw materials for industry.

When we talk about Japanese imports, the ones which we talk about most often are coal and iron ore. These are a very small proportion of the required Japanese imports. On the basis of what I have been able to establish, I would say that, given the scale of the long-term Chinese commitments to trade with the Soviet bloc, given the probable course of its agricultural output, given the probable internal requirements of Communist China for its own coal and iron ore, there is just not going to be a significant margin for Japan.

So I emerge with a conclusion (quite aside from the politics of the situation) that if there is to be a solution to the Japanese trade problem, it must lie in the Free World.

These, briefly, are the three headings under which the Japanese situation must be approached: (1) the internal structural problem; (2) the external market problem; and (3) the East-West trade problem.

As an economist, I have come strongly to feel that in approaching a serious problem of policy, even if it has as high an economic component as the Japanese problem, you must never lead yourself into the position where you believe that the economic part of the problem is the whole answer. Nevertheless, it is clear

that there is no way of making Japan take up a positive and constructive role, militarily and politically, in Free Asia unless we do solve the economic problem. But I would hazard the view, although I do not count myself as an expert on Japan, that the psychological and political problem of Japan deserves as much attention as the economic problem.

Here I speak with a real diffidence. I have given some sustained thought to the Chinese situation, and to other parts of Asia, but I have not been able to give this to Japan, and I am now giving you my impressions. I feel that the state of democracy in Japan will hinge on: first, the kind of environment which the Free World gives to the Japanese. I believe that our occupation in Japan got off to an excellent start. But the things that were done in the early stages of the occupation, while they were in the right direction, cannot in themselves guarantee the stability of Japan as a part of the Free World. Specifically, we must find a role for Japan in which it not only earns its own way (and develops a sense of dignity and independence that comes to a country that is earning its own way in the world and is not dependant on handouts) but we must also find constructive functions for Japan in the Free World's politics and political organization.

From reports that I have received, I believe it to be the case that we in the United States have suffered a most severe setback in our relations with Japan in the manner in which the United States had handled the cases of those Japanese injured in the fall — out from the atomic bomb tests. The stories which I have heard from reliable people make me feel even more strongly that in addition to relations with Japan that encompass its economic problem, giving Japan a foundation of viability, we must give more thought to creating an environment in Free Asia in which Japan can again assume a role of dignity, and a status of constructive leadership.

I would now like to turn to the case of India, which is perhaps the most important area in Asia falling under the heading

of those trying to make the transition to sustained economic progress. It is the area in Asia which, whether Nehru likes it or not, or whether we like it or not, is in inevitable and unavoidable competition with the Chinese Communists over this decade.

As an historian, I have the feeling that this is an extremely interesting affair. I am sure that for good reasons, many of which I am in sympathy, men in Washington would prefer this not to be so. They would prefer not to have so large a stake in the Free World depend on what happens relatively in India and China over this decade.

After talking to some Indians, I believe that many of them, too, would be delighted if they were not caught up in this extremely interesting competition parallelism in Asia. But I am also reasonably sure that, whether any of us like it or not, the relative outcome of the Indian performance and the Chinese Communist performance between now and the 1960's is going to be one of the historic determinants of the fate of Asia, and therefore of the fate of the balance of power.

Now let us consider very briefly the Indian economic problem.

Their First Five-Year Plan ran from fiscal year 1950-51 to fiscal year 1955-56. It is now well along. It was a plan which in a sense was not an industrialization plan at all. It can best be understood as a "crash" plan to permit India to get a stage ahead in the race between population and food. A very high proportion of the effort and investment of this First Five-Year Plan was in agriculture; a relatively low proportion of the investment was in industry. Indeed, at the time the plan was launched, only such an effort made sense if you took the view that a democratic government cannot afford, and should not afford, large-scale starvation. Because the Indian population was growing rapidly, its low agricultural productivity was forcing it to use its limited foreign exchange for food, and India would have gone on into a position of greater and greater dependence on food imports, forestalling

any serious economic development in the field of industry, if something had not been done. It is true that the plan did provide for some industrial investment, but about 30% of the total investment under the plan was to be in agriculture.

We are now about 60% through this Plan, and the results are quite interesting. The Indians in three years have produced an increase in agricultural output which they had planned for five years. Thus far they have produced an increase in the total national income of about what they had planned. But if you look at their investment in industry, it has fallen behind what they had planned for at this stage. They are now, against the background of their relative agricultural success, formulating a Second Five-Year Plan and revising their methods for the latter part of the First Five-Year Plan. The upshot of this will be a much more serious effort to increase industrial output.

I want to underline to you the rather extraordinary results achieved in agriculture. They, in themselves, do *not* guarantee the success of the Indian Five-Year Plan; because now India must prove that it can go on and produce a sustained expansion in industry. But the agricultural progress made does prove something which may be of great importance. The reason for this increase in output has been a remarkable "grass roots" revolution, which began with demonstration in selected villages but fanned out in a kind of non-atomic fission to villages where government administrators and demonstrators did not go. The key things that are being done economically are the expansion of the use of chemical fertilizers and the expansion of double-cropping, which means increased irrigation.

I met a young Indian in Nashville recently who told me that he, a government bureaucrat, had no idea what was going on until he went back to his native village and found his aged grandmother very much excited about the Japanese method of rice culture. Somehow the Indians have stumbled on a formula, or

a method, which is producing in agriculture quite remarkable results. Their food supply is pretty well assured, at the moment. In fact, the latest information which we have is that the Indians are quite worried that they will produce a food surplus and break the food price, which would much discourage the peasant. They are now thinking of much larger schemes of storage to carry them through, and possibly even of food export.

In short, it is too soon to be sure, but there are no grounds for being discouraged with the notion that the method of consent can produce on the Asian scene a remarkable increase in agricultural productivity. It still remains to be seen whether — in the language which my colleague, Mr. Bator, has undoubtedly taught you — you can increase the marginal rate of savings and increase the average rate of savings from the 5% or so, at which it begins in an underdeveloped country, up to the 15% to 20% which is required for a high rate of sustained growth. But I did want to underline the extent to which at least one important breakthrough appears to have been made.

A comparison between India and China is of some interest at this stage. It is difficult because one cannot be sure of the Chinese Communist figures, but I think the main features are quite straightforward. The Chinese Communists are investing a somewhat higher proportion of their national income than are the Indians. The orders of magnitude are hard to state, but perhaps if we take 12% of national income for Communist China, and at the moment something like 8-9% as the gross investment percentage for India, we would be about right. So the first point is a somewhat higher, but not markedly higher, rate of gross investment for China.

The first big difference is that India is investing about 30% in agriculture, and the Chinese Communists are investing 10%. That 10% is mainly in the form of forced labor and labor-intensive projects, such as flood control.

In industry, the Indians are investing perhaps 25% and the Chinese Communists 50% of their total investment. So the proportion of investment in industry is very much higher in Communist China, while it is less in agriculture.

With respect to military outlays, as near as one can gauge them, the Indians are expending about one-fourth of the Chinese Communist figure — a difference perhaps between 2% of national income and 8%. That 8% may be underestimated, because there are items in the Chinese Communist budget which are probably military items, but are concealed.

So we are having a test of two methods in Asia, one of which is working on the principle of consent and on the other principle that the individual Asian should share in the improvements in welfare as the plan progresses; the other, in Communist China, is a ruthless concentration on heavy industries and military outlays, and the control system is used to compress the level of welfare in order to finance this effort. I should say that the outcome hinges on the question that I raised last time, whether the Chinese Communists get the 10% increase in agricultural output that they require to swing their plan; and, on the other hand, whether India can move from its rather successful first phase in agriculture into an accelerated industrialization.

It is at that strategic point, I believe, that the United States could make a major — and perhaps decisive — contribution to the Indian position.

I should perhaps say that, from an American point of view when one is used to American economic figures, it is quite staggering to look at the orders of magnitude involved in these historic Asian economic development plans. If you take a country like Communist China, with 600 million persons beginning the process of industrialization, supporting an armed establishment whose capabilities we all sense, making an extraordinary effort to mobilize resources for investment and concentrate them on industry.

— I doubt that any of you could guess roughly what the figure is, this 50% of total investment per year going into industry. Fifty percent of the Chinese Communist total investments comes to a figure of about two billion dollars a year! Of course, the Indian figures are much lower. In other words, when you look at the margins on which this growth race hinge, and the stakes in orders of magnitude; and when you think that General Motors recently announced an expansion program for about a year or so ahead of the order of a billion-and-a-half dollars of its *own* investments — substantially more than India now invests in a single year — one cannot conclude that it is outside the capabilities of the United States to influence the outcome in a fairly significant way by the degree of its investment in these countries.

I think it is quite proper in India to give a high priority to the economic problem, just as it is in Japan. In Japan, all the political warfare and wise diplomacy in the world is not going to make a sound ally out of Japan unless we can give Japan a basis of economic viability. By 'give' I mean not with money, but in terms of common policies and in terms of our general Free World economic program. Similarly, so far as Asia is concerned, there is in India a unique degree of political focusing of attention around the economic problem. Nevertheless, when all has been said, in the case of India one still faces important psychological and political problems in weaving India into the Free World alliance.

I have listed here four elements which enter into the psychological and political problems of India. One could set them up in quite different ways and my listing is quite arbitrary. One of the things which I believe to be extremely important is the extent to which India regards either the Free World or Communist China as the wave of the future. As you know, most Asian politicians, when they make their speeches, most often talk in terms of anti-colonialism, a desire for peace, economic progress and so on. Even so casual a student of the Orient as myself cannot emerge without a strong feeling that equally in their minds and equally real is

a much simpler calculation — who will win? Who will win militarily, in terms of power? Who will win in terms of the success and persuasiveness of their ideology?

Whatever the impact may have been of the Indo-China crisis upon India in terms of the disengagement of a Colonial power, in terms of a diplomatically-achieved settlement rather than a war, one cannot underestimate the extent to which the Indo-China crisis was also a demonstration which tended to make people believe that the West was not winning in Asia — that the West was not “the wave of the future”. I believe that this “wave of the future” notion has a straight military component, but it also has an ideological component. It is a factor hard to establish. I can only say that I myself, from this recent immersion in the Asian problem, sensed it wherever I turned; and I have talked to many more-authentic Asian experts who, almost without exception, confirm the notion that strong in the mind of the Asian is this question: **Who will win?**

The second psychological problem is the problem — which I have noted in quotation marks — of “peace”. Nehru, in many ways of course, is an enigma to us, annoying and baffling. After you go through this exercise which I am about to present in trying to give you a rational base for his policy, there are still a great many things he says and does which do not fit the rational explanation which I am about to give. But I think that in order to understand what, from our point of view, are the grave risks that the Asian neutralists, and especially India, are willing to take with Communism, we must understand how the position looks from their own national point of view.

India wants to modernize its whole society. To do this, it must modernize its economy. It is committed ideologically and culturally to a method of modernization in which India’s rulers deny themselves the techniques of force that are available to Communists. They must work by persuasion. As I have indicated, this

means that they must share increases in output between investment and public welfare. It means that they must try to save all they can for investment and public welfare from the military sector. And they desperately want time.

I have brought along here the chart which belongs in the Indian First Five-Year Plan. It is a set of curves that the economists have made, which are very simple curves, running from 1950-51 down to 1985, showing how the Indian national income and level of consumption might evolve if all went well. It is based on some very simple arithmetic, but it nevertheless has in their minds certain reality, and it is not an impossible set of plans. What emerges from it is an extraordinary period of strain in which they are building up their rate of investment between 1950-51 down to about 1963, after which, due to the nature of the arithmetic involved, the curves really begin to take off, and India will have found its way into sustained growth. What a rational India might want, given this commitment, is a period in which it could minimize its outlays on military purposes down to about 1963-65. There is no doubt that this desire to conserve resources, to avoid military outlays and the costs that go with having war around it, *in part* accounts for what we have come to think of as the "Nehru frame of mind."

There is a third element here, which is a tremendous desire, enhanced by the recent Colonial past of India, to be treated with dignity and authority, and with equality in the Free World. We, in the United States, tend — having so long supported it — to take India's independence as a matter of course. Our attitude is: "Yes, this is fine. At last you are free. But now, for goodness sake, begin to assume the responsibilities that go with independence."

There are, however, levels of sensitivities and slights in the Indian mentality which find their way even into Indian diplomacy, and which present a special problem of bringing India into the

Free World alliance. If you like, these relate to the fourth point, which I have headed "The Anti-Western Residues"; that is, the residues of the colonial past. Deep in the Indian there is, notably in his dealings with the United States and also in some dealings with other countries, the believed "color line" which he finds in the West. Although an Indian will rarely talk about it, and he can easily be embarrassed by asking him about the Indian caste system — which is also based on color, primarily — nevertheless there is a level of sensitivity here which presents human and diplomatic problems.

The other issue is the question of Colonialism, to which Indians are sensitive, not only in Asia, but Africa as well.

Having listed these four psychological difficulties, I would simply assert a conclusion to which I have come in the past year or so. That is that, despite these difficulties and cross-purposes between India and the Free World — and in some sense particularly India and the United States — fundamentally I believe that a basis for a mutually beneficial alliance exists, and I believe that is so in the last analysis for a most simple reason. The underlying aspirations of India, as they are likely to be reflected in Indian policy, are in the end consistent with the American interest. This fact may be concealed and frustrated from time to time, but in the end I believe that it will and should out.

I would like to turn to a fourth type of problem in Asia — the "pre-take-off" or the pre-transitional Asian area. It lies somewhere between the rather purposeful efforts of India to make itself into a modern economy and society, and the problem of the 'soft' areas. Indonesia is a case; Burma, to some extent is also a case, although it stands, to our surprise, in a position of greater stability at the moment than does Indonesia.

In Burma, we have a situation, on the economic side, of food surplus. The Burmese are not hungry. This may explain

why, as a whole, the Burmese government is proceeding rather slowly and cautiously with its economic development plans. It is not as ambitious at this stage as India. However, it is making a number of at least not unpromising moves. It is developing a planning staff, and it is showing a certain degree of sophistication in its economic planning, because it is trying to shape its economic plans in such a way as not to uproot or disturb too deeply the underlying Buddhist culture of the country, to which as a nation Burma is greatly attached. There, the problem is not one of a great burst of investment or of a searching transition to self-sustaining growth. Burma must probably go through another five or ten years of building up the preconditions for economic growth — not least in the form of trained administrators — before it can make the race which is dramatized by the Indian and Chinese Communist Five-Year Plans.

In many ways, Indonesia is one of the most promising areas of Asia in terms of natural resources. It is also in a pre-transitional stage. There, technical assistance, the building up of a corps of trained men capable of handling industrial problems, the building of roads, the development of ports, and the development of electric power — all of these pre-conditions must be gone through for at least another five or ten years before Indonesia might attempt the great transition.

In Indonesia, there is a particularly awkward problem, as many of you may know, which takes this form: the Indonesians themselves have not developed an important business class. Business is conducted by the Chinese in Indonesia. Now, as economic development takes on increasing importance, they face a dilemma. Should they build their entrepreneurial class on the Chinese; or should they contain the Chinese, who have a great natural advantage in this field, until the moment when they can build up an indigenous commercial and industrial class? This is a searching and very difficult political and social problem, as well as an economic problem.

On the political and psychological side, one finds in Indonesia and in Burma symptoms that are equivalent to their pre-transitional economic status. By and large, the governments are weak governments, although Burma, given its extremely rocky beginning, has put on a good show. There is something which perhaps goes deeper, and is one of the explanations for the weak governments. There is no clear consensus of objectives among the political elite of the country. One of the foundations for a stable society is that those from whom politicians are drawn, or the group from whom all responsible men in a society are drawn, must share — even if they disagree on important matters — a large area of ideas and objectives before the society can work. I believe that this is one of the presuppositions of any stable, democratic society, and one which in many ways is as important as the techniques of free elections. We in this country, and those in the other countries of the Free World which are stable, rely upon that consensus. If it is violated by lack of mutual trust and clarity of vision, the whole society feels the effects. The lack of consensus is notable in Indonesia and in certain other areas of the Far East.

Of course there is in Burma, which is proximate to Communist China, an unsolved border problem and a chronic Communist guerrilla problem which is now muted. If I were to make a guess, I should say in looking ahead two or three years that Burma is quite a promising recruit for SEATO. It is obviously becoming increasingly sensitive to its borders and to Communist intentions on them.

Indonesia has its problems, mainly in the form of an active Communist Party and other forms of infiltration through the overseas Chinese.

These "pre-take-off" areas are areas where there is some motion towards economic and political solution, where there is much to be done in American policy bilaterally, but where probably the most important things that we can do are to create

an Asian environment as a whole which would permit them to find their feet. It is bound to be a slow and rocky performance, marked by continuing pressure on the governments and occasional crises and setbacks. We must try to set up a framework in Asia which will protect those countries from external aggression, which will help them cope with other forms of subversion, which will assist them on the slow road — and we must acknowledge that it will be slow — toward economic growth and political stability. We must let them have an environment in which growth can be reasonably natural.

Now I turn briefly to the 'soft' areas — the area in which south Vietnam is most on our minds, but in which the fate of Laos, Cambodia, Thailand, and, in a different sense Malaya, are bound up. These are areas which would have fallen into the category of pre-take-off regions, should there not have been the Viet-minh victory. I will simply list what I believe to be the headings under which the problem exists and the headings under which policy action must take place.

It is clear that in good military style the enemy is making South Vietnam the initial primary focus of his attention, hoping that a break-through there will have secondary repercussions in the other areas. I assume the preparations are underway, from such accounts as are available to me, to exploit in Laos, Cambodia, Thailand, and so on, the break-through for which they are working in South Vietnam.

From our point of view the problem is first one of local political leadership, capable of dramatizing an alternative to Communism sufficiently strong and sufficiently attractive to permit the two operational functions required to take place; that is, the development of vigorous political and counter-subversive counter-measures, and the creation of an army capable of contributing to border defense and to effective counter-guerrilla measures. All

three — that is, political leadership, political and counter-subversive countermeasures, and counter-guerrilla measures — appear to be necessary. But I do not think the latter two are possible without the first.

Here, I would say that the economic problem is in one sense much less acute than it is in other parts of Asia. This is not on the whole a hungry area, although northern Vietnam may become hungry soon. But the peasants' aspirations have been stirred — notably with respect to land reform — and in a curious sense we may need to include in the programs of these areas land reform and economic development not because of a desperate urgency in the economic position, but because these areas have been caught up in the general revolution in Asian expectations.

Now, quickly, the subheadings of the Formosa case, to which we will give more attention in the next lecture.

The economic problem is potentially serious, but not yet acute there. Formosa, like Japan, has exploited quite fully the potentialities of chemical fertilizers to develop a high productivity in Asian agriculture. The population is growing. The death rate has been brought down to the extraordinary level — not very far from our own — of nine per thousand. In the long pull Formosa will face a population problem. It has some industrial base, and I believe that its future will have to depend upon the further building up of its industry. In this, it must attract capital, including the capital of Chinese now in Hong Kong and elsewhere in Southeast Asia. But the economic problem is not at this time acute.

The great problem is, of course, the political problem. There are a number of subheadings. The first one is exceedingly simple. I have had the pleasure and privilege in the course of my work on China of talking with a number of men from Formosa, or very close to it. It is clear that, above all, those Chinese on Formosa who are politically responsible want the United States to clarify

what it is that the United States wants of Formosa. Of course they would be delighted to see a war in which the United States defeated Communist China and reinstall them in Peking or Nanking. They read the newspapers and they know that this may not be a possible course of action for the United States. One of the most moving experiences which I have had in talking with men from that country has been the question: "What is it that you want of us? Do you want us to simply be a defensive island base in your chain of islands? Where do we fit?"

They will be very frank indeed, in talking with you, in acknowledging that they are dependent upon us. I think that the first component in the proper solution of the problem of Formosa is to clarify in our own minds and in the minds of our Allies there, what it is that we want them to do.

Secondly and I believe this falls within the range of any long-run policy on Formosa which does not envisage an imminent war is the building up of Formosa's relation in Free Asia. There is a constructive task for Formosa in relation to the overseas Chinese; in relation to Chinese students throughout Asia who are being competed for by Peking; and Formosa has a very constructive potential task in helping in technical assistance in Asia because the men on Formosa know about as much as anyone about how to get the maximum output per acre output from Asian agriculture.

Of course, there is the great issue of the long-run international status of Formosa — an issue which takes the form of U. N. membership for Communist China and the question of whether the United States shall ever recognize Communist China.

There is a fourth question in the internal democratic evolution of the Nationalist Regime in Formosa. History has not stopped on Formosa. There have been many developments since 1949 in the direction of an increased degree of democracy. There

are many steps further that some on Formosa would like to take. In any case, this is one of the problems which our responsibilities on Formosa pose for us as well as for the Nationalist Chinese.

Fifth, the problem of the Formosans themselves, as opposed to the Chinese Nationalists. Formosans are of the Chinese race, but have a special history. There is the problem of a long-run base for the Army on Formosa and of easing the relations between the Nationalist Regime and the Formosans.

Finally, there is the political role, as well as the military role, of Formosa in relationship to the mainland. What should be the political posture of the men on Formosa towards the mainland?

These are the headings under which the problem of Formosa appears and, as we shall see in the next lecture, I think those are the headings under which a long-run American policy for Formosa must be worked out.

If this sketch of the problems of Free Asia is roughly correct, that vast region poses a very special difficulty for American policy. A part of U. S. policy must be addressed to the region as a whole, and it must be regionally conceived. I think that this goes for our economic policy in good part, and for the whole image of the U. S. purposes which Asians throughout the area have.

On the other hand, within such a framework of general economic action and well-understood U. S. objectives, we must work bilaterally in each key area; for the task in each area varies, and the possible margins of U. S. influence and effectiveness will vary.

In my third lecture, I shall try to indicate more precisely some of the substance of such a mixed regional and bilateral program of action. If successful, I believe such a program of sustained action might give life and reality to the conception of a

Free Asia. For in the end, despite the complexities which an intelligent policy must recognize, Free Asia is more than a phrase of propaganda, even more than an aspiration of American policy. It reflects a fact — the fact that over a wide area of Asia which still represents the balance of power, Communism has not won out; and that alive in men's minds and in the various cultures to which they are attached is the notion that the State should serve the individual, and that the individual human being reserves to himself rights which no State should invade. From this ultimate foundation of humanistic values in a very great variety of forms it is the challenge of our time to help build Asian societies which can solve the problems of this century and protect their integrity. In short, it is a challenge of our times to make good the evident potentialities, and to build in the future a Free Asia.

The United States cannot do the job itself. We do not fully control history, but we have a major influence. We have an influence on the margin of events which may determine in many individual countries the evolution of history. I believe that margin of influence in Asia could be decisive, and the case for that judgment is the theme of my next lecture.