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The National Security Debate and the Truman Administration's Policy Toward China,  
1947-1950

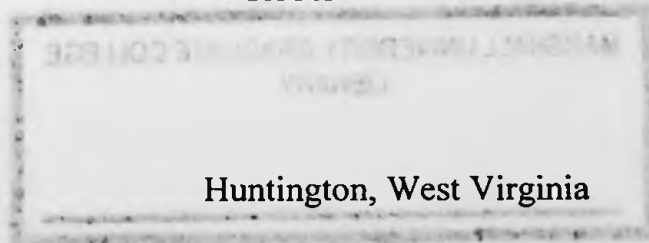
A Master's Thesis Submitted To  
The Faculty of Marshall University's History Department  
In Candidacy for the Degree of  
Master of Arts  
Department of History

By

Robert D. Russell II

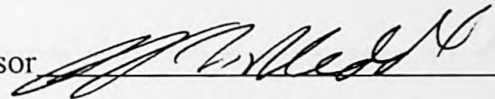
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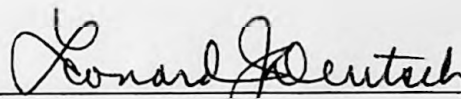


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as meeting the research requirements for the master's degree.

Advisor 

Department of History

  
Dean of the Graduate College

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Robert D. Russell II

## *Introduction*

After World War II, the United States faced a new enemy: the Soviet Union. However, U. S. armed forces were rapidly demobilized after the war, which hindered the U. S. military's capability to thwart the Soviet threat. Even though, Communism never had been an extreme threat to U. S. national security. World War II had leveled and destroyed much of the European and Asian economic infrastructure, which contributed to the appeal of this ideology. Therefore, many observers felt that international communism was now a threat to U. S. national security. Significantly, only the United States possessed the power to confront the challenge of communism. However, officials inside and outside the administration of Harry S. Truman were divided on how to respond to the menace of communism. One school of thought believed the Soviet Union was an economic and political threat. Therefore, it promoted the rehabilitation of economic infrastructures and political institutions as a deterrent to communism. Economic aid and trade, such thinkers believed, could diminish the political temptations of communism. This school of thought insisted that the communist threat was not a far-reaching international problem, but an internal economic and political problem for individual countries devastated by war. Another school of thought believed the Soviet Union's military structure threatened U. S. national security. It advocated building up not only the economic and political structures of countries threatened by communism, but also these countries' military and defensive capabilities. It insisted that communism was part of a far-reaching global scheme led by the Soviet

Union determined to dominate the world. It believed both economic aid as well as military aid would eliminate communism in other countries.

These divergent attitudes manifested themselves in the Truman administration's China policy for the years 1947-1950. World War II leveled and destroyed China's economic infrastructure and the war enhanced the Chinese communists' political position in China. In addition, many Chinese viewed the communists favorably relative to the corrupt and incompetent Chinese Nationalist Government. After World War II, two governments emerged, and China became immersed in a civil war. From 1947 to 1950, the Truman administration pursued an ambivalent policy toward China. The division between the Department of State and the National Military Establishment, later the Department of Defense, reflected these two schools of thought.

The State Department believed that the communist threat in China was an internal problem. It believed that the Chinese Communist Party's success resulted from the economic and political turmoil that plagued China, and not from the Chinese communists' military gains. Consequently, it did not believe the Chinese communists were a security threat to the United States, nor were they part of a far-reaching Soviet scheme for international domination. Instead, the State Department believed it could sway the Chinese communists away from the Soviet Union and contain the communist threat in East Asia through trade.

The Defense Department, however, believed that the Chinese communists were a military threat to U. S. interests in East Asia, and politically tied to the Soviet Union. Therefore, it advocated granting U. S. military aid to the Chinese communists' rival: Jiang Jieshi and the Nationalist regime. The Defense Department's allies in Congress,

known as the China Lobby, also believed that the Chinese communists represented a military threat to the United States, and were key supporters of Chiang and his government. After Chiang retreated to Taiwan in 1949, these groups wanted to preserve the Nationalist Government.

In 1949, the State Department established a trade policy toward China. State Department officials believed this trade policy would inevitably divide the Chinese communists and the Soviet Union. This political division would prohibit Soviet domination of China and the rest of Asia, and rebuild Japan's economic infrastructure. This policy could have succeeded and provided a different approach toward fighting communist expansion in Asia. However, in 1950, before the Korean War, this policy abruptly stopped, and was replaced with a restrictive trade policy that isolated China from the East Asian economy.

Previous historical interpretations argued that the U. S. trade policy toward China evaporated as a result of the Korean War.<sup>1</sup> Furthermore, the Korean War further enhanced the strategic importance of Taiwan. Thus, the Korean War shaped U. S. policy toward all of Asia for the next twenty years. Other scholarship specified that the State Department believed the strategic position of Taiwan was more important to Japan's economic recovery than was trade with China.<sup>2</sup> Thereupon, the State

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<sup>1</sup> Nancy Bernkopf Tucker argued that the Korean War made U. S. officials more security conscious in East Asia; thus, they placed an embargo on trade with China. Nancy Bernkopf Tucker, "American Policy Toward Sino-Japanese Trade in the Postwar Years: Politics and Prosperity," *Diplomatic History* 8 (Summer 1984): 207.

<sup>2</sup> According to Ronald L. McGlothlen, Secretary of State Dean G. Acheson wanted to take a more militaristic approach toward Taiwan before the Korean War in order to safe-guard Japanese trade routes in Southeast Asia. On the issue of trade with China, Acheson used Sino-Japanese trade relations to address Japan's economic crisis, and then he planned to replace China by searching for non-communist trading partners in Asia. Ronald L. McGlothlen, *Controlling the Waves: Dean Acheson and U. S. Foreign Policy in Asia* (New York: W.W. Norton & Company, 1993), pp. 88, 133, 162.



Department pursued a policy to halt Chinese communist domination of Taiwan and isolate Mainland China. Another interpretation argued that the only reason the State Department wanted to trade with China was to protect American economic interests from British competition.<sup>3</sup> However, the State Department's policy toward Taiwan hardened relations between the two countries.

Using archival evidence, this thesis will show that the U. S. wanted to divide the Soviet Union and the Chinese communists through the weapon of economic trade. Contrary to opinion, the U. S. needed British cooperation to implement this policy in order to control strategic materials exported to China, because Great Britain had more economic ties in China than the U. S. This thesis will also demonstrate that the failure of U. S. trade policy toward China was not simply a result of the Korean War. It will reveal that conflicting interpretations of U. S. policy toward Taiwan undermined the success of this trade policy with Mainland China. The State Department supported Taiwanese independence from Chinese Nationalist control, and the Defense Department, the JCS, and the China Lobby wanted Chinese Nationalist control over the island as a buffer to Chinese communist expansion in Southeast Asia. This dispute over Taiwan policy contributed to the failure of the United States' trade policy. Finally, the rise of Southeast Asia, a potential market for Japan, not only undercut the importance of trade with China, but also gave the Defense Department an opportunity to strengthen the strategic importance of Taiwan before the start of the Korean War.

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<sup>3</sup> Historian June M. Grasso had argued that the United States remained active in China even after the Chinese Civil War to protect maintain American economic interest in China, but the United States' Taiwan policy and China's entry into the Korean War lead to the policy's demise. June M. Grasso, *Truman's Two-China Policy, 1948-1950* (New York: M.E. Sharpe, Inc, 1987), p. 124.

The first chapter evaluates the origins of U. S. policy toward China after World War II. It recounts the differences between the State Department, the National Military Establishment, and the China Lobby regarding U. S. national security policy and its relation to China. The second chapter emphasizes the State Department's attempt to divide the Soviet Union and the Chinese communists through economic trade with Japan. In order to rehabilitate Japan's economy, the State Department advocated trade between communist China and Japan. However, Department of Defense, the Joint Chiefs of Staff (JCS), and the China Lobby advocated building up the Nationalist regime on Taiwan in order to stop the further spread of communism in East Asia. The third chapter sets the stage for the final showdown between the Department of State and the Department of Defense, the JCS, and the China Lobby. The Truman administration wanted Japan to trade with Southeast Asia. This led to a dramatic shift in U. S. foreign policy toward China. Events beyond the State Department's control contributed to this shift in policy from China toward Taiwan. This internal debate decided the direction of U. S. policy toward China and East Asia for the next 22 years, and the course the U. S. pursued to counter the international communist menace during the cold war.

## Chapter I

### The Coming Red Tide

Prior to World War II, the United States viewed Japan, the Empire of the Sun, as its greatest national security threat in the Pacific. Concurrently, the United States viewed the Chinese as an ally and a buffer against Japanese military advances in the Pacific region. After the Japanese bombed Pearl Harbor, the United States gave China military and economic aid. During World War II, Lieutenant General Joseph W. Stilwell became the U. S. military representative in the China-Burma-India Theater, and Jiang Jieshi's (Chiang Kai-shek) chief military advisor. Stilwell and Jiang often collided over military matters in the China-Burma-India Theater. During the war, the Japanese controlled the Chinese coast, and thus, the only route into China passed through the British colony of Burma. Stilwell believed the Burma Road could be a major supply route into Mainland China. However, the Chinese were uncomfortable defending the colony because of Great Britain's imperialist past. Nevertheless, Stilwell believed this campaign could boost the morale of the Chinese people, who suffered from the war against the Japanese. Stilwell mediated the mistrust between the British and Chinese.<sup>1</sup>

Historian John R. Miller argued that this episode led to a rift between Stilwell and Jiang.<sup>2</sup> Opposed to using Chinese troops in British Burma, Jiang favored Claire Lee Chennault's idea of using the 14<sup>th</sup> Air Force (the Flying Tigers) to force the Japanese off the Mainland. Chennault believed that air superiority could overwhelm Japanese forces in

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<sup>1</sup> John R. Miller, "Chiang – Stilwell Conflict, 1942 – 1944," *Military Affairs* 43 (April 1979): 60.

<sup>2</sup> *Ibid.*

China. Jiang convinced President Franklin D. Roosevelt that Chennault's strategy held the best chance of defeating the Japanese. However, this diverted supplies from Stilwell's Burma operation. According to Stilwell, Chennault's strategy called for a strong and committed Chinese Army to protect the airfields. In 1944, the Japanese overran Chinese airfields in Southeast China without significant Chinese resistance in Operation Ichigo, allowing the Japanese to expand their occupied territory in the Peking-Wuhan corridor.<sup>3</sup>

After the Tehran Conference in December 1943, the Soviets promised the United States that they would "bring Russia into the war against Japan." With this reassurance, Jiang decided to step up the heat against the Chinese communists, his real enemy in China. Concurrently, the Chinese communists, led by Mao Zedong, fought the Japanese forces. Conflict arose between Jiang and Stilwell when Jiang hoarded American military aid for his future war against the Chinese communists. Because of this lack of cooperation, Stilwell, who supervised Lend-Lease to China, requested that the administration cut off military aid to China. Thus, Roosevelt sent over a mission, called the Dixie Mission, in July 1944 to meet with the communists in order to scare Jiang into fighting.<sup>4</sup> On 26 September 1944 Stilwell wrote Marshall:

CKS<sup>5</sup> has no intention of making further efforts to prosecute the war. Anyone crowds him towards such action will be blocked or eliminated . . . He believes the war in the Pacific is nearly over, and that by delaying tactics, he can throw the entire burden on U.S. He has no intention of instituting any real democratic reforms or of forming a united front with the Communists. He himself is the main obstacle to the unification of China and her cooperation in a real effort against Japan . . . I am now convinced that, for the reasons stated, the U.S. will not get any real cooperation from China while CKS is in power. I believe he will only continue his policy of delay, while grabbing for loans and post-war aid, for the purpose of maintaining his present

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<sup>3</sup> *The Oxford Companion to World War II*, s.v. "China."

<sup>4</sup> *Ibid.*

<sup>5</sup> Jiang Jieshi.

position, based on one party government, a reactionary policy, and the suppression of democratic ideas, with the active aid of his Gestapo.<sup>6</sup>

President Roosevelt feared that China would drop out of the war if the situation did not change. Roosevelt sent Patrick J. Hurley to China to mediate the differences between Stilwell and Chiang, who believed Stilwell should be removed from his position as the Commander of the China-Burma-India Theater. Chiang demanded that he have complete control of Lend-Lease, and that an American commander-in-chief must be under his command. He accused Stilwell of infringing on Chinese sovereignty, and was angry over Stilwell's attempts to cooperate with the Chinese communists in their war effort against the Japanese.<sup>7</sup> Chiang would not cooperate nor compromise with the Chinese communists. During his meetings with Hurley, Chiang Jieshi accused Stilwell of conspiring with the Chinese communists to overthrow him. Therefore, in order to keep China in the war, President Roosevelt relieved Stilwell of his command and replaced him with General Albert C. Wedemeyer.<sup>8</sup>

Likewise, Roosevelt believed that Chiang Jieshi and his Nationalist government would become a part of the Four Policemen concept after the conclusion of the war. This concept included the United States, Great Britain, the Soviet Union, and Nationalist China.

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<sup>6</sup> Lieutenant General Joseph Stilwell to General George C. Marshall, 26 September 1944, The Correspondence of General Joseph W. Stilwell, *Stilwell's Personal File: China, Burma, India, 1942-1944*, (Wilmington, DE : Scholarly Resources, 1976), reel 5.

<sup>7</sup> Memorandum by the Ambassador in China (Gauss), 3 October 1944, *Foreign Relations of the United States*, 1944, vol. VI, p. 265.

<sup>8</sup> E.H. Kahn, Jr., *The China Hands: American Foreign Service Officers and What Befell Them* (New York: The Viking Press, 1975), p. 129.

After the war, these four powers would keep the world peaceful and secure.<sup>9</sup> According to Warren F. Kimball, Roosevelt sought to eliminate power blocs and alliances after the war. The Soviet Union wanted to have its own sphere of influence in Europe. Roosevelt wanted to have a free and open Europe. He feared if Joseph Stalin used Eastern Europe as his own sphere of influence, then the British and French would do the same in Western Europe. Thus, power blocs and alliances would emerge.<sup>10</sup> Kimball believed Roosevelt wanted to include China in order to bring a multiracial balance to this postwar international security system. Furthermore, he wanted to build up China for “psychological reasons” and keep Jiang Jieshi in the war against Japan.<sup>11</sup>

In order for Roosevelt’s dream to materialize, he sent several different agencies to China to help rebuild its war-torn economy. Roosevelt sent Donald M. Nelson, director of the War Production Board (WPB), to China on a fact-finding mission to rehabilitate China’s war industries and increase production. China’s rate of production stood at 55% of its economic capability. Operation Ichigo destroyed 90% of the industry in Henan, Hunan, and Guangxi provinces.<sup>12</sup> This hurt China’s wartime production even more. Furthermore, transportation problems plagued China’s economy. The Chinese Nationalists only possessed 6,000 trucks, and these were in poor condition. With few spare parts, the Chinese Nationalists’ fleet of airplanes was equally appalling, and the railway network was

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<sup>9</sup> Warren F. Kimball, *The Juggler: Franklin Roosevelt as Wartime Statesman* (Princeton: Princeton University Press, 1991), p. 95.

<sup>10</sup> Walter LaFeber, *American, Russia, and the Cold War, 1945-1992*, 7<sup>th</sup> edition (New York: McGraw-Hill, Inc, 1993), p. 13.

<sup>11</sup> Kimball, *The Juggler*, pp. 96, 131.

<sup>12</sup> Hsi-Sheng Ch’i, *Nationalist China at War: Military Defeats and Political Collapse, 1937-1945* (Ann Arbor: University of Michigan Press, 1982), p. 167.

disjointed and inefficient. Compounding all of these dilemmas was a lack of fuel.<sup>13</sup> These problems constituted a major threat to China's wartime production and economic development, and threatened the United States' war effort against the Japanese. Nelson, like Roosevelt, believed China was East Asia's postwar leader. Therefore, proper steps needed to be taken to strengthen China's economic infrastructure in order to sustain its economy.<sup>14</sup>

In order to increase China's war production, Nelson advocated that a WPB, under Jiang's authority, be established in China. Subsequently, the Chinese War Production Board (CWPB) emerged, with two representatives from the United States assigned to advise the CWPB on policy formation and organization. Nelson believed that China's wartime production could help "make for close postwar economic relations between China and the United States."<sup>15</sup> At the same time, the U. S. and the United Nation's Relief and Rehabilitation Administration (UNRRA), tried to rehabilitate China's economic infrastructure. Established in 1943 for war-torn liberated areas, the UNRRA's major responsibility was to "secure those supplies and services which are essential for the health and stability of their population and which cannot be provided by other means."<sup>16</sup> The UNRRA consisted of forty-four nations, which contributed to the UNRRA financial fund. However, the principal countries involved in the UNRRA were Great Britain and the

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<sup>13</sup> Mr. Donald M. Nelson to President Roosevelt, 20 December 1944, *FRUS*, 1944, vol. VI, p. 288.

<sup>14</sup> Memorandum of Conversation, by Mr. John D. Sumner of the Embassy Staff, 4 October 1944, *FRUS*, 1944, vol. VI, p. 260.

<sup>15</sup> Memorandum of Conversation, by Mr. Granville O. Woodard of the Division of Chinese Affairs, 6 November 1944, *FRUS*, 1944, vol. VI, pp. 282, 288.

<sup>16</sup> The British Minister of State (Richard Law) to the Assistant Secretary of State (Dean Acheson), 5 October 1943, *FRUS*, 1943, vol. I, p.1015.

United States. In late 1944, the UNRRA went to China to establish operations. However, a year transpired before the first shipments of “UNRRA supplies reached Shanghai.”<sup>17</sup>

In 1945, the Nationalist Government created the Chinese Nationalist Relief and Rehabilitation Administration (CNRRA) to help the UNRRA “administer and coordinate postwar relief and rehabilitation operations in China.” The UNRRA, like the WPB, found that transportation routes into the interior of China were nonexistent. Ports were inadequate for ships bringing in supplies, and “docks and storage facilities” lacked “heavy lifting equipment and launches.”<sup>18</sup> Because of sovereignty rights, the Chinese were reluctant to have foreign ships entering their ports. The majority of UNRRA goods went into Nationalist occupied areas. The UNNRA found that inflation still remained high in China, and different regions had different levels of inflation. These conditions made the UNRRA mission extremely difficult.<sup>19</sup> The UNRRA mission remained in China until November 1947, when the mission ended.

After Stilwell’s departure, Patrick Hurley, who was sympathetic to Jiang Jieshi and his Nationalist regime, became the ambassador to China. According to O. Edmund Clubb, certain Foreign Service officers from the Department of State were heavily influenced by Stilwell’s opinions regarding Jiang Jieshi and the Nationalist Government.<sup>20</sup> At one time, according to Philip D. Sprouse, a former State Department Foreign Service Officer, these

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<sup>17</sup> George Woodridge, *UNRRA: The History of the United Nations Relief and Rehabilitation Administration, Vol. II* (New York: Columbia University Press, 1950), p. 371.

<sup>18</sup> *Ibid.*, pp. 385, 388.

<sup>19</sup> William Whitney Stueck Jr., *The Road to Confrontation: American Policy Toward China and Korea, 1947-1950* (Chapel Hill: University of North Carolina Press, 1981), p. 15.

<sup>20</sup> Clubb, Edmund, Interview with Richard D. McKinzie, 26 June 1974. Transcript. Harry S. Truman Library, Independence, Missouri, 1976, p. 32.



officers wanted permission from the State Department to use Chinese communist forces against the Japanese in order to help the American war effort in Asia.<sup>21</sup> During World War II, Hurley did not listen to these Foreign Service Officers' viewpoints concerning the situation in China. During his ambassadorship, he fired four Foreign Service officers who disagreed with his overall policies in China. While Hurley visited Washington, these officers sent a long detailed report critical of the Nationalist regime to Washington. This report recommended that Roosevelt inform Jiang Jieshi that the United States needed to work with the Chinese communists in order to wage war against the Japanese. When Hurley found out about this, he fired all of them.<sup>22</sup> Sprouse believed the embassy "was obviously sending a telegram which would never have seen the light of day if Hurley had been" in China during that time.<sup>23</sup>

In February 1945, the Yalta Conference was the last meeting between Roosevelt, Winston Churchill, and Joseph Stalin. It attempted to form an agreement over the post-war world. Moreover, Roosevelt wanted the Soviet Union to enter the war against the Japanese. In return for its entry into the East Asian Front, Roosevelt guaranteed to the Soviets Japan's Kuriles Islands and the southern portion of its Sakalin Island. Another consequence of Soviet military involvement was that twenty-five Soviet divisions entered and gained control of Manchuria. Because of the Yalta Conference, the Chinese Nationalists signed a treaty with the Soviet Union. In this treaty, the Soviets had joint

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<sup>21</sup> Philip D. Sprouse, Interview with James R. Fuchs, 11 February 1974. Transcript. Truman Library; Also, See. Russell D. Buhite, *Patrick J. Hurley and American Foreign Policy* (London: Cornell University Press, 1973), pp. 188-189.

<sup>22</sup> Kahn Jr., *The China Hands*, pp. 152, 56.

<sup>23</sup> Sprouse interview.

ownership with the Chinese Nationalists over the Changchun Railway.<sup>24</sup> The Soviet Union controlled the Chinese ports in Port Arthur and Dairen. In return, Stalin agreed to enter the war against Japan and to recognize Jiang Jieshi's Nationalist Government as the main government of China. On 14 August 1945, following the bombing of Hiroshima and Nagasaki, the Japanese surrendered their positions in China. The United States sent in the Marines to disarm Japanese troops and repatriate them back to Japan. About one million Japanese troops were still in China in certain areas after the war.<sup>25</sup> U. S. troops also remained in China to guard "railways and coal mines in north China until 1946 to insure an adequate supply of coal for the vital industrial areas in north and central China."<sup>26</sup> The administration's decision to station Marines in China was very unpopular in the United States. Most Americans believed it was "unnecessarily meddling in the internal affairs of another country."<sup>27</sup> The United States Navy held stations in Qingdao, where it had a naval base for training the Chinese Nationalist navy. The Pacific war was over, but not the hostilities in China.

Reoccupying former Japanese held areas in China, the Nationalists reinstated former Chinese government and military officials, who had collaborated with the Japanese during the war. Designed to keep the Chinese communists from extending their political base, this policy outraged the Chinese people who had suffered from Japanese oppression. Economically, China still suffered from unstable levels of inflation as the Nationalist

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<sup>24</sup> *Treaties Between the Republic of China and Foreign States, 1927-1957*, Ministry of Foreign Affairs (Taipei: China Engraving & Printing Works, 1958), p. 512.

<sup>25</sup> Dean Acheson, *Present at the Creation: My Years in the State Department* (New York: W.W. Norton & Company, Inc, 1969), p. 139.

<sup>26</sup> U. S. Congress, House, Committee on Foreign Affairs, *The Foreign Assistance Act of 1948*, 80<sup>th</sup> Cong., 2<sup>nd</sup> Sess., 1948, 162.

<sup>27</sup> T. Christopher Jespersen, *American Images of China, 1931-1949* (Stanford: Stanford University Press, 1996), p. 128.

Government mismanaged the economic situation. At war's end, two Chinas emerged out of the ashes, one Nationalist, and the other communist. As a result, a civil war started between the two factions.<sup>28</sup>

While the Chinese Civil War was in its infancy, the United States enjoyed its victory against the Axis powers. The United States also had a change in political leadership. In April 1945, President Roosevelt died and Vice President Harry S. Truman succeeded to the presidency. A haberdasher from Independence, Missouri, Truman was an unlikely candidate to replace the idolized president. Roosevelt, the great political manipulator and visionary, successfully manipulated people and public opinion. He also held complete control over his administration's foreign policy. Roosevelt only listened to the States Department's advice regarding foreign policy, and he formulated his own policies. In contrast, blunt and to the point, Truman had limited knowledge of foreign affairs. Thus, he delegated power to the State Department to formulate foreign policy. Throughout his presidency, Truman relied heavily on foreign policy experts like George C. Marshall, Dean G. Acheson, and George F. Kennan to formulate U. S. foreign policy. Truman agreed with Roosevelt's policies during the war, but he disliked the Soviet Union. He saw no difference between Hitler's Nazi Germany and Stalin's Soviet Union. However, Truman supported Roosevelt's wartime diplomacy and views regarding the postwar world, including China.<sup>29</sup>

On 27 November 1945, President Truman announced that General George Marshall would mediate the conflict between the Nationalists and the communists in China.

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<sup>28</sup> Jonathan Spence, *The Search for Modern China* (London: W.W. Norton & Company, 1991), p. 485.

<sup>29</sup> Walter Isaacson and Evan Thomas, *The Wise Men: Six Friends and the World They Made* (New York: Simon & Schuster, Inc, 1986), pp. 256-257.

Concurrently, Patrick Hurley, the ambassador to China, announced his intention to resign from the American ambassadorship. Hurley was frustrated with his embassy staff and the State Department regarding China policy. Philip D. Sprouse argued that Hurley “ignored the State Department because he thought they were sort of leaning towards the Chinese Communists.”<sup>30</sup> O. Edmund Clubb, another Foreign Service officer, argued that Hurley “planted the seed of McCarthyism,” because he blamed his staff for undermining his efforts in China.<sup>31</sup> Five years later, the McCarthy-Tyding’s investigations targeted these Foreign Service Officers for their “communist subversion.”<sup>32</sup>

After Hurley’s resignation, Marshall traveled to China to reorganize the Chinese military, and seek a peace settlement. According to Sprouse, Marshall believed the Nationalist Army was too large and was an “economic drain on the country.”<sup>33</sup> In addition, Marshall advocated combining the Nationalist and Chinese communist armies. Marshall believed this would lower the burden on the Chinese economy and lead to peace in China. In January, Marshall mediated a cease-fire between both parties. Both sides created a combined Nationalist and Communist Executive Committee with American representatives. Through this committee, these two political factions held discussions concerning a coalition government. With this coalition government, a State Council would be created giving the Nationalists, the communists, and the liberal Democratic League, each a veto. In February, both the Chinese Nationalists and communists developed a plan

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<sup>30</sup> Sprouse interview.

<sup>31</sup> Clubb interview.

<sup>32</sup> John S. Service, John Davies and John Carter Vincent, all worked for General Stilwell and the American Embassy in China, and were investigated for communist subversion. James C. Thomson, Jr., Peter W. Stanley & John Curtis Perry, *Sentimental Imperialists: The American Experience in East Asia* (New York: Harper Torchbooks, 1981), pp. 233-234. Kahn Jr., *The China Hands*, pp. 212-243.

<sup>33</sup> Clubb interview.

for troop reduction. However, while Marshall traveled back to the United States to obtain financial aid, the cease-fire ended and hostilities soon broke out.<sup>34</sup>

Soviet occupation forces in Manchuria pulled out in March 1946, and their actions aggravated the negotiations. The Russian economy was in ruin, and the Soviets seized all the industrial equipment that was in Manchuria. Stalin began to rebuild his economy with Chinese and German industrial equipment confiscated by Soviet occupational troops.<sup>35</sup> Once the Soviets pulled out, the Nationalists changed many of Marshall's mediation policies. The Nationalists limited the veto power of the Chinese communists and the Democratic League, and the civil war continued without any permanent solution. Marshall informed Jiang that U. S. aid to China would stop unless Jiang "adhered to certain formal criteria for political reform."<sup>36</sup>

On 28 July 1946, Marshall placed an arms embargo on China to prohibit further fighting; however, the arms embargo failed. Toward the end of 1946, the Nationalists began to prevail in their war against the communists in Manchuria, but at the beginning of 1947, the Chinese communists counterattacked Nationalist advances in Manchuria. When the Soviets pulled out their occupational forces in March 1946, the Chinese communists dominated key positions in Manchuria and were able to obtain "large amounts of military equipment left by the Japanese."<sup>37</sup> In January 1947, Marshall traveled back to the United States as the civil war raged on with his mission a complete failure. On 28 March 1947, the embargo ended in order "to insure that Jiang's armies had adequate supplies of arms and

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<sup>34</sup> Spence, *Search for Modern China*, pp. 488-490.

<sup>35</sup> Alec Nove, *An Economic History of the USSR, 1917-1991* (London: Penguin Books, 1992), pp. 295-296.

<sup>36</sup> Spence, *The Search for Modern China*, pp. 488-490.

<sup>37</sup> Memorandum by Mr. Philip D. Sprouse, 23 July 1947, *FRUS*, vol. VII, p. 745.

ammunition.”<sup>38</sup> Because of China’s unpredictable situation, the United States shifted its focus away from China and toward Japan. Marshall’s mission proved that China no longer could be East Asia’s postwar leader. China’s political divisions and years of economic dislocation made the situation worse. Japan seemed to be the only country in East Asia that could be economically rehabilitated. Therefore, the State Department pursued a policy to rehabilitate Japan’s economy and restore it as East Asia’s economic cornerstone.<sup>39</sup>

### *The Cold War and the Formation of the National Security Ideology*

With the end of World War II, a new enemy emerged along the horizon. On 9 February 1946, Joseph Stalin gave a speech regarding Soviet foreign policy. Stalin proclaimed that the United States was a “capitalist-imperialist monopoly” that wanted to control the world. To address these circumstances, Stalin advocated strengthening the Soviet defenses to counter external threats.<sup>40</sup> The State Department instructed George Kennan, the Chargè d’affaires for the American Embassy in Moscow, to analyze Stalin’s speech. He wrote a telegram regarding the Soviet Union. In this telegram, Kennan viewed the Soviet Union as a potential threat to the United States’ national security. Kennan believed that the Soviets were an internally oppressive regime. Furthermore, he viewed the Soviets as an external political and economic threat to U. S. national security.<sup>41</sup> Kennan, however, believed that Stalin’s Soviet regime did not resemble Hitler’s Nazi Germany and was not militarily reckless or adventurous. He thought a strong show of force by the

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<sup>38</sup> William Whitney Stueck Jr, *The Wedemeyer Mission: American Politics and Foreign Policy during the Cold War* (Athens: University of Georgia Press, 1984), p. 3.

<sup>39</sup> Michael Schaller, *The American Occupation of Japan: The Origins of the Cold War in Asia* (Oxford: Oxford University Press, 1985), p. 72.

<sup>40</sup> Acheson, *Present at the Creation*, p. 150.

<sup>41</sup> Michael J. Hogan, *A Cross of Iron: Harry S. Truman and the Origins of the National Security State, 1945-1954* (Cambridge: Cambridge University Press, 1998), p. 10.

United States would make the Soviet Union back down from a potential military clash. Kennan thought the Soviets were far weaker than the United States, economically and militarily. As long as the United States and the western world stood together, the Soviet Union would remain a weak power. The Soviets, Kennan believed, would use subversion in other countries to spread their communist doctrines. He recommended that the United States “formulate and put forward for other nations a much more positive and constructive picture of the sort of the world we would like to see than we have put forward in the past.” Kennan’s telegram started a firestorm among policy makers in the State Department and the National Military Establishment. James V. Forrestal, the Secretary of the Navy, made hundreds of thousands of copies of this telegram and made his subordinates and other departments read it.<sup>42</sup>

Kennan’s telegram contributed to a new type of war, which not only included mass armies, nuclear weapons, and science, but also ideology. This ideological war created a bipolar world, in which two sets of ideas and values collided with one another. Out of the ashes of World War II, two powers emerged, the United States and the Soviet Union, both dedicated to fighting this new war. This new type of war was called the “cold war.” In order to fight this cold war, the United States needed to prepare for total war, which meant that the United States had to mobilize all its energy and talent to wage a long-term war. This not only meant the military, but it also called for talented citizens and scientists to mobilize their efforts to wage total war against the Soviet Union. After World War II, according to historian Michael J. Hogan, this ideology transformed the United States’ role in world affairs and almost created a garrison state. Advocates of the cold war argued that

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<sup>42</sup> George F. Kennan, *Memoirs, 1925-1950* (Boston: Little, Brown and Company, 1967), pp. 557-558, 559.

the Soviet Union was more militarily prepared than the United States. The United States “could no longer count on friendly powers to carry the burden of battle while they prepared.” With this growing concern for military readiness, the United States viewed “preparedness a matter of urgent concern.” Advocates and practitioners of this new ideology believed that they were missionaries of democracy.<sup>43</sup>

Although Kennan’s telegram contributed to this new ideology, he did not fully embrace it. Where officials like Secretary of the Navy James Forrestal believed that the Soviet Union represented an immediate national-security threat, Kennan believed the Soviets were only an economic and political threat to U. S. national security around the globe. Kennan wanted to spread American democracy and capitalism around the world in order to stifle Soviet attempts to subvert western democracy. To accomplish this, Kennan advocated building up the U. S. economy and the economies of all its allies. He did not want U. S. diplomacy to become too militarized. Later, the principles set forth in Kennan’s telegram were published in *Foreign Affairs* magazine. Kennan wrote the article anonymously with the pseudonym X.<sup>44</sup> Entitled “The Sources of Soviet Conduct,” this article transformed George Kennan into a celebrity over-night. Kennan became a valuable advisor to the State Department and to the President of the United States.<sup>45</sup>

This cold war ideology conflicted with traditional American values. The United States had always advocated staying out of military alliances and the creation of a permanent standing army. Conservative Republicans, led by Ohio Senator Robert A. Taft, viewed Roosevelt’s New Deal policies as a direct threat to traditional American values.

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<sup>43</sup> Hogan, *A Cross of Iron*, pp. 12-13, 2, 19.

<sup>44</sup> *Ibid.*, pp. 293-294, 10.

<sup>45</sup> Isaacson and Thomas, *The Wise Men*, p. 422.



With a coalition of conservative Democrats, Republicans also viewed the establishment of a warfare state as a direct threat to American democracy. This coalition viewed the creation and the establishment of a National Security State as un-American. Republicans were more concerned about communist subversion inside the United States than with Soviet military aggression. To formulate this new ideology, advocates and practitioners in the Truman administration and in Congress “borrowed from a cultural narrative that celebrated American exceptionalism and American destiny.” According to Michael Hogan, these advocates and practitioners “balanced a defense of tradition against appeals to a new ideology of national security.”<sup>46</sup>

#### *The Cold War and U. S. Domestic Politics*

After World War II, most Americans were tired of war and enjoyed a renewed atmosphere of peace and security. The conclusion of World War II also changed the framework of world politics. Great Britain had played a lead role in the international arena. The war’s effect on Britain’s economy and resources lowered Britain’s stature and prominence, which allowed United States and the Soviet Union to become leading players in the world arena. In 1946, the U. S. economy was in recession. Republicans believed they could run on the issue of tax cuts and a balanced budget. Also, while the relations with the Soviet Union deteriorated, Republicans believed the “issue of communist infiltration could resonate with voters.”<sup>47</sup>

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<sup>46</sup> Hogan, *A Cross of Iron*, pp. 8, 9, 10.

<sup>47</sup> Sean J. Savage, *Truman and the Democratic Party* (Lexington: University Press of Kentucky, 1997), p. 97.

As a result, the Republicans won both houses of Congress. Because of its effects on the economy, Republicans wanted to demobilize the armed forces and cut the military budget. Republicans were concerned about the military's influence over American foreign policy. In FY 1945, the U. S. government's budget was \$95.2 billion and \$81.6 billion went to the defense budget. The Truman administration worried about American public opinion, which endorsed the demobilization of American armed forces. In FY 1946, the defense budget dropped to \$44.7 billion.<sup>48</sup> As a result, the administration demobilized the armed forces from about 12 million men to about 1.6 million.<sup>49</sup> President Truman also wanted to balance the national budget. He believed that the military would undermine civilian authority within the U. S. government if not demobilized. In FY 1948, the Republicans advocated trimming \$6 billion from the national budget and cutting expenditures from defense.<sup>50</sup>

However, the Republican Party was divided over the issue of foreign policy. Two prominent Republicans represented this division. Michigan Senator Arthur H. Vandenberg, an internationalist Republican, advocated a bipartisan approach to diplomacy. He became Chairman of the Senate Foreign Relations Committee in 1946, and he later helped the administration pass legislation to rebuild Europe and launch United States' participation in the United Nations. Ohio Senator Robert Taft, an isolationist, opposed U. S. military commitment in Europe in the early 1940s. He disliked the approach advocated by

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<sup>48</sup> *The Harry S. Truman Encyclopedia*, s.v. "Military Spending."

<sup>49</sup> Townsend Hoopes and Douglas Brinkley, *Driven Patriot: The Life and Times of James Forrestal* (New York: Alfred A. Knopf, 1992), pp. 291-292.

<sup>50</sup> Hogan, *A Cross of Iron*, pp. 71-72, 86.

Vandenberg and wanted to preserve America's sovereignty and heritage through isolationism.<sup>51</sup>

During this period, the administration attempted to contain communism in Europe. In Greece, a civil war erupted between conservative Greek monarchists, supported by Great Britain, and the National Liberation Front (NLF), Greek communist insurgents. Because of domestic economic problems and other imperial obligations, the British were unable to support the Greek monarchists and turned to the United States for help. In addition, the Soviets wanted to control the Turkish Straits, which gave them access to the Mediterranean.<sup>52</sup> On 12 March 1947, Truman stood before Congress and proposed his plan to preserve Greece and Turkey from communist control. Truman advocated spending \$400 million on economic aid for both countries.<sup>53</sup> Two hundred and fifty million dollars went to Greece and \$150 million went to Turkey. Truman stated that there were no "geographic limits of containment." Several days before Truman's speech, the Senate cut the Federal budget by \$4 billion dollars and the House of Representatives cut it by \$6 billion.<sup>54</sup> Furthermore, most internationalist Republicans in Congress could not understand why the Truman administration did not include China in the Truman Doctrine. These Republicans viewed the proposal in global terms and not as a regional problem.<sup>55</sup>

After the Marshall mission, the Joint Chiefs of Staff (JCS) remained committed to Jiang Jieshi. During this period, the State Department formulated a policy to rebuild Japan's economy. In June 1947, the JCS presented the State Department its study of the

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<sup>51</sup> Savage, *Truman and the Democratic Party*, p. 95.

<sup>52</sup> LaFeber, *America, Russia, and the Cold War*, pp. 52, 50, 35.

<sup>53</sup> Hogan, *A Cross of Iron*, p. 87.

<sup>54</sup> Acheson, *Present at the Creation*, p. 222.

<sup>55</sup> James Fetzer, "Senator Vandenberg and the American Commitment to China, 1945-1950," *The Historian* XXXVI (February 1974): 286.

national security situation in China. It believed that the Soviet Union's policy toward China was long-term. Also, the JCS believed that the conditions in China and the industrial potential of Soviet-controlled Manchuria gave the Soviets a dominant position in China. The Soviets, according to the JCS, wanted to "integrate Manchuria into the Siberian economy" and establish "strong Soviet military positions in Northern Korea, Port Arthur and Mongolia." The JCS thought the Soviets wanted to expand their influence through other regions of East Asia. The Soviets, JCS feared, would move into Indochina, Malaysia, and India. To combat this expansion, the JCS advocated the economic rehabilitation of China to stifle any attempt of Soviet expansion in East Asia.<sup>56</sup>

The JCS considered the Chinese Nationalists' position in the United Nations as vitally important. The JCS viewed China as a great world power. As a great power, China was responsible for the maintenance of peace and security in East Asia and in the world. The deterioration of Nationalist China prohibited it from carrying out this responsibility. Furthermore, the JCS feared the Nationalists would lose their position on the Security Council, and therefore its veto power. If the Chinese Nationalists lost the civil war, the JCS reasoned, the Chinese communists would take the position on the Security Council, thereby benefiting the Soviet Union.<sup>57</sup>

Meanwhile, General Douglas A. MacArthur reformed Japan's political and economic institutions. In addition, MacArthur sought to disarm Japan's military establishment. Thus, with Japan disarmed, the JCS reasoned, Nationalist China stood as

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<sup>56</sup> Memorandum by the Joint Chiefs of Staff to the State-War-Navy Coordinating Committee, 9 June 1947, *FRUS*, 1947, vol. VII, pp. 839-840.

<sup>57</sup> *Ibid.*, p. 841.

the only power in Asia to stop Soviet expansionism. Therefore, the JCS advocated military aid to Nationalist China in order to prevent Soviet domination over all of East Asia. The JCS asserted that such aid did not have beneficial results in the past. Since the JCS reasoned that the Chinese communists would “only accept a solution that would assure their early control of the government and ultimate communist domination in China,” military assistance of the Nationalists appeared to be the only option. Furthermore, the JCS advocated “the maintenance of a Military Advisory Group in China” to increase “the efficiency of the Chinese National Army.” Finally, JCS predicted that the Chinese Nationalists would not mismanage this aid and would create a strong and unified China.<sup>58</sup>

The Office of Far Eastern Affairs, a branch of the State Department, responded to the JCS proposal and stated that such a policy would eventually lead to further U. S. involvement in the Chinese Civil War.”<sup>59</sup> On 26 June 1947, Marshall, now Secretary of State, met with the State-War-Navy Coordinating Committee to discuss the JCS policy toward China. Marshall stated that if the United States did not get involved, the United States would be indirectly helping the communists. Still, if the United States gave the Nationalists arms, Marshall argued, the United States would have to worry about the “possible reaction of Russia.”<sup>60</sup> Marshall worried that aid to the Chinese Nationalist would create anti-American ill will among the Chinese people. The Secretary of the Navy, James Forrestal, argued that the United States should not worry about the Soviet reaction, because the Chinese Communists were under the influence of the Soviets. He stated that the United

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<sup>58</sup> *Ibid.*, pp. 844-845, 847.

<sup>59</sup> Memorandum by the Director of the Office of Far Eastern Affairs (Vincent) to the Secretary of State, 20 June 1947, *FRUS*, 1947, vol. VIII, p. 849.

<sup>60</sup> Minutes of Meeting of the Secretaries of State, War, and Navy, 26 June 1947, *FRUS*, 1947, vol. VII, p. 851.

States should provide ammunition and “cited the need for aiding the rehabilitation of the Chinese transportation and communication system, as well as providing food relief.” The Director of the Office of Far Eastern Affairs, John Davis Vincent, argued that aid and the rearming of Nationalist China would not eliminate the Chinese communist forces, but would only “prevent a collapse of the Chinese National Armies.”<sup>61</sup> In a memorandum to Truman concerning this policy, Vincent feared an all out commitment toward the Nationalists in China. However, he believed that the United States should grant the Nationalists ammunition to prevent a total collapse of the Chinese Nationalist army. Furthermore, the United States should avoid publicity on this subject.<sup>62</sup> At the time, the United States did not know how much military material the Chinese Nationalists possessed. Therefore, the administration sold one hundred and 30 million rounds of ammunition to the Nationalist Government.<sup>63</sup>

In November 1947, the UNRRA was scheduled to end its mission in China. The defense establishment and the China Lobby advocated that the United States continue support for Jiang’s Nationalist regime. The Truman Doctrine intensified the China Lobby’s efforts to exert pressure on the Truman administration to grant military and economic aid to Jiang Jieshi.<sup>64</sup> The China Lobby’s most prominent members were Senator William F. Knowland of California, Senator H. Alexander Smith of New Jersey, Congressman Walter H. Judd of Minnesota, and others. This group viewed Jiang as an “enlightened Christian leader who would be a valuable anti-Communist ally.” Jiang’s critics believed he was a

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<sup>61</sup> Ibid., p. 851.

<sup>62</sup> Memorandum by the Director of the Office of Far Eastern Affairs (Vincent), 27 June 1947, *FRUS*, 1947, vol. VII, p. 53.

<sup>63</sup> Stueck Jr., *The Wedemeyer Mission*, p. 3.

<sup>64</sup> Fetzer, “Senator Vandenberg and the American Commitment to China,” 286.

despot and a Chinese warlord, who was in charge of his own ruin. The China Lobby had a deep impact on United States' relations with Nationalist China. In addition, the China Lobby advocated the new national security ideology. The China Lobby's influence over American politics was very strong, and many Americans believed these assertions about Jiang as a Christian leader fighting off the evil doctrines of communism.<sup>65</sup>

Because of the JCS report and the persistent China Lobby, Marshall sent Lieutenant General Albert Wedemeyer to China on a fact-finding mission in July 1947. Wedemeyer's mission attempted to provide "an appraisal of the political, economic, psychological and military situation" that had plagued China since Marshall had left in January 1947.<sup>66</sup> Wedemeyer had taken over Stilwell's position as military advisor to Jiang Jieshi from 1944-1946. John F. Melby, a Foreign Service Officer in China, believed Marshall sent Wedemeyer to China to make the China Lobby happy.<sup>67</sup> Congressmen Walter Judd of Minnesota wanted Wedemeyer to travel to China and to use Wedemeyer's findings to influence the Truman administration and Congress to grant the Nationalists military and economic aid.<sup>68</sup> Wedemeyer, a supporter of Jiang Jieshi, believed Marshall's attempt to create a coalition government in China would have never worked. Wedemeyer, like James Forrestal and the China Lobby, advocated this new cold war ideology. Wedemeyer believed communism should be contained everywhere.<sup>69</sup>

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<sup>65</sup> Koen, *The China Lobby in American Politics*, p. 11.

<sup>66</sup> Memorandum by the General Wedemeyer to the Secretary of State, 2 June 1947. *FRUS*, 1947, vol. VII, p. 636.

<sup>67</sup> Melby, John F, Interview by Robert Accinelli, 21 November 1986. Transcript. Harry S. Truman Library, Independence, Missouri, 1988.

<sup>68</sup> Koen, *The China Lobby in American Politics*, p. 88.

<sup>69</sup> Stueck Jr., *The Wedemeyer Mission*, p. 14-15.

During his mission to China, Marshall offered Wedemeyer the American ambassadorship in China; however, he turned it down. According to historian William Whitney Stueck Jr., Marshall wanted to kill two birds with one stone: place Wedemeyer in direct contact with Jiang and to get him out of Washington. Stueck argued that Marshall feared that Wedemeyer would try to turn certain congressmen and the public against the administration's China policy. However, the retirement of General Dwight D. Eisenhower left a position open on the Joint Chiefs of Staff. Wedemeyer did not want to pass up an opportunity for further advancement. An ambassadorship would hinder his chances for further military promotion. Marshall thought about sending Under Secretary of State, Dean Acheson, or Under Secretary of State Robert A. Lovett on a mission, but their knowledge of China was not as great as Wedemeyer's.<sup>70</sup>

#### *The Wedemeyer Mission to China*

Wedemeyer's mission spent about six weeks in China. Phillip Sprouse, a Foreign Service Officer with experience in China, accompanied Wedemeyer on this mission as his political advisor. In addition, military and economic advisors accompanied Wedemeyer to China. At first, Jiang Jieshi was not informed about the trip, and believed that Wedemeyer came to China bearing gifts of economic and military aid. When he found out that Wedemeyer was only coming on a fact-finding mission, Jiang felt insulted that Washington did not consult him earlier about the trip. When Wedemeyer's mission went to China, it found that the Nationalists believed the current problems in China could only be solved through military means. The Chinese Nationalists largely ignored economic and

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<sup>70</sup> Ibid., pp. 14-15.



social conditions that plagued China. Moreover, the incompetence and corruption of the Nationalist Government strengthened the Chinese communists' position on the mainland. The communists had popular support from most of the Chinese people, and they implemented land reform in the countryside. The mission found most people were not ideologically bound to the communist regime. It was a general loss of faith in the Nationalist regime that made the Chinese communists the most likely alternative.<sup>71</sup>

The mission revealed that the Nationalist Government's budget spent 80% of its revenue on the Chinese military.<sup>72</sup> China still remained in a state of economic deterioration. Inflation plagued the Chinese economy. In addition, incompetent, out-of-touch government officials, loyal to Jiang Jieshi, were incapable of developing a solution to combat inflation. In a conversation with Phillip Sprouse, Dr. Sun Fo, Vice President of the Chinese Nationalist Government, informed him that the only solution to inflation was economic aid. However, Sun pointed out that, at the present moment, this was virtually impossible because the Nationalists spent 80% of its budget on military expenditures.<sup>73</sup>

Other weaknesses in the economy included: Chinese businessmen's lack of faith in the economy and respect for the government, peasant conscription in the Nationalist Army, and severe taxation by the Government.<sup>74</sup> Moreover, international firms had not reinvested in China because of World War II and the Chinese Civil War. Also, the Chinese Nationalist Government prohibited foreign companies from assisting the Chinese economy

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<sup>71</sup> Memorandum by the First Secretary of Embassy in China (Ludden) to General Wedemeyer, 23 July 1947, *FRUS*, 1947, vol. VII pp. 656, 660.

<sup>72</sup> Memorandum by the Assistant Commercial Attache in China (Boehringer), 23 July 1947, *FRUS*, 1947, vol. VII, p. 663.

<sup>73</sup> Memorandum of Conversation, by Mr. Philip D. Sprouse, 13 July 1947, *FRUS*, 1947, vol. VII, p. 697.

<sup>74</sup> Memorandum by Mr. Philip D. Sprouse to General Wedemeyer, 9 September 1947, *FRUS*, 1947, vol. VII, p. 742.

because of nationalism and sovereignty rights.<sup>75</sup> Other Chinese Nationalist officials interviewed by Sprouse informed him that they were jealous of U. S. aid to Japan. These officials told Sprouse “it was too bad the Chinese hadn’t lost the war and been enemies of the Americans.”<sup>76</sup> Furthermore, Chinese intellectuals believed that the United States was rebuilding Japan’s economy in order to revive its past militarism. These intellectuals feared that the United States and Japan would intervene militarily in China on the Nationalist side and prolong the Chinese Civil War.<sup>77</sup>

Militarily, the communist forces possessed more manpower and a better economic organization in the countryside.<sup>78</sup> Communist forces paid captured Nationalist officers and enlisted men to join and fight for its army. The Nationalist military’s morale was low, as soldiers were never fully paid. Sprouse talked to General Tsai, a military aide to Jiang Jieshi, about the current military situation in China. Sprouse suggested to Tsai that the only possible measure the Nationalist Government could take was through governmental reform.<sup>79</sup> Tsai acknowledged that the only way to increase the morale of the Chinese people was through American aid. He pointed out that Nationalist military leaders were not powerful, and were directly under the control of Jiang Jieshi. In a conversation with Dr. Jiang Meng-lin, a member of the Chinese State Council, Sprouse learned that any aid to China should be closely supervised. Jiang was especially concerned about U. S. military

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<sup>75</sup> Memorandum by the Assistant Commercial Attaché, 23 July 1947, *FRUS*, 1947, vol. VII, p. 663.

<sup>76</sup> Sprouse interview.

<sup>77</sup> Jon W. Huebner, “Chinese Anti-Americanism, 1946-48,” *The Australian Journal of Chinese Affairs* 17 (January 1987): 123.

<sup>78</sup> Memorandum of Conversation by Mr. Philip D. Sprouse, 23 July 1947, *FRUS*, 1947, vol. VII, p. 668.

<sup>79</sup> *Ibid.*

assistance to China. He informed Sprouse that the Nationalist military leaders were the greatest source of corruption in China.<sup>80</sup>

Before the end of the mission in late August, Sprouse wrote Wedemeyer a letter regarding the situation in China, and the possible policies the United States could adopt. Sprouse stated that it was not in the best interest of the United States to have a communist government dominate China. He believed that three possible courses of action could be taken to avoid this outcome. The first was a policy of all-out aid to the Chinese Nationalists in order to destroy the communist menace in China. Sprouse believed this was unrealistic. Sprouse stated that "there seems to be little hope that the presently constituted Chinese Government can eliminate communism from China even with substantial U. S. military and economic aid." The second was to leave China and not give any aid or assistance to the Chinese Nationalist Government. If the United States pulled out of China, Sprouse believed such an action would spread Soviet influence and power throughout East Asia.<sup>81</sup> The third was to give China conditional aid. This policy initiative would give the United States, Sprouse argued, influence over the policies of the Nationalist Government. The Chinese Nationalist government would enact progressive reforms to rebuild China's economy and reform its political institutions.<sup>82</sup> Finally, Sprouse thought it was up to the Nationalist Government to enact these reforms and not the United States. If the Chinese Nationalists refused this conditional aid, Spruce advocated that all aid should be prohibited. Throughout the whole Wedemeyer mission, Sprouse came in contact with

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<sup>80</sup> Memorandum of Conversation by Mr. Philip D. Sprouse, 25 July 1947, *FRUS*, 1947, vol. VII, pp. 669-670.

<sup>81</sup> Memorandum by Mr. Philip D. Sprouse to General Wedemeyer, 23 August 1947, *FRUS*, 1947, vol. VII, pp. 749, 752.

<sup>82</sup> *Ibid.*, p. 753.

Chinese Nationalist officials who believed United States pressure and aid was the “only hope for salvation in China, otherwise the communists will win.”<sup>83</sup>

In a meeting with the Chinese State Council before his departure, Wedemeyer informed the Council that it had to reform its government. If it refused, no further aid would be recommended for the Nationalist Government. The Chinese found Wedemeyer’s comments humiliating, considering it a “national loss of face.”<sup>84</sup> The Consul General at the American Embassy in Shanghai, Monnet B. Davis, believed that Wedemeyer’s remarks would “spur efforts and demands for reforms.”<sup>85</sup> Sprouse, however, believed that Wedemeyer should have confronted Jiang privately about this and not in a group. However, Wedemeyer felt this had to be done. Wedemeyer prepared to return to the United States to present a report to President Truman and Secretary Marshall regarding aid to China. Wedemeyer wrote to the American Ambassador in China, John Leighton Stuart, that his speech to Jiang and the State Council was meant to “jolt the government into action.” Wedemeyer traveled back to the United States to inform the Truman administration of his findings.<sup>86</sup>

#### *The Wedemeyer Report and the Creation of the National Security Council*

After his mission, Wedemeyer presented his report to President Truman and Secretary Marshall. Wedemeyer’s report to Truman and Marshall proposed a closely supervised five-year economic plan, and a United Nations’ Trusteeship of Manchuria. The

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<sup>83</sup> Sprouse interview.

<sup>84</sup> The Consul General at Shanghai (Davis) to the Secretary of State, 28 August 1947, *FRUS*, 1947, vol. VII, p. 764.

<sup>85</sup> *Ibid.*

<sup>86</sup> General Wedemeyer to the Ambassador in China (Stuart), 3 September 1947, *FRUS*, 1947, vol. VII, p. 767.

trusteeship would be divided between the United States, China, France, Great Britain, and the Soviet Union.<sup>87</sup> Marshall believed this report would be offensive to the Chinese, and the United Nation's Trusteeship of Manchuria would damage the already weakened Nationalist Government.<sup>88</sup> Marshall disagreed with Wedemeyer's opinions about aid toward China. He felt aid to China would lead to a deeper involvement by the United States and would not benefit the Nationalist Government. Furthermore, Marshall did not support Wedemeyer's recommendation that American military advisors be sent to China to advise the Nationalist Army officers during the war. However, he accepted Wedemeyer's idea of a United States Army Advisory Group that would reorganize the Chinese Nationalists' military supply system. Marshall decided not to publish the report. Another motive of Marshall's suppression of the report was the State Department's shift in policy toward Japan. Marshall wanted to break all ties with Jiang Jieshi's regime and shift U. S. focus toward Japan's economic rehabilitation. He felt that Japan's economic survival in East Asia was more crucial than the preservation of the Nationalists' crippled regime. Wedemeyer felt that the administration did not respect his suggestions, and became a leading critic of the administration's China policy.<sup>89</sup> Later, Wedemeyer argued that the administration's refusal to recognize a United Nations' trusteeship of Manchuria led to the Chinese communist victory in 1949. He believed the trusteeship could contain the spread of communism in China. Wedemeyer accused Marshall of never supporting his mission to

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<sup>87</sup> *The Harry S. Truman Encyclopedia*, s.v. "China."

<sup>88</sup> Sprouse interview.

<sup>89</sup> Harold F. Gosnell, *Truman's Crises: A Political Biography of Harry S. Truman* (Westport: Greenwood Press, 1980), p. 433.

China. However, Marshall believed the situation in China was irreversible and Jiang Jieshi's regime would not survive.<sup>90</sup>

When Marshall became Secretary of State, President Truman gave him the authority to craft and formulate foreign policy. In September 1947, the National Security Council (NSC) was formed. There were originally seven members on the council: the President, the Secretaries of State and Defense, the secretaries of all three military branches, and the chairman of the National Securities Resources Board (NSRB).<sup>91</sup> At the time of its conception, Truman kept the NSC at a distance. He felt the agency would strip away presidential power and authority.<sup>92</sup> Truman only considered the NSC an advisory board. The NSC was intended to be a branch of the National Military Establishment, the agency that was the forerunner of the Department of Defense. However, the NSC became an instrument of the State Department. The Secretary of State presided over the meetings in the President's absence. The Policy Planning Staff (PPS), a branch of the State Department, helped the Council formulate and research policy proposals.<sup>93</sup> Each member of the NSC had one vote. The vote was only procedural and would not decide policy. The Secretary of State gave the final recommendation on NSC policy, and then the policy would be sent to the president for final approval.<sup>94</sup> Until the Korean War, Truman "attended only twelve of the fifty-seven meetings of the Council."<sup>95</sup> Truman wanted to

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<sup>90</sup> Stueck Jr., *The Road to Confrontation*, p. 51.

<sup>91</sup> Harry S. Truman, *Memoirs by Harry S. Truman: Years of Trial and Hope, Vol. II* (Garden City: Doubleday & Company, Inc, 1956), p. 59.

<sup>92</sup> Alfred D. Sander, "Truman and the National Security Council: 1945-1947," *The Journal of American History* LIX (September 1972): 369.

<sup>93</sup> Anna Kasten Nelson, "The President and the Evolution of the National Security Council," *The Journal of American History* 72 (September 1985): 369-370.

<sup>94</sup> Truman, *Memoirs by Harry S. Truman*, p. 59.

<sup>95</sup> Sander, "Truman and the National Security Council," 387.

preserve the constitutionality of the presidency and guard “his own office against would be dictators” in the National Military Establishment.<sup>96</sup>

At this time, the Secretary of Defense had limited power and authority over the NSC. The Secretary of Defense had authority over the military budget for the three branches of the military, but each branch had its own department separate from the Department of Defense. The first Secretary of Defense, James Forrestal, admired the British Cabinet System, and believed that the NSC should be established to coordinate authority and policy between the Department of State and Defense. Forrestal disliked the NSC structure. He resented the fact that the Secretary of State held control over the NSC. Forrestal believed that the NSC was a part of the National Military Establishment’s bureaucratic territory. Furthermore, he believed that the Secretary of Defense should be the main authority over the NSC and the president’s right hand man on national security matters.<sup>97</sup> Therefore, the National Military Establishment held limited power over foreign policy and national security. The National Military Establishment and its successor, the Department of Defense, rivaled the State Department in formulating American foreign policy.<sup>98</sup>

While Forrestal was Secretary of the Navy, he worried about the administration’s policy toward demobilization. Forrestal worried about the Soviet Union. With the armed forces demobilized, Forrestal feared the United States could not effectively counter the Soviet Union militarily, nor mobilize the armed forces in a time of war. Forrestal preached

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<sup>96</sup> Hogan, *A Cross of Iron*, p. 37.

<sup>97</sup> Hoopes and Brinkley, *Driven Patriot*, p. 354.

<sup>98</sup> Hogan, *A Cross of Iron*, p. 12.

this new national security ideology. However, Truman and Marshall did not agree with Forrestal's opinions regarding the Soviet threat. They believed the Soviets were not an immediate national security threat to the United States. Forrestal believed Marshall did not "fully grasp the lethal dimension of the Soviet threat." Marshall thought Forrestal held illogical opinions regarding the danger posed by the Soviet military. In addition, both Marshall and Forrestal were at odds over the problem of China. While Secretary of the Navy, Forrestal sent marines to railway lines in north China in order for the Nationalists to obtain coal from north China. He believed the longer these marines remained in China the less possibility there was of a communist takeover. Forrestal believed in supporting Jiang Jieshi militarily, and promoted further American military aid to the Nationalists. Marshall, on the other hand, had no faith in the Chinese Nationalists, and wanted to get out of China as soon as possible.<sup>99</sup>

#### *The Marshall Plan and the China Lobby*

Truman did not publish the Wedemeyer Report because of its sensitive content, but he did send a copy to Forrestal. Forrestal agreed with the Wedemeyer report and wanted to send more military and economic aid to Jiang Jieshi. In addition, Forrestal liked the idea of a United Nations' Trusteeship of Manchuria. Furthermore, Forrestal supported the administration's European Recovery Program (The Marshall Plan). In June 1947, Marshall gave a speech at Harvard University that advocated the rehabilitation of the European

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<sup>99</sup> Hoopes and Brinkley, *Driven Patriot*, p. 291-292, 375, 305.



economy. He introduced the European Recovery Program as a massive economic aid package. The various countries of Europe were in dire straits, and their economic and political survival depended on American aid. The Truman administration felt Western Europe's economic situation was ripe for Soviet political expansion. The administration worried about the loss of trade with Europe if Europe's economy was not rehabilitated. Concurrently, the Republicans proposed a tax cut and advocated slashing the national budget. Truman vetoed the tax bill because he feared it would interfere with the administration's European Recovery Program in FY 1948. The Republicans questioned Truman's motives behind vetoing the bill. Republicans believed that Truman cared little about the American taxpayers and only cared about aiding Europe. Democrats in Congress praised Truman's veto. The Democrats argued that Europe's economic rehabilitation was imperative to the U. S. economy and national security.<sup>100</sup> Furthermore, Republican members of the China Lobby also praised the Marshall Plan, and agreed with Forrestal's position to grant Jiang Jieshi military and economic aid. During the fall of 1947, the Truman administration planned its European Recovery Program. When the administration proposed the program, congressional China Lobby members were unhappy because they did not understand why the administration left out military and economic aid to China.<sup>101</sup>

The China Lobby had a powerful ally within the news media. Henry R. Luce, publisher of *Time Inc.*, held strong convictions regarding China. Luce was born and raised in China, where his father was a missionary at the turn of the century. He believed that the United States had an obligation to spread Christianity and democratic principles around the world. This belief influenced Luce's views on Jiang Jieshi and his Nationalist regime. Like

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<sup>100</sup> Hogan, *A Cross of Iron*, pp. 89-90.

<sup>101</sup> Koen, *The China Lobby*, pp. 89-90.

the China Lobby, Luce viewed Jiang Jieshi as a symbol of a free and Christianized China, and viewed the Chinese communists as a direct threat to U. S. national security and American democracy. Luce used *Time Inc.* to shape American public opinion, and used Christian symbolism and cultural similarities between both the United States and China to shape this opinion.<sup>102</sup>

During World War II, Luce portrayed Jiang Jieshi as a democratic Christian leader fighting off the evil Japanese Empire. This portrayal of Jiang helped create a “Christian conception of China.” Luce’s “Christian China” fit right into the new national security ideology that advocated spreading American democracy and strengthening U. S. national security against the Soviets and the Chinese communists. Luce expressed his right-wing leanings in *Time Inc.*, and critics accused him of biased journalism. Nevertheless, Luce continued to use the magazine to advertise his political views regarding U. S.-Sino relations, and the United States’ role in foreign affairs.<sup>103</sup>

When Marshall’s mission failed, Luce did not blame Marshall for its failure. Jiang Jieshi’s military victories in Manchuria in 1946 helped lower the effects of the failed mission. When Marshall came back from China, his reputation and public stature was still high in the United States. Luce and Congressional China Lobby members endorsed the Truman Doctrine and the Marshall Plan. After the Wedemeyer mission, Luce sent former Soviet Union Ambassador, William Bullitt, to China to bolster support for U. S. military and economic aid. Bullitt wrote an article for *Life* magazine, and advocated that the United

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<sup>102</sup> Jespersen, *American Images of China*, pp. 11, 43, 28.

<sup>103</sup> *Ibid.*, pp. 28, 57, 60, 127, 14.

States government spend \$1 billion for economic and military aid in China. This article and Luce's public promotion of Jiang Jieshi's Nationalist regime greatly influenced public opinion toward China.<sup>104</sup> In 1948, Luce and *Time Inc.* started turning up the heat on the Truman administration by pressuring the administration to do more for Jiang Jieshi and his regime.<sup>105</sup>

### *The China Aid Act of 1948*

In order to counter public criticism of the Truman administration's China policy, George Kennan, now director of the Policy Planning Staff (PPS), advised Marshall "to extend the minimum aid necessary to satisfy American public opinion."<sup>106</sup> Kennan's objective was to curb the China Lobby's influence over the administration's East Asian policy. Kennan, like Marshall, wanted the U. S. to break all ties with China and shift U. S. policy toward the economic rehabilitation of Japan. At the same time, Kennan wanted to get the Marshall Plan through Congress.<sup>107</sup> Marshall spoke before the House's committee on foreign affairs to testify regarding U. S. military and economic aid to China. He stated that "China does not itself possess the raw materials and industrial resources which would enable it to become a first-class military power within the foreseeable future." Marshall speculated that China could not develop into a strong state because of the destructive nature of the civil war. He admonished that the United States should not "take over the continued failures" of Jiang Jieshi's regime. Marshall stated that the United States had an "opportunity of successfully meeting or thwarting the Communist threat" in Western

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<sup>104</sup> Fetzer, "Senator Vandenberg and the American Commitment to China," 288.

<sup>105</sup> Jespersen, *American Images of China*, pp. 148, 159, 161.

<sup>106</sup> Stueck Jr., *The Road to Confrontation*, p. 53.

<sup>107</sup> Kennan, *Memoirs: 1925-1950*, p. 381.

Europe by helping these countries revitalize areas that are economically vital. He pointed out that no “amount of U. S. military or economic aid could make the present Chinese Government capable of reestablishing and then maintaining its control throughout all of China—that is, unless they reach some political agreement.” Marshall remained committed to the establishment of a Chinese coalition government.<sup>108</sup> However, Marshall failed to persuade the Congress, which wanted an aid bill for China.

The State Department did not want to provide military aid to the Chinese Nationalist Government. However, Congress applied pressure on the State Department to provide munitions to the Nationalist Government. Nevertheless, State Department officials believed military aid given to the Nationalist Government would make the Chinese responsible for their own demise and not the United States. Increased U. S. involvement in the Chinese Civil War was still a fear; therefore, it was important, as one official explained, “that neither the Department or the U. S. Government openly repudiate the possibility of military aid.”<sup>109</sup> In March, Marshall doubted that China could ever develop into a strong state. In a draft report regarding economic aid to China, the NSC stated “China’s demographic pattern indicates that its enormous population is likely to continue breeding to the limits of subsistence.” The NSC speculated that the economic disorganization of China would “retard the development of a Communist China as an effective instrument of Soviet policy for some years.”<sup>110</sup> The State Department viewed the China Aid Program as an “expanded post-UNRRA relief program” that was “analogous to

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<sup>108</sup> U. S. Congress, House, Committee on Foreign Affairs, *The Foreign Assistance Act of 1948*, 80<sup>th</sup> Cong., 2<sup>nd</sup> sess., 1948, pp. 166-167.

<sup>109</sup> Memorandum by Mr. Robert W. Magill of the Division of Chinese Affairs, undated, *FRUS*, 1948, vol. VIII, p. 448.

<sup>110</sup> Draft Report of the National Security Council on the Position of the United States Regarding Short-term Assistance to China, 24 March 1948, *FRUS*, 1948, vol. VIII, pp. 45-46.

ERP (The Marshall Plan) or the Greek-Turkish aid program.” With this expansion of an UNRRA relief program, the State Department or the United States would not be responsible for military and economic demise of the Chinese Nationalists. The State Department wanted only to keep the Chinese economy stable and to prolong the decline of the Nationalist Government.<sup>111</sup>

The American Ambassador to China, John Leighton Stuart, wrote Secretary Marshall about the proposed China Aid Bill. Stuart believed that the Nationalist Government had enough resources to survive and only needed proper mobilization. He added that if the United States gave aid to the Nationalist Government, the U. S. should have a voice in planning and administration.<sup>112</sup> The Consul General of Shanghai, John M. Cabot, viewed the situation in China as “deteriorating at an accelerating pace.” He questioned the value of such an aid proposal to China. Cabot stated that “it is a patent fact that in the minds of most Chinese it is the U. S. which keeps the present Government in power,” and therefore, was to blame for China’s prolonged crisis. He went on to point out that the U. S. is “damned if we do and damned if we don’t.” Nevertheless, the administration proposed the China Aid Act of 1948, which provided China \$570,000,000 in economic aid.<sup>113</sup>

When the administration sent the China Aid Bill to Congress, it did not impress House Republicans. Republicans wanted the House’s Foreign Affairs Committee to take \$150 million out of the proposed \$570 million and use it for military aid. Secretary of

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<sup>111</sup> Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth) to the Secretary of State, 12 January 1948, *FRUS*, 1948, vol. VIII, pp. 460-461.

<sup>112</sup> The Ambassador in China (Stuart) to the Secretary of State, 29 January 1948, *FRUS*, 1948, vol. VIII, p. 465.

<sup>113</sup> The Consul General at Shanghai (Cabot) to the Director of the Office of Far Eastern Affairs (Butterworth), 6 February 1948, *FRUS*, vol. VIII, pp. 465, 468.

Defense Forrestal supported this provision.<sup>114</sup> However, the Senate rejected the proposal. Certain Senators refused to extend economic aid to the Nationalist Government. Senator James P. Kem from Missouri, for example, stated that “if additional economic grants to China are to serve any useful purpose whatsoever, the United States should be able to prescribe conditions as to how the money is to be spent.” He went on to argue “that for every Communist killed by the Central Government four more are created by the unfair tax policies of the Central Government, its cruel police-state methods, and its failure to check inflation.” Also, Senator Kem feared that the military aid proposal would lead to more direct United States’ intervention in the Chinese Civil War.<sup>115</sup> The isolationist Republican and China Lobby member, Robert Taft, criticized the administration for not granting Jiang Jieshi enough military aid. Taft’s position seemed hypocritical at the time because of his opposition to the Marshall Plan.<sup>116</sup>

In order to reach a compromise, the Chairman of the Foreign Relations Committee, Republican Senator Arthur Vandenberg, advocated that \$100 million would go to the military and \$463 million would go to economic aid. However, the House did not like this proposal, and both the House and the Senate went into conference committee to reach a compromise. On 2 April, the two sides finally reached a compromise. One hundred and twenty-five million dollars would be used for military purposes, and the rest would be used for economic aid. Also, the bill established the Joint Commission on Rural Reconstruction (JCRR), which was under the authority of the Economic Cooperation Administration

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<sup>114</sup> Hoopes and Brinkley, *Driven Patriot*, p. 308.

<sup>115</sup> *Congressional Record*. 80<sup>th</sup> Cong., 1<sup>st</sup> sess., 1948. p. 3677.

<sup>116</sup> James T. Patterson, *Mr. Republican: A Biography of Robert A. Taft* (Boston: Houghton Mifflin Company, 1972), pp. 438-439.

(ECA), to help China revamp its economy. The ECA would be set up with a five person commission: two Americans and three Chinese.<sup>117</sup>

By the end of 1948, the Chinese communists took over all of Manchuria. The ECA mission to China was incapable of reinvigorating China's war-torn economy. In December 1948, the Truman administration took the marines out of North China because of the communist takeover. The Chinese communists became more anti-American and blamed the United States for the continuation of the Chinese Civil War. Forrestal protested this action. He felt that an American withdraw would lead to the communist domination of all of northern China. These differences between the Departments of State and Defense escalated throughout 1949. During 1949, the Nationalists moved their government and armed forces, to the island of Taiwan in order to establish a garrison state. Jiang also took U. S. economic and military aid with him. The administration's China woes would continue to haunt them.

### *Conclusion*

After World War II, the Soviet Union appeared to be the United States' next national security threat. With this new threat, a new type of war developed, and with this new war, a new ideology transformed American national security thinking. This new national security ideology called for the concept of total war. Concurrently, it appeared China's star dimmed in East Asia. Roosevelt's vision of the postwar world, including China as one of the "Four Policemen," failed to materialize. After World War II, Jiang

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<sup>117</sup> Department of State, *A Decade of American Foreign Policy: Basic Documents, 1941-49* (Washington: United States Government Printing Office, 1950), p. 714.

Jieshi's corrupt regime failed to rally its countrymen. Instead an alternative government competed against it. General Albert Wedemeyer's report concluded that the Nationalist regime could not survive unless it initiated drastic reform of China's economic and political institutions. To accomplish this, Wedemeyer advocated granting the Nationalist government military and economic aid. Secretary of State George Marshall and PPS director George Kennan had their own interpretation of Wedemeyer's Report. Marshall and Kennan concluded that economic conditions in China were so deplorable that it would take years for its economy to develop. Thus, China, under a possible communist regime, was not a national security threat to the United States in East Asia. The State Department was more concerned with conditions in Europe and in Japan. Marshall argued that the Wedemeyer Report, if publicized, would lead to a full-fledged effort, by the China Lobby and the National Military Establishment, to keep the United States entangled in the Chinese Civil War. Marshall and the State Department wanted to shift U. S. policy in East Asia toward Japan's economic rehabilitation. However, because of the Marshall Plan and budget restrictions placed on the U. S. national budget, the administration had to compromise and grant aid through the China Aid Act of 1948. While China's star dimmed, Japan became the primary focus for national security planners in East Asia.

Concurrently, the National Military Establishment, the China lobby, and Henry Luce's pro-Nationalist media empire, were all practitioners of the new national security ideology. All these groups viewed a possible communist takeover of China as a clear national security threat to the United States. Bureaucratic infighting between the State Department and the National Military Establishment over control of American foreign policy inside the NSC would later continue. The China Lobby and its allies in the press



continued to pressure the administration to side with Jiang Jieshi and his Nationalist regime. The China Aid Act of 1948 later entangled the Truman administration once again in the Chinese Civil War, which led to the United States' involvement on the island of Taiwan. Marshall, however, had his own agenda. He wanted to develop a policy that would divide the Soviet Union and the Chinese communists. However, in January 1949, he resigned from the position of Secretary of State because of health reasons. His replacement, Dean Acheson, and the NSC continued Marshall's approach to confront the Soviet and Chinese communists by developing a new weapon against the Soviet threat in East Asia.

## Chapter II

### *Taming the Red Dragon*

In 1945, after World War II, the United States occupied Japan. As the dominant Pacific power, the United States, under the authority and power of SCAP (Supreme Commander for Allied Powers), controlled and dominated Japan for the next seven years. General Douglas A. MacArthur had coveted the title of Supreme Commander of the occupation forces. Great Britain and Australia occupied Hiroshima; however, the real and exclusive powers rested entirely with SCAP. One of SCAP's first priorities involved the destruction of the Japanese military establishment. Next on the SCAP's agenda came political reform. SCAP proposed a new constitution based on American principles of democracy. One clause in this British style constitution was the "Renunciation of War clause," designed to prevent the recurrence of Japanese militarism.<sup>1</sup>

With the completion of the military and political purges and the drafting of a constitution in Japan, MacArthur believed that Japan's military threat ended. Therefore, a Japanese peace treaty could be established for Japan to normalize relations with the allied victors. In March 1947, MacArthur announced it was time to seek a peace treaty with Japan. He stated that he "divided the Occupation job into three phases—military, political, and economic." He announced also that the first phase was completed. The second phase would be completed with the ratification of the new constitution. MacArthur asserted that

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<sup>1</sup> John W. Dower, *Embracing Defeat: Japan in the Wake of World War II* (New York: W.W. Norton & Company, 1999), pp. 13, 52.

Japan's economy needed rehabilitation before such a peace treaty could be negotiated.<sup>2</sup> As a result of the war's devastating impact, Japan's economy faltered. Japan's industrial production rate lingered at 40% below the prewar production rate. At the beginning of the occupation, SCAP initiated land reform and created the Labor Union Act, which gave unions the right to organize and bargain collectively. In addition, SCAP dismantled the zaibatsu firms. SCAP treated these firms as monopolies and created anti-trust laws barring their recreation.<sup>3</sup>

However, by 1947, these reforms only started Japan's economic recovery program, and were not the solution. Rampant inflation continued.<sup>4</sup> According to historian Michael Schaller, MacArthur blamed "Allied Governments whose trade restrictions" stifled economic growth in Japan. In addition, MacArthur blamed the Truman administration for paying more attention to events in Europe than in Asia. Concurrently, MacArthur criticized the Truman administration's policy towards China. Furthermore, MacArthur criticized Marshall's efforts in 1946 to mediate a truce between the Chinese Nationalists and communists. He blamed the Department of State's China specialists for criticizing the corruption and incompetence of Jiang Jieshi's Nationalist government. Because Jiang Jieshi was an ally of the United States during the war, MacArthur believed the State Department and its China specialists should be loyal toward the Chinese Nationalists.<sup>5</sup> MacArthur echoed and advocated the new national security ideology that swept through

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<sup>2</sup> William J. Sebald and Russell Brines, *With MacArthur in Japan: A Personal History of the Occupation* (New York: W.W. Norton & Company, Inc, 1965), pp. 244-245.

<sup>3</sup> Kodansha Encyclopedia of Japan, 6<sup>th</sup> ed., s.v. "Occupation."

<sup>4</sup> Ibid.

<sup>5</sup> Michael Schaller, *Douglas MacArthur: The Far Eastern General* (New York: Oxford University Press, 1989), p. 159.

the corridors of the Pentagon and the halls of Congress.<sup>6</sup> In a telegram to the House Foreign Affairs Committee regarding the China Aid Act of 1948, MacArthur explained the crisis in China was part of a far-reaching global epidemic.<sup>7</sup> The administration was not impressed with MacArthur's handling of Japan's economy, and did not like the idea of an early peace treaty with Japan. The State Department, the Joint Chiefs of Staff (JCS), and the National Military Establishment sought to change SCAP's overall economic policy toward Japan.<sup>8</sup>

### *Japanese Economic Recovery and the China Market*

With China in a civil war, Japan lost its primary market in East Asia. Additionally, Japan lost its access to colonial imports from Manchuria, Korea, and Taiwan. Its behavior during the war contributed to its former colonies' hatred toward Japan. Similarly, Great Britain, the Netherlands, France, and Germany all lost their markets in Southeast Asia. Consequently, the Truman administration worried about the future of both Japan and Germany. Neither of these areas were self-sufficient. Both countries were extremely dependent on U. S. economic aid. Japan and Germany needed to be rehabilitated in order for both Europe and East Asia to recover economically.<sup>9</sup>

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<sup>6</sup> Michael J. Hogan, *A Cross of Iron: Harry S. Truman and the Origins of the National Security State, 1945-1954* (Cambridge: Cambridge University Press, 1998), pp. 331-332.

<sup>7</sup> Susan M. Hartmann, *Truman and the 80<sup>th</sup> Congress* (Columbia: University of Missouri Press, 1971), p. 163.

<sup>8</sup> Schaller, *Douglas MacArthur*, p. 140-141.

<sup>9</sup> Michael Schaller, *The American Occupation of Japan: The Origins of the Cold War in Asia* (Oxford: Oxford University Press, 1985), p. 81, 79.

A month before MacArthur's announcement advocating an early peace conference, the State Department planned to develop a policy for Japan's economic recovery. This policy sought a "two-tiered recovery program designed both to stimulate Japanese industry and redirect its long-term sources of trade." The State Department planned to send raw materials to Japan to be processed by Japanese industries and exported to "nondollar Asian markets." Thus, once Japan established trade relations with other Southeast Asian nations, these countries would send raw materials to Japan in exchange for Japanese manufactured goods. The whole purpose of this policy was to make Japan's economy self-supporting and rid the United States of furnishing further economic aid. This policy would cost an estimated \$500 million, and projected that Japan's economy would recover around 1950. In order to accomplish this, SCAP needed to take control of Japan's economy.<sup>10</sup>

After Lieutenant General Albert C. Wedemeyer's mission to China, the Policy Planning Staff (PPS) director, George F. Kennan, reviewed SCAP policies toward Japan. Kennan believed the Japanese were unprepared for an early American withdrawal. Japan's economy was at a standstill. Both Japan and Germany were the centers of the "two greatest industrial complexes of the East and West." Kennan believed these two areas needed to be restored in order to stabilize Europe and East Asia. Kennan, like the Secretary of State, George C. Marshall, believed that China was not a military threat to the United States. The economy of China was in shambles, and the Wedemeyer's Report clearly indicated that the Nationalist Government was weak and volatile. Even if the Chinese communists controlled all of China, it would take years for its regime to rebuild its shattered economy. Kennan

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<sup>10</sup> Ibid., "Securing the Great Crescent: Occupied Japan and the Origins of Containment in Southeast Asia," *The Journal of American History* 69 (September 1982): 394-395.

viewed Japan as more important to the United States' national security than China. Japan, according to Kennan, was the "sole great potential military industrial arsenal of the Far East." He disputed most American's claims, voiced by Henry R. Luce, publisher of *Time Inc.*, and the China Lobby, that China was more important to the United States than Japan.<sup>11</sup> Furthermore, Kennan believed that Russia and China would become enemies in the near future.<sup>12</sup> As Kennan viewed it, Japan was a prime piece of real estate that the Soviets would love to possess. In other words, the Soviets were more interested in Japan than China.<sup>13</sup>

While the United States occupied Japan, the Soviet Union controlled the Southern Sakhalin and Kurile Islands. In addition, the Soviet Union occupied North Korea. Kennan viewed these Soviet controlled areas as a virtual encirclement of Japan. No plans were formulated for Japan's national defense after the American occupational forces withdraw. In addition, Japan had no internal security apparatus to combat the internal threat of communism. When MacArthur wanted to conclude an early peace treaty with Japan toward the end of 1947, Kennan believed his policies and an early American withdraw would lead to communism in Japan.<sup>14</sup> MacArthur believed that the administration's policies toward the rehabilitation of Germany and Japan's economy represented a direct threat to his presidential ambitions. He planned to run for president in 1948, and wanted the occupation to end before the start of his campaign. According to Michael Schaller, MacArthur "feared that linking the occupation to economic recovery might complicate his

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<sup>11</sup> George F. Kennan, *Memoirs, 1925-1950* (Boston: Little, Brown and Company, 1967), pp. 375, 368, 374.

<sup>12</sup> Walter Isaacson and Evan Thomas, *The Wise Men: Six Friends and the World They Made* (New York: Simon & Schuster, 1986), pp. 470, 477.

<sup>13</sup> Kennan, *Memoirs, 1925-1950*, pp. 375, 368, 374.

<sup>14</sup> Kennan, *Memoirs, 1925-1950*, p. 376.

plans to wrap up” the American occupation before the presidential election in 1948.

MacArthur planned to use his position and accomplishments as Supreme Commander to launch his candidacy for the Republican nomination. MacArthur hoped his efforts to dissolve the zaibatsu and hold an early peace conference would help him gain support in the presidential campaign.<sup>15</sup>

In October 1947, Kennan and the PPS sent Marshall a paper regarding communist expansion throughout the world. Kennan felt that the United States was over-extended in East Asia. Kennan viewed Japan and the Philippines as the “cornerstones of a Pacific-security system.” He hoped that the United States could retain these two areas in order to stifle Soviet advances in East Asia. Kennan recommended to Marshall that the United States “liquidate unsound commitments in China and try to recover our detachment and freedom of action with relation to that situation.”<sup>16</sup> During this period, the China Lobby pressured the administration to grant military and economic aid to the Nationalist regime on Mainland China. Concurrently, MacArthur supported the efforts of congressional members of the China Lobby to grant Jiang Jieshi military and economic aid.<sup>17</sup> In opposition, Kennan recommended to Marshall that the United States build up Japan militarily and economically. He believed such plan would secure Japan from Soviet domination and that the United States should promote Philippine independence and build the country up to become “a bulwark of American security in the Pacific region.”<sup>18</sup>

In February 1948, Marshall sent Kennan to Japan to meet with MacArthur to

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<sup>15</sup> Schaller, *Douglas MacArthur*, pp. 139-140, 142, 146.

<sup>16</sup> Kennan, *Memoirs, 1925-1950*, p. 381.

<sup>17</sup> Schaller, *Douglas MacArthur*, pp. 159-160.

<sup>18</sup> Kennan, *Memoirs, 1925-1950*, p. 381.

discuss SCAP occupational policies. During his mission, Kennan found the cost of the American occupation hindered Japan's economic development. The cost of the occupation represented one-third of Japan's total budget. Reparations also stifled Japan's economic growth. In order to pay for its reparations, Japan exported its own industrial equipment to the United States' wartime allies in the Pacific region. These reparations stripped Japan of its industrial base, while not contributing to the economic revitalization of East Asia.<sup>19</sup> In China, this was especially true. While the Chinese Nationalists fought the communists, they demanded that Japan export industrial equipment to China to rebuild China's industrial infrastructure.<sup>20</sup> However, according to MacArthur, most of the industrial equipment sent to China rusted on Shanghai docks.<sup>21</sup> Kennan traveled back to Washington and informed Marshall of his findings. Kennan recommended to Marshall that SCAP shift from political and military reform to Japan's economic recovery. He also recommended that SCAP decrease the cost of the occupation and eliminate Japan's reparation payments. Finally, Kennan recommended that a peace treaty should be postponed until Japanese post-occupation defense plans were formulated. Kennan's trip and these proposals shifted attention away from China toward Japan.<sup>22</sup> Therefore, the primary focus of the United States' policy toward East Asia was Japan's economic recovery, and not the decaying situation in China.<sup>23</sup>

In March 1948, the Under Secretary of the Army, William Draper, appeared before the House of Representative's Foreign Relations Committee to discuss economic

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<sup>19</sup> Ibid., pp. 387, 389.

<sup>20</sup> Nancy Bernkopf Tucker, "American Policy Toward Sino-Japanese Trade in the Postwar Years: Politics and Prosperity," *Diplomatic History* 8 (Summer 1984): 187.

<sup>21</sup> Conversation Between General of the Army MacArthur and Mr. George F. Kennan, 5 March 1948, *FRUS*, 1948, vol. VI, p. 705.

<sup>22</sup> Kennan, *Memoirs, 1925-1950*, pp. 389, 390.

<sup>23</sup> Report by the Director of the Policy Planning Staff, 25 March 1948, *FRUS*, 1948, vol. VI, p. 694.



conditions in Japan and its future potential. He stated that Japan's location and prewar industrial potential was as important to economic revival in East Asia as was Germany's in Europe. Draper believed Japan's industrial rehabilitation would greatly benefit East Asia. He argued if Japan was unable to economically develop, East Asia "would be without both the market in Japan for their food" and raw materials.<sup>24</sup> Congress debated the European Recovery Program (The Marshall Plan) and the China Aid Act of 1948.

While Kennan and others formulated the U. S. revised policy toward Japan, he and the PPS looked at Mainland China as a potential Japanese market. The Nationalists did not want to trade with the Japanese and were critical of the United States' efforts to rehabilitate the Japanese economy. However, the Chinese Nationalists' criticisms were relatively inconsequence because of their dependence on U. S. economic aid. The PPS felt Chinese demands for Japanese reparations were unrealistic because of the condition of Japan's economy. The Chinese Nationalists' embargo of Japanese goods and the prohibition against selling "coal and other raw materials to Japan" would play "into the hands of the Chinese Communists and USSR."<sup>25</sup> The PPS feared that the Soviet Union wanted to use Manchuria to build up a communist East Asia and deny Japan its natural resources.<sup>26</sup> The Chinese communists were extremely critical of the United States' policy toward Japan. The Chinese communists feared the United States' rehabilitation of the Japanese economy might create a resurgence of Japanese militarism in East Asia. At the same time, the Chinese communists were interested in economic trade with Japan to revitalize the

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<sup>24</sup> U. S. Congress, House, Committee on Foreign Relations, *Foreign Assistance Act of 1948: Hearings on S. 2202, 80<sup>th</sup> Cong., 2<sup>nd</sup> sess., 1948, 191.*

<sup>25</sup> Department of State Policy Statement on China, 27 September 1948, *Foreign Relations of the United States, 1948, vol. VIII, pp. 621-622.*

<sup>26</sup> Memorandum by the Policy Planning Staff, 7 September 1948, *FRUS, 1948, vol. VIII, pp. 147, 150.*

economy of China. The Japanese were willing to trade with either political faction in China, as long as the China market opened to Japanese goods.<sup>27</sup>

Earlier in September 1948, the PPS developed a new policy toward China (NSC 34). Secretary Marshall and the NSC recommended NSC 34 to President Truman. Mao Zedong's forces were turning China communist, and no other alternative seemed in sight. The only solution to the China problem was to undercut Soviet influence in China. Therefore, NSC 34 sought to divide the Soviet Union and the Chinese communists. This policy recognized the fact that the Soviets wanted to control Manchuria and North China because of its natural resources. This policy also recognized that the Soviet Union wanted to deny resources to Japan, and develop a Soviet dominated East Asia. Marshall and the NSC believed that China was plagued by pressure from its growing population, a shattered economy caused by World War II, and the Chinese Civil War. All these problems contributed to a "standard of living around and below the subsistence level." This economic plague, compounded by the growing population, would create popular unrest in China. Finally, the NSC asserted that no further American aid would benefit the Nationalist regime on the mainland.<sup>28</sup>

### *Taiwan*

While the NSC formulated its new China policy, the National Military Establishment was interested in the island of Taiwan for strategic purposes. Secretary of Defense James V. Forrestal directed the Joint Chiefs of Staff (JCS) to look at the strategic

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<sup>27</sup> Tucker, "American Policy toward Sino-Japanese Trade," 191-192.

<sup>28</sup> Memorandum by the Policy Planning Staff, 7 September 1948, *FRUS*, 1948, vol. VIII, pp. 147, 150.

position of Taiwan (Formosa) for U. S. national security purposes. Before the end of World War II, the JCS believed the United States needed to secure its defenses in the east and the west. In the east, the JCS advocated stationing bases in the Philippines, Okinawa, and the Aleutians. In the west, the JCS planned to place bases in the Canary Islands, the Azores, and in western Africa. James Forrestal, then Secretary of the Navy during this time, advocated a “base system in the Pacific to facilitate the projection of American influence and power.” The War Department believed the Philippines was the “key to Southeast Asia, Okinawa to the Yellow Sea, the Sea of Japan, and the industrial heartland of Northeast Asia.” Through this strategic line of defense, the United States could preserve the sea-lanes to Southeast Asia in order to gain “access to vital raw materials.” The United States could also use these lanes to deny raw materials to a potential enemy. This strategic line of defense provided the United States a critical area to launch an “air offensive against the industrial infrastructure of any Asiatic power, including the Soviet Union.”<sup>29</sup>

Of noteworthy significance, in 1943, President Franklin D. Roosevelt met with Jiang Jieshi at the Cairo Conference. At the conference, Roosevelt promised Jiang that China would regain the island of Taiwan, the Pescadore Islands, and Manchuria after the war was over in the Pacific. China had lost Taiwan and the Pescadores after the Sino-Japanese War of 1895. In the Treaty of Shimonoseki, the Japanese made Taiwan a colony and controlled it until 1945. After the war, historian Warren F. Kimball argued that Roosevelt thought that Jiang Jieshi would try to “establish relationships with the smaller nations of East and Southeast based upon dependency on China.” In order to curb Jiang’s territorial appetite for further expansion in East Asia, Roosevelt promised Jiang

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<sup>29</sup> Melvyn P. Leffler, “The American Conception of National Security and the Beginning of the Cold War, 1945-48,” *The American Historical Review* 89 (April 1984): 350-351.

Manchuria, Taiwan, and the Pescadore Islands.<sup>30</sup> During World War II, The Japanese used Taiwan as a base to launch air strikes against the United States in the Philippines. In 1944, Naval planners believed it was imperative to take Taiwan before any launch against Japanese positions on Luzon Island in the Philippines. MacArthur, however, wanted to take Luzon first then move on Taiwan.<sup>31</sup> He believed Taiwan was beyond the line of communications. If the U. S. recaptured Luzon from Japan, it would “sever Japan’s communication to the south” and give the United States a better position to attack the north. The Roosevelt administration sided with MacArthur and decided that Luzon should be taken first. In August 1945, the Japanese surrendered and Chinese troops, along with American units, landed on the island of Taiwan.<sup>32</sup>

In October 1945, General Chen Yi, a loyal follower of Jiang Jieshi, became Governor of Taiwan. However, his administration alienated the native population and exploited its resources. This alienation caused Taiwan’s economy to deteriorate. On 28 February 1947, the native Taiwanese rebelled against Chen Yi’s military rule, and an estimated 28,000 people were killed in this rebellion. This incident led to Taiwanese resentment and hatred of native Mainland Chinese. In May 1947, Wei Dao Ming, the former Chinese Ambassador to the United States, replaced Chen Yi as Governor of Taiwan. Wei tried to undo the mess that Chen Yi created on the island. He offered proposals to rehabilitate Taiwan’s economy, and placed native Taiwanese in government

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<sup>30</sup> Warren F. Kimball, *The Juggler: Franklin Roosevelt as Wartime Statesman* (Princeton: Princeton University Press, 1991), p. 141.

<sup>31</sup> Ronald H. Spector, *Eagle Against the Sun: The American War with Japan* (New York: Vintage Books, 1985), p. 418.

<sup>32</sup> Leonard Gordan, “American Planning for Taiwan, 1942-1945,” *Pacific Historical Review* XXXVII (May 1968): 221.

positions. In addition, Wei tried unsuccessfully to “isolate the island from the inflationary and destructive forces” that already plagued the mainland.<sup>33</sup>

When Lieutenant General Albert Wedemeyer toured Taiwan during his mission in August 1947, he was shocked by the political and economic condition of the island. Wedemeyer cited the governing style of the former governor, Chen Yi, as the reason for its demise. Wedemeyer thought the Nationalist provincial government on Taiwan alienated the Taiwanese people. He disliked the tactics of the Nationalist government, and felt it wanted Taiwan only because of its natural resources. Wedemeyer sensed that the native Taiwanese would like to be under the protectorate of a United States guardianship or a United Nations trusteeship. He accused the Nationalists of using Taiwan to support its corrupt government.<sup>34</sup>

While the Chinese Civil War raged on, the American military establishment viewed Taiwan and the Pescadore Islands as strategically vital to the United States’ national security. In November 1948, the JCS prepared a policy proposal concerning Taiwan’s strategic value to the United States’ defenses in the Pacific. The proposal advocated that the United States retain the island of Taiwan, because of its “potential value . . . as a wartime base capable of use for staging troops, strategic air operations and control of adjacent shipping routes.” Furthermore, the proposal outlined the strategic implications of a possible communist takeover of Taiwan and the Pescadores. If Taiwan fell to the Chinese communists, the JCS asserted that communist control of sea routes between Japan and the Malay endangered U. S. influence and security interests in the Ryukyus Islands and the

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<sup>33</sup> *United States Relations with China: With Special Reference to the Period 1944-1949* (New York: Greenwood Press, 1968), pp. 308-309.

<sup>34</sup> General Wedemeyer to the Secretary of State, 17 August 1947, *FRUS*, 1947, vol. VII, p. 725.

Philippines. Moreover, Taiwan, according to the JCS, possessed “a major source of food and other materials for Japan.” If the Chinese communists controlled the island, the JCS acknowledged that these resources would be denied to Japan’s economy. If this happened, the JCS felt that Japan would become a worthless ally in a possible future war in the Pacific. However, the JCS believed that Taiwan was not valuable enough to fight a general war for its strategic retention. In order to initiate this policy, the JCS advocated that the U. S. should apply “diplomatic and economic steps . . . to insure a Formosan administration friendly to the United States.” The JCS also wanted to establish military bases on Taiwan.<sup>35</sup>

General MacArthur agreed with the JCS over the strategic importance of Taiwan. MacArthur believed that communist domination of Taiwan could “rupture . . . our whole defense line in the Far East.” Consequently, he feared that Okinawa, the Marianas, the Philippines, and Japan would eventually fall under communist domination. The fall of Manchuria also endangered “the entire ‘left’ of the line” of U. S. defenses in East Asia.<sup>36</sup> MacArthur believed communist domination of Taiwan would outflank the United States’ position on Okinawa, and push its defenses back “to the west coast of the continental United States.”<sup>37</sup> MacArthur viewed Okinawa as the most advanced and vital point along the U. S. defense line in East Asia. The U. S.-East Asian defense line encompassed the Philippines, the former Japanese mandated islands, Okinawa, Midway, and the Aleutians. Naval and airbases could be stationed on Okinawa. MacArthur believed Okinawa could

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<sup>35</sup> Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Forrestal), 24 November 1948, *FRUS*, 1949, vol. IX, p. 262.

<sup>36</sup> Memorandum of Conversation, by the Counselor of Embassy in Philippines (Flexer), 7 December 1948, *FRUS*, 1949, vol. IX, pp. 263-264.

<sup>37</sup> Memorandum of Conversation, by the Chief of the Division of Northeast Asian Affairs (Bishop), 16 February 1949, *FRUS*, 1949, vol. VII, p. 657.

counter “amphibious power from the Asiatic mainland” with naval and air power stationed on the island.<sup>38</sup> He advocated that no military bases be established on Taiwan.

While the JCS and MacArthur contemplated the future of Taiwan, Harry S. Truman fought for his political life in the 1948 election. In November 1948, Truman won a second term as president. This infuriated Republicans, who believed their candidate, New York Governor Thomas E. Dewey, would defeat Truman. This political setback made the China Lobby angry. With Dewey elected, the China Lobby believed Dewey would ally himself with Jiang Jieshi. However, with four more years of the Truman administration, the China Lobby would not be able to aid the Nationalist regime. Republicans also lost control of Congress. The Truman administration’s efforts to prevent the spread of communism in Europe seemed successful in 1948. The success of the Berlin airlift and the Marshall Plan helped the administration and the Democratic Party win both the White House and Congress in 1948.<sup>39</sup> The Republicans dominated Congress between 1946-1948. However, as a party, the Republicans were divided over foreign policy. This division between the isolationist wing and the internationalist wing of the Republican Party weakened its majority in both the House and the Senate.<sup>40</sup> After the election, Republicans looked for an issue that would unite the party and would “deflect attention from the administration’s current success in Europe.” This issue was the communist takeover of China and the retention of the island of Taiwan from communist domination.<sup>41</sup>

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<sup>38</sup> Conversation Between General of the Army MacArthur and Mr. George F. Kennan, 5 March 1948, *FRUS*, 1948, vol. VI, p. 701.

<sup>39</sup> Isaacson and Thomas, *The Wise Men*, p. 466.

<sup>40</sup> Sean J. Savage, *Truman and the Democratic Party* (Lexington: University Press of Kentucky, 1997), p. 105.

<sup>41</sup> Isaacson and Thomas, *The Wise Men*, p. 466.

In January 1949, George Marshall resigned as Secretary of State, and Dean G. Acheson succeeded him. Acheson advocated a “Europe first” policy. As Under Secretary of State, he was a strong supporter of the Truman Doctrine, and was the administration’s leading spokesmen on that policy. It was his responsibility to sell the Truman Doctrine to Congress.<sup>42</sup> Acheson informed Congressmen that once Greece and Turkey fell to communism, it would “also carry infection to Africa through Asia Minor and Egypt, and to Europe through Italy and France.”<sup>43</sup> Furthermore, Acheson believed that Western Germany was a buffer against Soviet expansionism in Western Europe. Acheson also believed the Soviets wanted to “frustrate western goals” toward rebuilding Europe. U. S. involvement in two world wars made Acheson believe that the United States needed to stay actively involved in the formation of a strong unified Europe. Acheson considered the Soviet Union a competitive force in Europe’s “struggle to maintain its security and political relations.” He viewed a strong rehabilitated Western Germany as a balance between both Eastern and Western Europe. Where Marshall wanted to rebuild Germany economically, Acheson wanted to rebuild both its economy and military capability. Kennan disagreed with Acheson on this issue. Kennan wanted the United States and the Soviet Union out of Europe altogether.<sup>44</sup> However, Kennan and Acheson agreed on the issue of China. Acheson was not interested in China. Furthermore, he was not influenced by America’s romantic vision of Jiang Jieshi’s Christianized China.<sup>45</sup> Acheson was Marshall’s liaison officer in the State Department during the Marshall mission to China. He was Marshall’s

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<sup>42</sup> Ibid., p. 394.

<sup>43</sup> Dean Acheson, *Present at the Creation: My Years in the State Department* (New York: W.W. Norton & Company, 1969), p. 219.

<sup>44</sup> David McLellan, *Dean Acheson: The State Department Years* (New York: Dodd, Mead Company, 1976), pp. 146-147.

<sup>45</sup> Isaacson and Thomas, *The Wise Men*, p. 475.



main contact in Washington and informed Truman of developments in China. Acheson knew all about the Nationalist Government's incompetence and internal corruption. He, too, had no faith in the Nationalist Government's political survival.<sup>46</sup> Concurrently, Acheson, like Kennan, believed that Japan's economic rehabilitation could revitalize East Asia's regional economy.<sup>47</sup>

Unlike Marshall, Acheson wanted to increase defense spending in order to take a tougher stance toward the Soviet Union.<sup>48</sup> Truman delegated the same amount of power to Acheson as he had to Marshall. However, even before Acheson started his tenure as Secretary of State, the atmosphere in Washington was bitter cold. The Republican Party's loss of the White House and the Congress led to antagonism toward the Truman administration, and especially toward his new Secretary of State.<sup>49</sup> During Acheson's confirmation hearing, the Senators brought up his relationship to Alger Hiss's brother, Donald Hiss, who was Acheson's assistant when he was Under Secretary of State. Alger Hiss was accused of communist subversion, while he worked for the State Department. Acheson hardly knew Alger Hiss, who was later convicted of committing perjury. However, the Senate confirmed Acheson, and his confirmation hearing only initiated his turbulent tenure as Secretary of State.<sup>50</sup>

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<sup>46</sup> Acheson, *Present at the Creation*, pp. 140, 141-142.

<sup>47</sup> Schaller, *Douglas MacArthur*, p. 142.

<sup>48</sup> Hogan, *A Cross of Iron*, p. 276.

<sup>49</sup> Isaacson and Thomas, *The Wise Men*, p. 466.

<sup>50</sup> Acheson, *Present at the Creation*, p. 251.

*NSC 37*  
*U. S. Policy Toward Taiwan*

Early in his tenure, Acheson examined the JSC's policy proposal toward Taiwan. When Acheson and the NSC reviewed the JCS policy proposal toward Taiwan, the NSC constructed a policy paper called NSC 37, which took the position that Taiwan and the Pescadores were still part of the Japanese Empire. Taiwan's status remained in limbo until the ratification of the Japanese peace treaty. The NSC considered Nationalist control of Taiwan as de facto, and it documented the Nationalists' corrupt management of the island. Furthermore, the NSC believed that the influx of Nationalist refugees, who were loyal to Jiang Jieshi, complicated the situation on the island. These loyalists, NSC 37 predicted, would lead Taiwan to the same fate that the mainland waited to face. In addition, the NSC feared that the Nationalist would create a final stronghold on Taiwan, which would create political instability on Taiwan.<sup>51</sup>

On the question of a United States' occupation of the island, NSC 37 recommended that negotiations with the Nationalist Government should be "under the terms of the Japanese surrender." However, the negotiations with the Nationalists proved to be futile, because the Chinese were quite reluctant to transfer Taiwan and the Pescadores to American occupation forces. If the United States tried to take Taiwan by force, the NSC believed that the U. S could encounter "armed resistance on the islands." Such an action could galvanize Mainland Chinese into anti-Americanism, and lead many Chinese to lean

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<sup>51</sup> Draft Report by the National Security Council on the Position of the United States With Respect to Formosa, 19 January 1949, *FRUS*, 1949, vol. IX, pp. 271-272.

toward the Soviet Union. The NSC cited NSC 34, U. S. policy to politically divide the Soviets and Chinese communists, as the main reason to avoid such an occurrence. Such political warfare had to be avoided if U. S. policy were to be successful in China.<sup>52</sup>

In addition, the NSC discussed the issue of military bases on Taiwan. The NSC believed the Chinese Nationalists would not agree to such a proposal. The Chinese held deep convictions regarding national sovereignty. Also, the NSC recognized that the Sino-American Treaty of 1943 for the Relinquishment of Extra-Territorial Rights and Related Matters could not be violated. In addition, the establishment of military bases on Taiwan could not prevent the spread of communism. Thus, the Chinese communists would accuse the United States of being imperialistic, and would “rally public support of Mainland Chinese” against the United States. The military base issue jeopardized the US position on the Mainland as well as on Taiwan.<sup>53</sup>

Furthermore, NSC 37 sought to form a government on Taiwan friendly to U. S. interests in East Asia. U. S. support for the Chinese Nationalist Government on Taiwan would lead the native Taiwanese population to resent the United States. Such a move would hasten the further spread of communist influence on the island. The NSC stressed that the U. S. should prevent further migration to the island in order to curb local instability and hostility. Concurrently, Jiang Jieshi designated Taiwan as the future Nationalist safe haven, further complicating the U. S. position there. The State Department advocated self-determination for the native-born Taiwanese on the island if it appears “evident that the

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<sup>52</sup> *Ibid.*, p. 272.

<sup>53</sup> *Ibid.*, p. 273.

Chinese regime on the island is unlikely to be able to deny the island to the Communists.”<sup>54</sup>

In order to accomplish this, the NSC sought to prevent further migration from Mainland China to Taiwan. The NSC feared that this influx would hinder Taiwan's economy. Furthermore, the NSC feared that the Chinese Nationalists would establish a military garrison on the island to prevent further communist expansion.<sup>55</sup> This action could threaten the strategic value of the island, and the United States could lose Taiwan to the Chinese communists. The Formosan Re-emancipation League, a Taiwanese independence movement, caused concern. The Formosan Re-emancipation League feared that further U. S. aid would cause more oppressive acts against the Taiwanese people. It wanted the United States to remain neutral toward any future spontaneous rebellion by the Taiwanese on the island. Joshua Liao, a leader in the Formosan Re-Emancipation League, predicted that this revolt would begin with the Nationalist loss of Nanjing. Therefore, NSC 37 sought to keep Taiwan and the Pescadores from the Chinese communists. This goal would be achieved through covert unilateral policies that would contain the strategic importance of Taiwan for the United States and prevent communist penetration. Furthermore, NSC 37 sought to maintain and encourage Taiwanese self-determination on the island in order to remove the Chinese Nationalists from the island.<sup>56</sup>

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<sup>54</sup> Memorandum by the Acting Secretary of State for President Truman, 14 January 1949, *FRUS*, 1949, vol. IX, p. 269.

<sup>55</sup> Executive Secretary of the National Security Council (Souers) to the Council, 19 January 1949, *FRUS*, 1949, vol. IX, p. 274.

<sup>56</sup> The Consul General at Shanghai (Cabot) to the Secretary of State, 26 January 1949, *FRUS*, 1949, vol. IX, p. 276.

The NSC wanted the United States to use the Taiwanese independence movement to its advantage.<sup>57</sup> In February, Livingston T. Merchant, Counselor to the Embassy in China, traveled to Taiwan to “establish a personal relationship with the Taiwanese underground.” When Merchant arrived, he found that the Nationalists had already established a military presence on Taiwan. In addition, he found the Taiwanese were “docile, easily controlled,” and “managed” by the Chinese Nationalists.<sup>58</sup> Therefore, John M. Cabot, the Consul General in Shanghai, recommended to Acheson that the United States closely supervise Economic Cooperation Administration funds on Taiwan. Cabot feared this aid would not reach the native inhabitants but would go instead to the corrupt Nationalist Government officials on the island.<sup>59</sup>

While the NSC endorsed the provisions in NSC 37, the Chinese Nationalists diverted military supplies from Mainland China to Taiwan. On 14 January, President Truman and his cabinet decided that the ECA mission to China extend to areas not directly controlled by the Chinese communists.<sup>60</sup> Concurrently, the Chinese communists took control of Tianjin and later occupied Beijing. This placed the communists in a position to take over all of Mainland China north of the Yangzi River. These developments represented a direct threat to Nanjing, the Nationalists’ capital, and to the Shanghai area. Jiang Jieshi resigned from the presidency of the Republic of China. His replacement was Li Zongren. Li inherited Jiang’s Nationalist regime and all the problems that came with it.

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<sup>57</sup> Note by the Executive Secretary of the National Security Council (Souers) to the Council, 3 February 1949, vol. IX, p. 281.

<sup>58</sup> Merchant, Livingston, Interview with Richard D. McKinzie, 27 May 1975. Transcript. Harry S. Truman Library, Independence, Missouri, 1976.

<sup>59</sup> The Consul General at Shanghai (Cabot) to the Secretary of State, 13 February 1949, *FRUS*, 1949, vol. IX, p. 287.

<sup>60</sup> Memorandum by the Acting Secretary of State for President Truman, 14 January 1949, *FRUS*, 1949, vol. IX, p. 266.

However, Li was a realist and understood that the political and military direction of China swayed toward the communist regime.<sup>61</sup>

In order to cut the Nationalists' losses, Li decided to sit down at the peace table with the Chinese communists. Consequently, a cease-fire was agreed upon. The Chinese communists promised not to cross the Yangzi River until a deal was cut between them and the Nationalists. This situation worried the Truman administration, which believed any peace agreement with the Chinese communists jeopardized the position of Taiwan. It feared a communist controlled coalition government would take over the administration of Taiwan. This represented a direct threat to Taiwanese self-determination and the island would fall under communist control. Therefore, if the present situation in China resulted in a coalition government, the Truman administration decided that ECA aid would be prohibited and discontinued.<sup>62</sup>

During this period, the ECA suspended operations of all industrial replacement and reconstruction projects on the mainland, and transferred all operations to Taiwan in order to build up its economy and industrial sector.<sup>63</sup> The Truman administration and officials from the Office of Chinese Affairs viewed Taiwan as a fertile place to restart the ECA program. Taiwan's economy was primarily based on rice and sugar. Before World War II, Taiwan's agricultural sector was highly productive. The ECA considered Taiwan as one of the most developed areas in Asia.<sup>64</sup> Throughout 1949, the ECA, along with the J. G. White

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<sup>61</sup> *United States Relations with China: With Special Reference to the Period, 1944-1949* (New York: Greenwood Press, Publishers, 1968), pp. 302, 305.

<sup>62</sup> Memorandum of Conversation by Magill, "Policy question on ECA China Program," 27 January 1949, *Records of the Office of Chinese Affairs, 1945-55*, microfilm, (Wilmington, DE, 1989), reel 14.

<sup>63</sup> Memorandum by the Acting Secretary of State to President Truman, 14 January 1949, *FRUS*, 1949, vol. IX, p. 267.

<sup>64</sup> Harlan Cleveland to Paul G. Hoffman, "Taiwan," 27 January 1949, *ROCA*, 1945-55, microfilm, (Wilmington, DE, 1989), reel 14.

Engineering Corporation, helped rehabilitate Taiwan's economy. The J. G. White Engineering Corporation was a firm based in New York, and the U. S. government contracted it to work on the ECA China mission. The J. G. White Engineering Corporation primarily worked on the industrial replacement and reconstruction program.<sup>65</sup>

In addition, the administration sought to divide the Nationalist armed forces on Taiwan. Before his retirement, Jiang Jieshi removed Wei Dao Ming as Governor of Taiwan and appointed General Chen Cheng in order to establish military control of the island. Donald D. Edgar, the Consul of Taipei, wrote to Secretary of State Acheson that Chen Cheng could not properly "provide liberal efficient administration" on Taiwan. He believed that Chen Cheng could not prevent the migration of Mainland Chinese to the island. Edgar hoped that Li Zongren would appoint Sun Li ren, an American educated Nationalist general who served with General Joseph W. Stilwell in the China-India-Burma theater during World War II, to govern Taiwan.<sup>66</sup> Acheson shared Edgar's opinion, but believed that Sun did not possess the political experience to govern the island. If the State Department approached Li Zongren about Sun Li ren's appointment, the U. S. would compromise its position on the mainland while negotiations with the Chinese communists were still taking place.<sup>67</sup>

*NSC 41*  
*U. S. Policy Toward Trade With China*

While Acheson and the NSC prepared its policy toward Taiwan, they looked at

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<sup>65</sup> Nick Cullather, "Fuel for the Good Dragon: The United States and Industrial Policy in Taiwan, 1950-1950," *Diplomatic History* 20 (Winter 1996): 6-7.

<sup>66</sup> The Consul at Taipei (Edgar) to the Secretary of State, 6 March 1949, *FRUS*, 1949, vol. IX, p. 297.

<sup>67</sup> The Secretary of State to the Consul (Edgar), 8 March 1949, *FRUS*, 1949, vol. IX, p. 297.

other alternatives to deal with the Chinese communists. In February 1949, the NSC developed a new weapon against the communism in East Asia. This weapon came in the form of NSC 41, which dealt with trade. The NSC believed the Chinese communists would be dependent on foreign trade to rebuild their war-torn economy. Furthermore, the Soviet Union could never help the Chinese communists rebuild their economic infrastructure. Therefore, the United States, with the support of other western nations, would control the Chinese communists politically and defensively through economic trade. The NSC developed NSC 41 on the principles set forth in NSC 34, which advocated creating a political division between the Chinese communists and the Soviet Union. Consequently, U. S. trade with China "was of relatively minor significance."<sup>68</sup> In order to compensate for this fact, the NSC believed Japan could use China, especially North China, to import products that were vital to its economic rehabilitation. It predicted that the Chinese Communist regime would be "dependent largely on a resumption of this trade pattern . . . to rehabilitate and expand China's existing industrial and transportation facilities." In addition, the administration believed trade with China would weaken the Soviets' perceived political control over the mainland.<sup>69</sup>

The Policy Planning Staff believed trade sanctions would not undermine the Chinese communists' authority over Mainland China. Trade sanctions placed on Russia after the 1917 revolution did not undermine the Bolsheviks' political authority, but only strengthened it. Trade sanctions placed on China would also hamper trade with Japan. The PPS thought the economic rehabilitation of China would be a long-term process. This

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<sup>68</sup> Note by the Executive Secretary of the National Security Council (Souers), on United States Policy Regarding Trade with China, 28 February 1949, *FRUS*, 1949, vol. IX, p. 827.

<sup>69</sup> *Ibid.*, pp. 827-828.



process would take generations to “create an industrial base, which as an adjunct of Soviet power, would represent a security threat to the United States.” If trade with China did not work out, the United States should try to find “alternative sources on an economic basis, particularly in areas such as southern Asia where a need exists for Japanese exports.” The administration did not want Japan to become too dependent on Chinese food and raw material.<sup>70</sup>

In order to accomplish this, the Truman administration needed the help of western nations, particularly Great Britain. The British were heavily involved in business in China with Hong Kong being Britain’s door to Mainland China. Hong Kong’s economic position was extremely important to Britain’s “active entrepot trade with the Chinese Mainland.” The British wanted to continue trading with China, although it would have a communist regime. Great Britain had been the world’s number one banker. World War II left its economy in shambles and its resources depleted. In 1945, the Labour Party, led by Clement Attlee, won parliamentary elections in Great Britain with a mandate to rebuild the British economy.<sup>71</sup>

The economy in Great Britain benefited from the Marshall Plan, but the plan only stabilized the British economy. The British government placed restrictions on rations, and industry stagnated because of the loss of raw materials. In addition, the British sterling rate was in danger of collapsing under the pressure of this economic instability. This not only effected Britain, but its vast empire as well. In 1947, the British gave up control of India. Since 1948, Britain fought against communist insurgents in Malaysia, and the Chinese

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<sup>70</sup> *Ibid.*, pp. 831-832.

<sup>71</sup> *Harry S. Truman Encyclopedia*, s.v. “Great Britain.”

Civil War threatened its investments in Hong Kong.<sup>72</sup> The United States needed Britain's cooperation in order to restrict the communist regime from accessing strategic materials, which could be used in military adventures throughout East Asia.<sup>73</sup>

Officials from SCAP applauded this policy. Although MacArthur supported the Chinese Nationalist regime and the retention of Taiwan, he supported trade between Japan and China. MacArthur knew that Japan must be rebuilt, and China's potential market was promising for Japanese trade. He believed if the Japanese economy was not rehabilitated, communism would engulf Japan. The Japanese Premier, Yoshida Shigeru, also welcomed trade with Mainland China. He considered China a natural market to reinvigorate Japan's economy. Yoshida also hoped that a Chinese communist victory on Mainland China "would both restrain the Soviets and give Tokyo new leverage over Washington" regarding economic policy in Japan.<sup>74</sup>

During this period, the United States had no relations with the Chinese communists. The Truman administration needed to establish a system in China in order to start trade relations with the Chinese communists. In order for the Chinese communists to trade with the west and SCAP, the Consul General in Beijing, O. Edmund Clubb, recommended that the Chinese communists invite the United States to place U. S. consulates in areas controlled by the Chinese communists.<sup>75</sup> In April, the Chinese communists wanted to "export salt, coal, soy beans, and particularly soy cake" to Japan. In exchange, it wanted to import "machine parts . . . radio and telecommunications

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<sup>72</sup> Ibid.

<sup>73</sup> Ibid., Note by the Executive Secretary of the National Security Council (Souers), on United States Policy Regarding Trade with China, 28 February 1949, *FRUS*, 1949, vol. IX, p. 828.

<sup>74</sup> Tucker, "American Policy Toward Sino-Japanese Trade," 202, 193, 188.

<sup>75</sup> The Consul General at Peiping (Clubb) to the Secretary of State, 30 April 1949, *FRUS*, 1949, vol. IX, p. 976.

equipment, paper, railroad materials such as frogs, switches, locomotive parts, ties, copper wire” from Japan. However, the Chinese communists had not yet extended an invitation to the United States to place U. S. consulates in communist areas. Therefore, the State Department advocated that trade relations with the Chinese communists be put on hold until it approached U. S. Embassy officials in China.<sup>76</sup>

The Department of the Army recommended that MacArthur not send a trade mission to communist China until invited. SCAP and other U. S. representatives equally wanted to avoid the impression that Japan was heavily dependent on North China and Manchurian exports.<sup>77</sup> The embassy officials in China recommended that negotiations should take place with the Chinese communists through “Consulate-Department-SCAP” channels.<sup>78</sup> However, MacArthur pursued his own trade policy with China that did not require the same restrictions advocated by the State Department. MacArthur bypassed the American Consulates in order to speed up trade transactions, and in order to flout State Department authority.<sup>79</sup> Acheson advised John Cabot to supply the Chinese communists with certain products in order to “keep them coming back for more,” and to avoid charges that an American embargo was placed on Communist China. Furthermore, the State Department granted the sale of “petroleum products to Communist controlled North China.” It only required that such sales be carried out through civilian use and not military consumption. Full cooperation from the United States and British petroleum companies

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<sup>76</sup> Ibid., pp. 975-976.

<sup>77</sup> The Department of the Army to the Supreme Commander for the Allied Powers in Japan (MacArthur), 7 May 1949, *FRUS*, 1949, vol. IX, p. 978.

<sup>78</sup> The Consul General at Peiping (Clubb) to the Secretary of State, 11 May 1949, *FRUS*, 1949, vol. IX, p. 981.

<sup>79</sup> Schaller, *The American Occupation of Japan*, p. 192.

was needed to control the amount of oil sold to the Chinese communists.<sup>80</sup> Acheson recommended that certain export items, such as aviation gasoline, be excluded from trade with the communists.<sup>81</sup> Concurrently, Acheson received reports from the embassy officials in China that the Chinese communists sought recognition from western countries in order to revive their economy.<sup>82</sup>

On 2 April, the peace negotiations between the Nationalists and the communists began in Beijing. The Chinese communists gave the Nationalists until 20 April to agree to their peace proposal. If the Nationalists did not agree to it, the communists would cross the Yangzi and invade Nanjing and Shanghai. Meanwhile, the administration dealt with Taiwan. On 3 April, the China Aid Act of 1948 was scheduled to end. In late March, Ambassador John Leighton Stuart asked for an “interim extension of the ECA program” to 30 June 1949. This extension provided the Nationalist government “economic relief until the next harvest” in non-communist occupied areas on the mainland and in Taiwan. Of the \$570 million appropriated to the ECA in China, \$139.2 million had been sent to China for commodities. Sixty seven million dollars had already been spent on the industrial reconstruction and replacement program, and \$1.2 million went to the administration of the ECA in China.<sup>83</sup>

While peace negotiations continued on the mainland, Acheson believed the Act should be extended in order to help the native Taiwanese. If the administration did not

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<sup>80</sup> Memorandum of Conversation by Mr. John W. McBride of the Petroleum Division, 7 April 1949, *FRUS*, 1949, vol. IX, pp. 1004-1005.

<sup>81</sup> The Secretary of State to the Consul General at Shanghai (Cabot), 1 April 1949, *FRUS*, 1949, vol. IX, p. 1003.

<sup>82</sup> The Consul General at Tientsin (Smyth) to the Secretary of State, 11 May 1949, *FRUS*, 1949, vol. IX, p. 983.

<sup>83</sup> *United States Relations with China*, pp. 308, 399.

support the continuation of the China Aid Act of 1948, Congress and the public would charge the administration with not wanting to aid the Nationalist Government. Acheson wanted to prevent Congress from providing a separate appropriation for Taiwan, and wanted to extend the China Aid Act through 30 June 1949 by using its “unexpended balance.” According to Acheson, this amendment to the China Aid Act of 1948 would “bring the Formosan situation to a head sooner rather than latter.”<sup>84</sup> He acknowledged that the size of such a mission might make the United States’ position on the island more noticeable, but would not hurt the United States’ position on the mainland.<sup>85</sup> Acheson feared that a separate appropriation for Taiwan would create various problems for the United States’ position on the mainland. He thought the Chinese communists would think that the United States had imperialistic designs for Taiwan.<sup>86</sup> Congress, however, amended the China Aid Act of 1948 and permitted the use of the existing ECA appropriations until 5 February 1950.

Meanwhile, more and more mainlanders escaped to Taiwan. The ECA found the impact of this migration a threat to the island’s economy. Robert Lapham, the Chief of the ECA China Mission, wrote to Paul Hoffman, ECA administer, and recommended “no capital expenditures for reconstruction and replacement on Taiwan unless the U. S. is fully prepared to go the limit.” This influx created inflation and undermined U. S. promotion of Taiwanese independence. Furthermore, Lapham feared this influx undermined the ECA mission on Taiwan. If the Nationalists gained complete control over island, then the

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<sup>84</sup> The Secretary of State to the Ambassador in China (Stuart), 24 March 1949, *FRUS*, 1949, vol. IX, p. 304.

<sup>85</sup> The Secretary of State to the Consul General at Taipei (Krentz), 2 March 1949, *FRUS*, 1949, vol. IX, p. 294.

<sup>86</sup> *Ibid.*, The Secretary of State to the Consul General at Taipei (Krentz), 24 March 1949, *FRUS*, vol. IX, p. 304.

Nationalists would incorporate its failed policies from Mainland China in Taiwan. This would enhance the communist political position on the island, and make it easier for the communists to penetrate the island.<sup>87</sup> The Acting Chief of the Economic Cooperation Administration China Mission, Allen Griffin, wanted the United States and the ECA to stay out of Taiwan, "so far as any long term operation is concerned." Griffin feared long-term aid would make the United States totally responsible for the rehabilitation of Taiwan's economy and for its defense. He believed that ECA aid only benefited corrupt Chinese Nationalist officials and not the Taiwanese people. Griffin advocated that the ECA, through the JCRR, could "undertake some reasonably conservative rural reconstruction operations."<sup>88</sup>

On 20 April, peace negotiations failed, and the communists crossed the Yangzi. The Chinese communists pushed the Nationalists southward toward Nanjing and Shanghai. Concurrently, the Chinese communists accidentally bombed the British gunboat, the H.M.S *Amethyst*, which was on its way to Nanjing from Shanghai. In May, the communist invaded both Nanjing and Shanghai, and the majority of the Nationalist armed forces fled to Taiwan. In June, the Chinese Nationalists on Taiwan announced that an economic blockade would be placed on all communist held ports on Mainland China.<sup>89</sup> The State Department feared that this blockade would turn the Chinese communists away from the United States and toward the Soviet Union.<sup>90</sup> Its association with the Chinese Nationalists

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<sup>87</sup> Memorandum by the Chief of the ECA China Mission (Lapham) to the ECA Administer (Hoffman), 9 March 1949, *FRUS*, 1949, vol. IX, p. 629.

<sup>88</sup> The Acting Chief of the ECA China Mission (Griffin) to the Director of the China Program of the Economic Cooperation Administration (Cleveland), 14 April 1949, *FRUS*, 1949, vol. IX, p. 319.

<sup>89</sup> The Minister-Counselor of Embassy in China (Clark) to the Secretary of State, 16 June 1949, *FRUS*, 1949, vol. IX, p. 1098.

<sup>90</sup> The Acting Secretary of State to the Minister-Counselor of Embassy in China (Clark), at Canton, 20 June 1949, *FRUS*, 1949, vol. IX, p. 1099.

would lead to a backlash against U. S. efforts to implement NSC 41, U. S. trade policy toward China. The Chinese Nationalists launched air raids on foreign and mainland ships traveling to Chinese ports. Consequently, the Chinese Nationalists bombed the British merchant ship, the *Anchises*.<sup>91</sup> The British blamed the United States for granting military aid to the Chinese Nationalists, and wanted the administration to “exercise direct pressure” on the Nationalists to stop the blockade. Thus, the blockade threatened U. S.- British cooperation over the implementation of NSC 41.<sup>92</sup>

While the Nationalists blockaded mainland ports, the Chinese communists were interested in economic aid from the United States. The Chinese communists knew they needed such aid to rehabilitate their economy. Mao Zedong, leader of the Chinese communists, and Zhou Enlai, the Chinese communists’ foreign minister, faced the reality that there were only two places China could go to for economic aid: the Soviet Union and the United States. Both Mao and Zhou preferred the latter and believed the United States was the only country that could possibly help them.<sup>93</sup> Huang Hua, Director of “alien affairs” for the CCP Military Control Commission, contacted with Philip Fugh, who was Ambassador John Leighton Stuart’s personal secretary. Huang informed Fugh that the Chinese communists could not pursue a policy of isolation. China’s economic rehabilitation depended on it. Fugh informed Huang that the Chinese communists’ attitude toward the West had to change before any arrangement would occur.<sup>94</sup>

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<sup>91</sup> Statement by the British Secretary of State for Foreign Affairs, 21 June 1949, *FRUS*, 1949, vol. IX, p. 1110.

<sup>92</sup> The British Embassy to the Department of State, 22 June 1949, *FRUS*, 1949, vol. IX, pp. 1100-1101.

<sup>93</sup> Han Su Yin, *Eldest Son: Zhou Enlai and the Making of Modern China, 1898-1976* (New York: Hill and Wang, 1994), 220.

<sup>94</sup> The Ambassador in China (Stuart) to the Secretary of State, 9 June 1949, *FRUS*, 1949, vol. VIII, p. 377-378.

Others, however, were cynical of granting economic aid to China. Economic aid itself would not turn the Chinese communists toward the United States. Trade was the only answer. Edmund Clubb, Consul General in Beijing, informed Acheson that the Chinese Communists needed to trade with the United States and Asian countries in order to rebuild their economy. He pointed out that the Chinese communists realized how profitless it was to deal with the Soviet Union. Clubb believed that China was at a point where its economy needed economic trade.<sup>95</sup> He later wrote that the Chinese people believed that the problems that the civil war brought on “were designed in the USA and made in China.” Clubb believed that the United States “could not be redeemed simply by shiploads of relief supplies.”<sup>96</sup> John Cabot, Consul General in Shanghai, wrote Acheson that the Chinese communists were not pleased by Soviet “intrusions in Manchuria, Xinjiang, Port Arthur, and Dairen.” He noted that the Chinese communist wanted to recover all of China’s sovereignty in Manchuria, where the Soviets acquired special rights. The Chinese communists, Cabot pointed out, were waiting to bring up these issues with the Soviets. He added that Soviet aid to China would drain the Soviet Union’s economy and weaken its political and economic leverage in Eastern Europe. He hoped that Mao Zedong would follow an “independent path” from the Soviet Union.<sup>97</sup> Others, however, believed trade with China would not turn the Chinese communists away from their Marxist philosophy.

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<sup>95</sup> The Consul General at Peiping (Clubb) to the Secretary of State, 11 June 1949, *FRUS*, 1949, vol. VIII, pp. 379-380.

<sup>96</sup> The Consul General at Peiping (Clubb) to the Secretary of State, 30 June 1949, *FRUS*, 1949, vol. VIII, p. 402.

<sup>97</sup> The Consul General at Shanghai (Cabot) to the Secretary of State, 20 June 1949, *FRUS*, 1949, vol. VIII, p. 391.



Foy D. Kohler, Chargé in the Soviet Union, asserted that the Chinese communists would “unlikely be weaned away from Communist orthodoxy” if it had trade relations with the west.<sup>98</sup>

In order to stop the Nationalist blockade, the administration considered applying pressure on the Nationalists by suspending ECA economic and military aid.<sup>99</sup> Taiwan’s economy needed to be rehabilitated for its native inhabitants. Economic aid alone could not alleviate Taiwan’s economic trauma. Allen Griffin wrote to the Director of the ECA, Paul G. Hoffman, that the only way to improve the economic condition of Taiwan was through trade relations with Japan. Taiwan had large quantities of sugar and coking coal, materials the Japanese needed. Coking coal could be used in Japanese industries. Griffin believed trade relations with SCAP could “check the economic deterioration” of Taiwan’s economy. Through trade with SCAP, Taiwan would be able to pay for the “replacement and reconstruction program” without U. S. economic aid. However, SCAP officials were not interested in trade with Taiwan. SCAP was more interested in trade with Mainland China. Griffin believed that ECA should close up shop on the island, if the administration was not interested in trade with Japan. ECA officials on Taiwan believed trade with Japan was the only solution to Taiwan’s economic turmoil.<sup>100</sup>

Another tide swept the corridors of the Pentagon and the halls of Congress. In February 1949, the JCS recommended that “minor numbers of fleet units be maintained at

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<sup>98</sup> The Charge in the Soviet Union (Kohler) to the Secretary of State, 27 June 1949, *FRUS*, 1949, vol. VIII, p. 400.

<sup>99</sup> The Minister-Counselor of Embassy in China (Clark) to the Secretary of State, 11 July 1949, *FRUS*, 1949, vol. IX, p. 1120.

<sup>100</sup> Mr. Allen Griffin to Paul G. Hoffman, “The Formosan Situation,” 27 June 1949, *ROCA*, microfilm, (Wilmington, DE, 1989), reel 14, pp. 2-3.

a suitable Formosan port or ports.”<sup>101</sup> It still viewed Taiwan as strategically vital to the overall defense of Japan. In addition, the JCS invoked the new national security ideology. The JCS believed that global responsibilities around the world should be assigned to the United States. This proposal collided with the State Department’s attempt to create a division between the Chinese communists and the Soviets. The State Department advocated self-determination for the native Taiwanese and not the establishment of a garrison state on Taiwan. Therefore, Acheson turned the proposal down.<sup>102</sup>

In Congress, the China Lobby pressured the administration to grant more military aid to the Chinese Nationalists. Texas Senator Tom Connally, the Chairman of the Senate Foreign Relations committee, wrote Acheson requesting hearings on the situation in China. In February, fifty Senators wrote Connally a letter pressuring him to hold such hearings. The Senators wanted to establish a military commission that would go to China to study the political, economic, and military situation.<sup>103</sup> Acheson wrote Connally that additional military aid “and advice would only prolong hostilities and the suffering of the Chinese people and would arouse in them deep resentment against the United States.” He informed Connally that only a “large American armed force in actual combat” could curb the red tide that engulfed Mainland China.<sup>104</sup> Testifying before the committee, Acheson argued that Mainland China was not a “strategic springboard” for communism but a “strategic morass.” He pointed out that China did not possess an abundant supply of natural resources

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<sup>101</sup> Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Forrestal), 10 February 1949, *FRUS*, 1949, vol. IX, p. 286.

<sup>102</sup> Hogan, *A Cross of Iron*, p. 106.

<sup>103</sup> Kenneth W. Condit, *History of the Joint Chiefs of Staff: The Joint Chiefs of Staff and National Policy, Vol. II, 1947-1949* (Washington D.C.: Office of the Chairman of the JCS, 1996), p. 250.

<sup>104</sup> The Secretary of State to Senator Tom Connally, of Texas, 15 March 1949, *FRUS*, 1949, vol. IX, p. 608.

to become a military power. Acheson informed the Senators that it would take a long time for the Chinese communists to gain “political stability or economic stability in that area.”<sup>105</sup>

In March, Truman replaced James Forrestal as Secretary of Defense. He replaced him with Louis Johnson, who was a West Virginia lawyer and Roosevelt’s Under Secretary of War. In 1948, Johnson served as Truman’s key fundraiser for his reelection campaign. Truman believed the appointment of Johnson would smooth things over between both the Department of State and Defense, since Forrestal’s tenure led to a rift between the two agencies. However, the ambitious Johnson hoped his role as Secretary of Defense would be a springboard to the presidency. Before Forrestal’s departure, Johnson wanted the administration to strengthen the position of the Secretary of Defense. In January 1949, Truman replaced the National Military Establishment with the Department of Defense. All three branches of the military service would be directly under the Secretary of Defense. Each secretary from the three branches was subordinate to the Defense Department. Johnson used the strengthened position of Secretary of Defense to compete with the State Department’s authority over the NSC and its foreign policy; especially its policy toward China. Johnson supported Jiang Jieshi and his Nationalist Government and the retention of Taiwan.

Concurrently, Congress shared the JCS and Defense Department’s plans for Taiwan. The China Lobby used Johnson as a tool to support Jiang Jieshi and the

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<sup>105</sup>U. S. Congress, Senate Committee on Foreign Relations, *A Bill to Provide Economic, Financial and other Aid to China: Hearing on S. 1063, 81<sup>st</sup> Cong., 1<sup>st</sup> sess., 1949, 30-31.*

Nationalists on Taiwan.<sup>106</sup> Many Congressmen wanted Taiwan to be incorporated into Japan's overall defense line. Major General David Barr, former Chief of the Army Advisory Group in China, appeared before the Senate Foreign Relations Committee, but he received a cool reception from most of the Senators on the committee. Senator Elbert Thomas of Utah criticized the administration's defense policy toward Taiwan. He could not understand why the United States was in Okinawa and Japan but not in Taiwan. Thomas believed Taiwan should be incorporated in the "defensive system of Japan." If Taiwan went to the communists, Thomas argued, the Chinese communists would have an invitation to take Okinawa and Japan. Barr stated that he and the Truman administration did not want the Chinese communists to take Taiwan; however, as he explained, "the means of [defending Taiwan] is a real problem." Senator Theodore F. Green, a Democrat from Rhode Island, asked Thomas if he believed the United States should "encourage the building up of Japan, including Formosa, as a bulwark against Russia."<sup>107</sup> Thomas replied that if the United States wanted "a peaceful Japan we ought to have control of Formosa." He also recognized the fact that Okinawa had been a part of China. Instead of giving Okinawa to the Chinese, it was given back to Japan.<sup>108</sup> Therefore, Thomas argued that the United States should give Taiwan back to Japan. Senator Arthur Vandenberg asked Barr how the United States could defend Okinawa without having control over Taiwan. Barr stated that the only solution to the Taiwan problem was through the United Nations.<sup>109</sup>

George Kennan appeared before the House Foreign Affairs committee, and informed them that the Chinese communists were "inheriting a devastated and a terribly

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<sup>106</sup> Isaacson and Thomas, *The Wise Men*, p. 469.

<sup>107</sup> *Ibid.*, pp. 861-62, 867.

<sup>108</sup> During the Qing Dynasty, the Japanese were able to gain control of the Ryukyus Islands in 1879.

<sup>109</sup> *Ibid.*, p. 867.

weakened country economically.” Kennan stated that the Japanese government would have to trade with Mainland China if the United States stopped propping up Japan’s economy. Kennan noted that the Chinese communists would have to trade if they wanted to survive. Japan, itself, Kennan stated, had great bargaining power over trade with China, because of China’s desperate economic situation. He added that trade with China depended on the Chinese communist government. Congressman Walter Judd, a prominent member of the China Lobby, argued that economic pressure would not turn the Chinese communists toward the United States. He cited General Marshall’s position concerning a possible coalition government during his mission in 1946. Judd argued that the State Department tried to force Jiang Jieshi, through economic pressure, to form a coalition government with the Chinese communists. If Jiang Jieshi rejected such pressure, Judd asserted it was likely that the communists would reject such pressure.<sup>110</sup>

In June, Acheson appeared before a joint Armed Service and Foreign Relations committee to discuss the North Atlantic Treaty Organization (NATO). However, most of the Congressmen were more interested in arming Jiang Jieshi’s Nationalist regime. Senator William F. Knowland, a prominent member of the China Lobby, drafted his own proposal for \$175 million in military aid to the Nationalists on Taiwan. Acheson and his allies in congress fought Knowland’s proposal. By the fall of 1949, the Chairman of the Foreign Relations committee, Democratic Senator Tom Connally, recommended that only \$75 million would go toward the general area of China. President Truman would be able to use this fund at his own disposal. Truman later used this appropriation for Southeast Asia.<sup>111</sup>

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<sup>110</sup> U. S. Congress, House Committee on Foreign Relations, *Korea Aid Act of 1949: Hearing on HR. 533*, 81<sup>st</sup> Cong., 1<sup>st</sup> sess., 1949, 114, 73, 78.

<sup>111</sup> James Fetzer, “Senator Vandenberg and the American Commitment to China, 1945-1959,” *The Historian* XXXVI (February 1974): 300-301.

Later Johnson and the JCS lobbied Truman to appropriate this money toward funding the Nationalist Government on Taiwan.<sup>112</sup>

In August 1949, the Department of State published the *White Paper*.<sup>113</sup> The *White Paper* covered U. S relations with China from 1944-1949. The State Department started preparing for its publication in May. Acheson believed the Wedemeyer Report should be placed in the document. The publication of certain segments of the report would “provide domestic critics of the administration’s policy additional opportunities to attack” the administration. However, Acheson thought that the content of the Wedemeyer Report was defensible and would undercut such criticism.<sup>114</sup> However, the JCS and Secretary of Defense, Louis Johnson, were concerned about the contents of the *White Paper*. Johnson and the JCS believed the report would “have grave national security implications” for the United States. The Defense Department feared the findings in the *White Paper* would undermine the United States’ position in China and prevent the “possibility of containing or reversing the Communist trend in China.” The JCS did not want this document published.<sup>115</sup> Johnson wrote to Acheson that the publication of the report represented an intelligence risk for the United States. He asked Acheson: “Does its publication serve the national interests?”<sup>116</sup> Truman, contrary to the JCS and Johnson’s opinion, agreed with

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<sup>112</sup> Schaller, *The American Occupation of Japan*, p. 209.

<sup>113</sup> Department of State, *United States Relations with China* (Washington: Government Printing Office, 1949).

<sup>114</sup> Memorandum by the Secretary of State to President Truman, 12 May 1949, *FRUS*, 1949, vol. IX, pp. 1366-1367.

<sup>115</sup> Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Johnson), 21 July 1949, *FRUS*, 1949, vol. IX.

<sup>116</sup> The Secretary of Defense (Johnson) to the Secretary of State, 21 July 1949, *FRUS*, 1949, vol. IX, p. 1382.

Acheson that the document should be published. Acheson wanted to stifle criticism of the State Department's China policy. Furthermore, Acheson wanted to undercut the Defense Department's move toward strengthening the strategic position of Taiwan.<sup>117</sup>

However, the publication of the *White Paper* did not turn public opinion over to the administration's side. The document, nearly one thousand pages long and complicated, caused an immediate sensation across the United States. Its publication did not help the administration win the public around to its side, and only made its policies more controversial. More questions regarding the situation in China were being asked than answered.<sup>118</sup> Congressional critics of the administration lashed out at the findings in the *White Paper*. Members of the China Lobby believed that the State Department's China policy was a policy of appeasement. China Lobby member and Congressman, Joe Martin, called the *White Paper* an 'Oriental Munich.'<sup>119</sup>

#### *NSC 37 versus NSC 41*

While the Defense Department, the JCS, and Congress fought the State Department over Taiwan and the *White Paper*, the Nationalist blockade continued to threaten the U. S. position on the mainland. In order to stop the Nationalist blockade, the administration thought about applying pressure to the Nationalists by suspending ECA military aid.<sup>120</sup> In August, the Nationalists requested "6 seaplanes or amphibians" in order to conduct the blockade. In response to this request, Philip D. Sprouse, Chief of the Division of Chinese

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<sup>117</sup> David McCullough, *Truman* (New York: Simon & Schuster, 1992), p. 743.

<sup>118</sup> *Ibid.*

<sup>119</sup> *Time*, 15 August 1949.

<sup>120</sup> The Minister-Counselor of Embassy in China (Clark) to the Secretary of State, 11 July 1949, *FRUS*, 1949, vol. IX, p. 1120.

Affairs, speculated that the economic blockade might “delay the consolidation of communist control” of China. Moreover, Sprouse felt that the economic blockade could stifle the Chinese communist’s advancement in southern China. However, he felt that the current economic blockade would not prohibit the Chinese communist’s from invading and conquering Taiwan. Nor did Sprouse feel that further U. S. military aid to the Nationalists would contribute significantly to the blockade of communist-held ports on the mainland. During this period, most American businessmen in China opposed arming the Chinese Nationalists. American businessmen felt the economic blockade hurt their investments in China. Sprouse thought that the Chinese communists would not “incite public opinion against private Americans,” during the Nationalist blockade.<sup>121</sup>

By the fall of 1949, reports came out of Taiwan that the Taiwanese independence movement would not cooperate with the Nationalist government, and that the Taiwanese would cooperate with the communists in the eventual takeover of the island.<sup>122</sup> Rumors spread around the island that the communists were poised to strike, and segments of the Nationalist army would defect once an invasion was launched.<sup>123</sup> Consequently, the anti-Chinese feelings that plagued the island were greater than the uprising in 1947, when the Nationalist government on Taiwan killed 28,000 Taiwanese.<sup>124</sup> The movement continued to be fragmented and politically inept. The Taiwanese viewed support from the United States as its only path to independence. These independence groups wanted the United

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<sup>121</sup> Memorandum by the Chief of the Division of Chinese Affairs (Sprouse) to the Director of the Office of Far Eastern Affairs (Butterworth), 9 August 1949, *FRUS*, 1949, pp. 1127-1128.

<sup>122</sup> The Consul at Shanghai (McConaughy) to the Secretary of State, 6 September 1949, *FRUS*, 1949, vo. IX, p. 383.

<sup>123</sup> The Consul General at Taipei (Macdonald) to the Secretary of State, 6 September 1949, *FRUS*, 1949, vol. IX, pp. 383-384.

<sup>124</sup> The Consul General at Taipei (Macdonald) to the Secretary of State, 7 September 1949, *FRUS*, 1949, vol. IX, p. 385.



States to invade the island, and have SCAP or the United Nations occupy Taiwan. However, these independence groups were unwilling to send in a petition or lobby the United Nations to promote their cause. They feared that the Chinese Nationalists “would not allow such a petition to be transmitted to the United Nations.” The Taiwanese independence movement’s political fragmentation and ineptitude made the Truman administration’s main goal for Taiwanese self-determination even more difficult to sustain.<sup>125</sup>

On the mainland, most of the anti-American rhetoric was targeted toward the United States’ position on Taiwan. Reports asserted that Zhou Enlai and Huang Hua, liberal elements within the CCP, wanted the United States to make a public statement regarding the United States’ position toward Taiwan. These liberal elements feared their political positions within the CCP were threatened by the United States’ policy toward Taiwan. Mao Zedong blamed the Nationalist blockade on the United States. These liberal elements in the CCP wanted the communists to do business with the Americans. There were elements within the CCP that preferred to do business with the Soviets, something liberals like Zhou Enlai wanted to avoid.<sup>126</sup>

Throughout 1949, another issue appeared on the political scene: the issue of recognition. The administration wanted the Chinese communists to come to them, instead of the United States capitulating to their demands. The British believed, like Acheson, that an isolated Chinese communist government on Mainland China would be forced into a

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<sup>125</sup> The Consul General at Taipei (Macdonald) to the Secretary of State, 8 September 1949, *FRUS*, 1949, vol. IX, p. 387.

<sup>126</sup> The Consul at Shanghai (McConaughy) to the Secretary of State, 6 September 1949, *FRUS*, 1949, vol. IX, p. 383.

partnership with the Soviet Union.<sup>127</sup> In September, Acheson met with the British Foreign Minister, Ernest Bevin, who informed the Secretary of State that the British were not “in a hurry to recognize” the Chinese communist regime. On the other hand, the British had commercial interests that needed to be maintained in China. Bevin feared the reality of driving the Chinese communists into the hands of the Russians. Acheson informed Bevin that the United States had no desire to isolate the Chinese communists, or force China into the Soviet sphere of influence.<sup>128</sup>

In addition, the Indian and Australian governments were both considering recognition. The Australian Government believed that the Chinese communists were not tied to the Soviet Union. The Indian government wanted to recognize the communist regime because of its close proximity to India. Indian Prime Minister, Jawaharlal Nehru, believed Chinese Nationalism would eventually undermine the Soviet Union’s efforts to dominate China.<sup>129</sup>

On 1 October, Mao Zedong declared the creation of the People’s Republic of China (PRC). Thus, the Chinese communists now controlled China. After the creation of the PRC, President Truman discovered that the British government wanted to send armed escorts with its merchant ships into Chinese waters. The British wanted to extend the protection of “British Merchant vessels withing the territorial waters of China . . . in the event of an actual attack.” Also, the British would only retaliate against such attacks in communist dominated waters.<sup>130</sup> To complicate matters, the Chinese Nationalists

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<sup>127</sup> Memorandum of Conversation, by Wallace W. Stuart of the Division of Chinese Affairs, 10 June 1949, *FRUS*, 1949, vol. IX, p. 36.

<sup>128</sup> Memorandum of Conversation, by the Secretary of State, 13 September 1949, *FRUS*, 1949, vol. IX, p. 83.

<sup>129</sup> Memorandum of Conversation, by the Secretary of State, 13 October 1949, *FRUS*, 1949, vol. IX, p. 100.

<sup>130</sup> Memorandum by the Secretary of State to President Truman, 18 October 1949, *FRUS*, 1949, vol. IX, pp. 1150-1151.

announced that the American trained Chinese Air Force planned to bomb all commercial shipping in the Taiwan Straits.<sup>131</sup> The Nationalists main target, however, was the British. K.C. Wu, the newly appointed Governor of Taiwan, informed John T. Macdonald, the American Consul in Taipei, that American ships had nothing to worry about. He told Macdonald that he wished the Chinese Air Force “would drop a few bombs on some British ships.”<sup>132</sup>

This development collided with the State Department’s policies toward China and Taiwan. The State Department feared that this would lead to an international incident. It feared that the Nationalists were undermining the United States’ trade policy toward the mainland and the Nationalists’ position on Taiwan. The Chinese communists already blamed the United States for the Nationalist blockade. With this development, the British and the Chinese communists would blame the United States. The State Department concluded that the Nationalists had the right to attack British shipping in territorial waters it controlled. In addition, the British had the right “under international law . . . to protect British merchant vessels being suspected of unlawful attack.” The State Department worried that this would lead to an international incident and destroy its efforts in China.<sup>133</sup>

Another problem was the house arrest of Angus Ward and three other American officials in Mukden (Shenyang). This also complicated the administration’s trade policy on the mainland. During this crisis, the PRC wanted to purchase steel rails from the Japanese in exchange for soybeans and other goods that were needed in Japan. General MacArthur

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<sup>131</sup> The Consul General at Taipei (Macdonald) to the Secretary of State, *FRUS*, 4 November 1949, *FRUS*, vol. IX, p. 1159.

<sup>132</sup> The Consul at Taipei (Macdonald) to the Secretary of State, 7 November 1949, *FRUS*, 1949, vol. IX, p. 1161.

<sup>133</sup> Memorandum by the Acting Secretary of State to President Truman, 31 October 1949, *FRUS*, 1949, vol. IX, p. 1158.

approved the trade deal. Because of the Angus Ward incident, Truman believed NSC 41, U. S. trade policy toward China, was out of date, and asked the NSC to reexamine the document. Acheson informed Truman that the policy did not have to be updated and was flexible. The State Department feared Truman would place trade restrictions on China because of the Angus Ward case. If this happened, the PRC would accuse the United States of interfering in its internal affairs, and the Japanese would believe that the United States did not care about Japan's economic interests. Furthermore, sanctions against the PRC did not guarantee that other countries like Great Britain would endorse the idea. Consequently, trade sanctions against the PRC would hurt the Japanese economy, and the U. S. taxpayers would continue propping up the Japanese economy. If the United States followed this policy, it would be a unilateral act. The costs would be much greater for the United States and Japan than it would be for the Chinese communists. The Angus Ward case created a public relations nightmare for the Truman administration. If Ward was not released by the Chinese communists, American public opinion and Congress would pressure the administration to place trade sanctions on the PRC. The administration had to wait for Ward and the other Americans' release, and let the trade arrangement go forward as planned.<sup>134</sup>

Concurrently, the Nationalists wanted the United States to supply them with more technical assistance for the rehabilitation of their economy and defenses on Taiwan.<sup>135</sup> The Nationalists were interested in having U. S. military advisors on the island. Acheson,

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<sup>134</sup> Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) to the Assistant Secretary of State for Far Eastern Affairs (Butterworth), 16 November 1949, *FRUS*, 1949, vol. IX, pp. 997-999.

<sup>135</sup> The Consul General at Taipei (Macdonald) to the Secretary of State, 5 November 1949, *FRUS*, 1949, vol. IX, p. 410.

however, opposed it. He felt that the Nationalists would use the United States military advisors as a pawn to exploit the U. S. Government for more aid. Before this request was made, the majority of the military supplies provided under the China Aid Act of 1948 were stockpiled on Taiwan. Jiang Jieshi admitted that the Nationalists had “sufficient resources” for the next “two years without outside assistance.” Moreover, the State Department recommended to the NSC that the ECA program on Taiwan should stop the industrial replacement and reconstruction program. If the program continued, its success would make Taiwan more economically valuable to the communists in the future.<sup>136</sup>

Likewise, the British were concerned about reports that the Nationalists received military supplies from the United States. These supplies consisted of one hundred tanks and eight B-25 bombers. The British feared these supplies would fall into the hands of the Chinese communists when they took Taiwan. Moreover, these supplies could be used “against Hong Kong and/or French Indochina.” Furthermore, the British did not want the Nationalists to use these supplies to conduct its blockade of communist- held ports on the mainland and in the Taiwan Straits. The Nationalists still had appropriations they could use under the China Aid Act of 1948. Under the China Aid Act of 1948, the State Department could not prohibit the Nationalists from purchasing tanks and bombers. If the State Department prevented these sales, it would violate the law, and give its opponents in Congress more ammunition against its China policy.<sup>137</sup>

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<sup>136</sup> The Secretary of State to the Consul General at Taipei (Macdonald), 18 November 1949, *FRUS*, 1949, vol. IX, p. 430.

<sup>137</sup> Memorandum of Conversation, by the Director of the Office of Chinese Affairs (Sprouse), 6 December 1949, *FRUS*, 1949, vol. IX, pp. 435-436.

Johnson knew Truman was frustrated over the Chinese communists' behavior during the Ward case, so he tried to pressure Truman into appropriating the \$75 million for Taiwan and other parts of Asia. He and the JCS wanted to send military equipment and military advisors to Taiwan. Segments of the China Lobby also attempted to frustrate the State Department's policy toward Taiwan and China. Senator H. Alexander Smith wanted Taiwan to be protected by the United States. Technically, Taiwan remained a part of the Japanese Empire. Its future status was still undetermined, and according to Smith and other China Lobby members, the integration of Taiwan into the Japanese Empire was the Nationalists' only hope. Smith wrote Acheson advocating that the United States occupy Taiwan. Acheson refused Smith's proposal, and later Smith, Senator William Knowland, Senator Robert A. Taft, and former President Herbert Hoover "publicly advocated U. S. naval protection for Formosa." Later, rumors spread across Mainland China that these Senators and the former president's proposal advocated a U. S. occupation of the island. Acheson believed a decision had to be made regarding Taiwan.<sup>138</sup>

In order to stifle the JCS, the China Lobby, and the Pentagon's attempts to outflank the State Department, Acheson met with officials from both departments and the Joint Chiefs of Staff about the situation on Taiwan and U. S.-China policy. The issue of military aid dominated the entire meeting. The JCS pointed out that General MacArthur felt that Taiwan was still strategically important to the United States. By sending advisors and military aid, the JCS believed it could prevent a communist takeover of the island. Acheson believed that military aid or advisors would not halt a communist takeover of the island. He thought that the Chinese communists would spread their doctrine through

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<sup>138</sup> Dean Acheson, *Present at the Creation: My Years in the State Department* (New York: W.W. Norton & Company, 1969), p. 350.

subversive methods and not by military intervention. Acheson advocated that the United States seek to strengthen China's neighbors in an effort to help Southeast Asia "produce more food and raise even moderately their standard of living." He believed that Truman's Point IV program, a foreign aid program designed to give technological assistance to underdeveloped countries, provided the United States an effective tool to demonstrate the United States' "ability and willingness to help them."<sup>139</sup>

Acheson pointed out that the United States should take a long view of the situation in China. He stated that there could develop a possible rift between the Chinese communists and the Soviets over the Russians' control of China's northern provinces. Acheson did not believe that Mao Zedong was a puppet of the Soviet Union. He advocated that the United States "must take the long view not of 6 or 12 months but of 6 or 12 years." He pointed out that the situation in China provided the United States an opportunity to "take an action which would substitute ourselves for the Soviets as the imperialist menace to China." Acheson argued that the United States should not try to isolate the communist regime with economic restrictions or sanctions. However, Acheson did not want certain strategic materials to get into the hands of the communists for military means. Acheson reminded the JCS that Taiwan would not fall by military intervention but through internal instability.<sup>140</sup> This temporarily ended the debate between the Department of State and Defense over the issue of military aid for Taiwan. In addition, it was an endorsement of NSC 41, U. S. trade policy toward China.

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<sup>139</sup> Memorandum of Conversation, by the Secretary of State, 29 December 1949, *FRUS*, 1949, vol. IX, p. 465.

<sup>140</sup> *Ibid.*, p. 466.

On 5 January 1950, Truman presented his statement on Taiwan, which ended the debate in the executive branch over the implementation of NSC 41. Truman announced that the United States would not try to interfere in the Chinese Civil War by providing military aid or advisors to the Nationalist Government on Taiwan. The president stated that the United States would not establish military bases on the island. In order to prevent communist subversion, Truman stated that the United States would continue granting further aid “under the existing legislative authority” through the Economic Cooperation Administration’s mission in China.<sup>141</sup> This statement created controversy in Washington. After Truman’s announcement, Acheson met with Senators William Knowland and Alexander Smith, both prominent members of the China Lobby, in his office at the State Department. Both men tried throughout the year to derail the State Department’s policy toward China. Acheson informed both men that the Nationalists had enough financial resources to purchase military aid to defend Taiwan. He expressed his opinion that Taiwan was not vital to the United States’ interests in East Asia. The Senators were not pleased with Acheson or the administration’s opinions regarding Taiwan and China.<sup>142</sup> After the meeting, Knowland stood on the Senate floor and blasted the administration for fostering the spread of communism in Asia. Knowland criticized the administration for not having any intention of aiding Jiang Jieshi and his Nationalist Government on Taiwan. He declared that the Truman administration “closed the door to Communism in Europe,” but

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<sup>141</sup> “Statement by the President,” 5 January 1950, *Records of the Office of Chinese Affairs*, microfilm, (Wilmington, DE, 1989), reel 16.

<sup>142</sup> Memorandum of Conversation, by the Secretary of State, 5 January 1950, *FRUS*, 1950, vol. VI, pp. 261-262.



had “left the door open in Asia” for further communist expansion.<sup>143</sup> Acheson and the State Department, however, planned to keep the door open in China and to shut the door on Soviet imperialism in China and East Asia.

### *Conclusion*

Throughout 1949, the State Department tried to drive away Soviet political influence from the Chinese communists by using economic trade with Japan as a weapon. Trade with China, the State Department believed, would benefit the economic rehabilitation of Japan. Furthermore, this policy would keep China out of the Soviet orbit. The State Department looked at the communist revolution in China as a regional problem and not a part of a global epidemic. However, its policy toward Taiwan interfered with this policy. NSC 37, U. S. policy toward Taiwan, did not materialize into Taiwanese independence. Furthermore, the Taiwan independence movement was politically fragmented and too politically immature to seek self-determination from Nationalist China. Furthermore, the influx of Chinese Nationalists, whom the State Department most feared, contributed to the economic decline and political turmoil on the island. NSC 41, U. S. trade policy towards China, was an outgrowth of NSC 34, U. S. policy to create a political division between the Chinese communists and the Soviets. NSC 41 had two primary motives: drive a wedge between the Chinese communists through economic trade, and to rehabilitate the Japanese economy. At the same time, the administration needed the cooperation of Great Britain to help restrict the exportation of strategic materials to China. The Nationalist blockade caused a major problem for the State Department. The blockade against Mainland China brought both NSC 37, U. S. policy towards Taiwan, and NSC 41,

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<sup>143</sup> U.S. Congress, Senate. 81<sup>st</sup> Congress, 2<sup>nd</sup> sess, p. 81.

U. S. trade policy toward China, into conflict with one another. The China Aid Act of 1948 supplied the Chinese Nationalists with military equipment, which was used to conduct the blockade. The department feared this blockade would turn the Chinese communists toward the Soviet Union. In addition, the blockade was a hindrance on U. S. and British cooperation in restricting materials being exported to China for military use. The Nationalists became a liability in the administration's implementation of NSC 41. Thus, Truman's 5 January announcement endorsed NSC 41, U. S. trade policy towards China.

On the other hand, the Defense Department, led by Louis Johnson, the JCS, and the China Lobby, wanted to preserve Jiang Jieshi's regime on Taiwan and incorporate it into the U. S. defense system in East Asia. Unlike the State Department, these groups all viewed the communist takeover in China as a global epidemic. The bureaucratic reshuffling in the Defense Department strengthened Louis Johnson's role as Secretary of Defense, and challenged Acheson's authority over the NSC. Unlike State Department, the Defense Department viewed the Chinese communists as a major national security threat to the United States in East Asia. However, Johnson and the Defense Department would latter hijack Acheson and the State Department's policy toward China. Events beyond Acheson and the State Department's control would change the administration's policy toward China and increase the strategic value of Taiwan.

### Chapter III

#### *Closing the Door*

President Franklin D. Roosevelt hoped that imperialism would end after the war. His anti-imperialist views came from his political mentor, President Woodrow Wilson, whose “fourteen points” included self-determination for countries under the colonial yoke.<sup>1</sup> Japan’s defeat destroyed its empire. Independent states emerged out of the ashes of World War II. However, Great Britain, the Netherlands, and France wanted to reclaim its lost colonial empires. President Harry S. Truman followed Roosevelt’s route to end colonial rule throughout the world. In 1946, the United States, as promised, granted the Philippines its independence. Because of United States’ insistence, Burma and India gained independence from Great Britain. Concurrently, the British fought communist insurgents in Malaysia. However, France would not give up its colonial rule in Indochina, nor would the Netherlands give up its colonial control of Indonesia.<sup>2</sup>

In order to rehabilitate the European economy, the European Recovery Program (The Marshall Plan) provided American economic aid to Europe’s devastated economy. During this period, the loss of colonial markets contributed to Europe’s economic turmoil. The Soviet Union cut off Eastern European trade, which further contributed to the loss of

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<sup>1</sup> Warren F. Kimball, *The Juggler: Franklin Roosevelt as Wartime Statesman* (Princeton: Princeton University Press, 1991), p. 128.

<sup>2</sup> Russell H. Fifield, *Americans in Southeast Asia: The Roots of Commitment* (New York: Thomas Y. Crowell Company, 1973), pp. 57, 59, 62.

trade between Eastern and Western Europe.<sup>3</sup> The Marshall mission and the Wedemeyer mission to China shifted U. S. policy toward the rehabilitation of Japan's economy. While China's star dimmed throughout East Asia, U. S. policy makers inside the Department of State looked toward Japan as the savior of Asia. However, in order to rebuild the Japanese economy, Japan needed to trade with countries like China and countries in the Southeast Asian region.

*NSC 48*  
*The Rise of Southeast Asia*

While the State Department pursued NSC 41 (U. S. trade policy toward China), it was also interested in Southeast Asia. George F. Kennan and the Policy Planning Staff (PPS) did not want Japan to be too dependent upon trade with China and recommended that the administration look at the Southeast Asia markets for Japanese trade. It worried about the economic vulnerability of Southeast Asian countries and advocated using Truman's Point IV initiative, a foreign aid program designed to give underdeveloped countries technological assistance, to rehabilitate and strengthen the economies of the region. The PPS urged Acheson and the National Security Council (NSC) to facilitate the economic interdependence between Southeast Asian countries and Japan, Western Europe and India. Under this policy, Southeast Asia countries would be the suppliers "of raw materials, and Japan, Western Europe and India, the suppliers of finished goods."<sup>4</sup> However, there were divisions within the State Department. Some officials wanted to orient Southeast Asia's economy toward the rehabilitation of the European economy, but

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<sup>3</sup> Michael Schaller, *The American Occupation of Japan: The Origins of the Cold War in Asia* (New York: Oxford University Press, 1985), p. 81, 79.

<sup>4</sup> Policy Planning Staff Paper on United States Policy Toward Southeast Asia, 29 March 1949, *Foreign Relations of the United States*, 1949, vol. VII, p. 1130.

others believed it should be orientated toward Japan. Throughout 1949, the State Department failed to develop a definite policy toward Southeast Asia because of these differences. This made the potential China-Japan trade all the more valuable.<sup>5</sup>

In order to formulate a definite policy for Southeast Asia, Acheson hired Dr. Phillip C. Jessup as Ambassador at Large for the State Department. Jessup helped Acheson craft the China *White Paper* and develop U. S. policy toward all of Asia. Acheson wanted Jessup and other Asian specialists to help the State Department contain the communist threat outside of Mainland China.<sup>6</sup> During the fall of 1949, Jessup recommended that the administration try to develop Japan's economy through trade with all of Asia. He recommended the same principles advocated by the PPS several months earlier. Jessup believed that the rehabilitation of Japan's economy could relieve the economic burden on the U.S. and "enable Japan to contribute effectively to the economic progress of the area as a whole." Jessup also wanted to implement Truman's Point IV program. He thought this program could contribute to the region's political, economic, and military stability. Acheson still remained committed to trade with China in order to help rehabilitate the economy of Japan, but he also wanted Japan to trade with Southeast Asia. Acheson accepted these recommendations and persuaded Truman to approve them.<sup>7</sup>

Acheson sent these recommendations to the NSC. The Secretary of Defense, Louis A. Johnson, helped write the policy brief and wanted restrictions on the State Department's NSC 41. Johnson believed that the Soviet Union wanted to control China and Taiwan in

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<sup>5</sup> Schaller, *The American Occupation of Japan*, p. 160.

<sup>6</sup> *Ibid.*, pp. 200-201.

<sup>7</sup> Memorandum by the Ambassador at Large (Jessup) to the Secretary of State, 16 November 1949, *FRUS*, 1949, vol. VII, p. 1213.

order to conquer all of Southeast Asia. Thus, with control of these areas, Johnson believed, Japan would be virtually encircled by the Soviet Union.<sup>8</sup> However, Johnson wanted this policy to encircle and isolate China, which would be detrimental to the principles set forth in NSC 41. NSC 48 hoped to prevent the further spread of communism throughout all of Asia. Furthermore, the policy called for the “eventual elimination” of Soviet “power and influence . . . in Asia.” The NSC believed already that most of the Southeast Asian governments were a “bulwark against Communist expansion in Asia.” It felt it was imperative to “increase the present western orientation” of Southeast Asia. In order to accomplish this, the NSC recommended using the \$75,000,000, which was appropriated under the Mutual Defense Assistance Program (MDAP) of 1949 for the general area of China. This program would “strengthen the overall U. S. position with respect to the Philippines, the Ryukyus, and Japan.”<sup>9</sup> It imposed trade restrictions on the Soviet Union, East European bloc countries, and China on all commodity items that could be used for industrial and transportation purposes. Neither Acheson nor the State Department approved of this draft because of the trade restrictions placed on commodity items to China. The only existing restrictions on China were on strategic materials, which could be used for military purposes. Johnson’s NSC 48 proposal was a virtual embargo on all trade to China. Acheson later rewrote the proposal to allow ongoing trade with China.<sup>10</sup>

Acheson sent various missions to Southeast Asia to determine the amount of economic and military aid needed for each country. In January, the Joint Chiefs of Staff

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<sup>8</sup> Schaller, *The American Occupation of Japan*, p. 201.

<sup>9</sup> Memorandum by the Executive Secretary of the National Security Council (Souer) to the National Security Council, 30 December 1949, *FRUS*, 1949, vol. VII, pp. 1215, 1220.

<sup>10</sup> Nancy Bernkopf Tucker, “American Policy Toward Sino-Japanese Trade in the Postwar Years: Politics and Prosperity,” *Diplomatic History* 8 (Summer 1984): 205.

(JCS) recommended that the \$75,000,000 under the Mutual Defense Assistance Act of 1949 be used in the following manner: \$15,000,000 for Indochina; \$5,000,000 for Indonesia; \$10,000,000 for Thailand; \$5,000,000 for the Malay states; \$10,000,000 for Burma; and \$30,000,000 for China, Taiwan, and Tibet. The JCS believed this would strengthen Southeast Asian countries. Furthermore, the JCS wanted to use some of these appropriations for the Nationalists.<sup>11</sup>

### *The Unraveling of U. S. China Policy*

After President Truman gave his announcement regarding U. S. policy toward Taiwan on 5 January 1950, Great Britain recognized the People's Republic of China (PRC). Walter P. McConaughy, the Consul General at Shanghai, believed that British recognition of the new regime would make the communists question the usefulness of Russian aid. If obstacles were placed in their way, McConaughy concluded, the Chinese communists would "likely accept Soviet military help." Further American military aid to the Nationalists would be detrimental. Military aid would therefore be used to conduct the Nationalist blockade. McConaughy's observations confirmed all of Acheson's own opinions regarding military aid to Taiwan. He feared that further military aid to the Chinese Nationalists on Taiwan would be used to execute the economic blockade of China.<sup>12</sup>

The right-wing news media criticized Truman's Taiwan policy. An editorial in the

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<sup>11</sup> Memorandum by the Joint Chiefs of Staff to the Secretary of Defense, 20 January 1950, *FRUS*, 1950, vol. VI, pp. 7-8.

<sup>12</sup> The Consul General at Shanghai (McConaughy) to the Secretary of State, 5 January 1950, *FRUS*, 1950, vol. VI, p. 268.

*New York World-Telegram* called Truman's decision "fateful." Also, it blamed the administration for not following Wedemeyer's proposal for a United Nation's Trusteeship of Manchuria, which could have prevented the Chinese communists from taking all of Mainland China. This editorial also blamed Marshall for suppressing the proposal. Columnist Edgar Ansel Mowrer compared the Truman administration's abandonment of Jiang Jieshi to the British and French's "abandonment of Czechoslovakia in 1938." Mowrer recommended that the administration send American forces to safeguard Taiwan. Another columnist, Constantine Brown, of the *Washington Star* wrote that the communist conquest of Hainan and Taiwan would be a great loss to Japan. He noted that Hainan had an abundance of iron ore that Japan could use to develop its industrial base, and Taiwan had an abundance of food that could be exported to Japan. With the loss of both islands, he concluded that Japan's economy would suffer as a result.<sup>13</sup>

However, Acheson's temporary control over U.S. foreign policy began to unravel. On 6 January, the PRC announced its intentions to "requisition . . . former military barracks areas of foreign governments by January 13." Similar actions were directed towards the French and the Netherlands' government facilities. The State Department recommended withdrawing all U. S. officials from China if the Chinese government did not allow them to return to its headquarters. Truman approved State's recommendations.<sup>14</sup>

O. Edmund Clubb, General Consul of Beijing, understood the Chinese communists' motives behind this action. His observations of Chinese culture enforced his view that the communists wanted to "speed up recognition." Furthermore, Clubb guessed that the

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<sup>13</sup> *Congressional Record*, 81<sup>st</sup> Cong., 2d sess., 1950, vol. 96, pt. 14: A104, A288, A293.

<sup>14</sup> Memorandum by the Acting Secretary of State to the President, 10 January 1950, *FRUS*, 1950, vol. VI, pp. 270-271.



Chinese communists wanted to move into “well-built foreign structures” and make foreign governments build in other locations. Moreover, he assumed, pro-Soviet elements in the CCP and army were behind the action.<sup>15</sup>

On 14 January, the PRC occupied the American Consulate General’s headquarters.<sup>16</sup> The State Department prepared to move all the American officials out of China. Zhou Enlai, Foreign Minister for the Chinese communists, planned this action three months before, and wanted to force foreign governments to recognize the PRC. Clubb did not believe that this was a Soviet inspired act. He still believed that the PRC wanted “American recognition for both political and economic reasons.” China badly needed economic aid and trade.<sup>17</sup> Senator William F. Knowland asked for Acheson and every other official in the State Department responsible for U. S. China policy to resign.<sup>18</sup> Publicly the Democrats supported Acheson’s policy toward China, but privately they started to criticize the administration’s efforts.<sup>19</sup>

Even more problems confronted the administration. On 12 January, Acheson gave a speech at the National Press Club on U. S. policy toward East Asia. Acheson spoke about the fall of the Nationalist regime and warned the audience about the spread of Russian imperialism throughout Asia. He stated that “Communism . . . is the spearhead of Russian

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<sup>15</sup> The Consul General at Peiping (Clubb) to the Secretary of State, 10 January 1950, *FRUS*, 1950, vol. VI, p. 274.

<sup>16</sup> *Ibid.*

<sup>17</sup> The Consul General at Peiping (Clubb) to the Secretary of State, 20 January 1950, *FRUS*, 1950, vol. VI, pp. 286-287.

<sup>18</sup> *Time*, 23 January 1950.

<sup>19</sup> *Time*, 30 January 1950.

imperialism,” and Soviet’s attempts to implement this new brand of imperialism would take away other countries’ right to self-determination. Acheson announced that the U. S. defense perimeter in Asia “runs along the Aleutians to Japan and then goes to the Ryukyus.” Then the perimeter went from the Ryukyus to the Philippines.<sup>20</sup> Acheson did not intentionally leave Korea out of his speech. He had not fully prepared for his speech, and had used MacArthur’s military position papers from the prior year, which did not include Korea in the United States’ Pacific defense perimeter. Acheson, however, believed that Korea was vital to U. S. national security interests.<sup>21</sup>

The administration concurrently sent a Korean Aid Bill to the House of Representatives for approval. After Acheson’s speech, certain congressmen were angry that his speech failed to include Korea in the defense perimeter. One of Jiang Jieshi’s staunchest allies in Congress was Walter Judd, congressmen from Minnesota, and he argued if Taiwan was not important to the United States’ interests in Asia, neither was Korea. He used Acheson’s own words against him. Judd stated that “if Acheson’s argument regarding Formosa’s dispensability is sound then he himself ought to be opposing aid for Korea, too.”<sup>22</sup> The House of Representatives voted down the bill 192 to 191. Ironically, this gave the North Koreans justification for the invasion of South Korea six months later.<sup>23</sup> With the Korean Aid Bill dead on arrival, the Truman administration sought congressional support for another Korean Aid Bill. In order to reach a compromise, the administration added an amendment to the China Aid Act of 1948. This bill, the

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<sup>20</sup> “Department of State,” 12 January 1950, *Records of the Office of Chinese Affairs, 1945-1955*, microfilm, (Wilmington, DE, 1989), reel 16, pp. 6, 8.

<sup>21</sup> David S. McLellan, *Dean Acheson: The State Department Years* (New York: Dodd, Mead & Company, 1976), p. 210.

<sup>22</sup> U. S. Congress. House., 80<sup>th</sup> Congress, 2<sup>nd</sup> Sess, p. 651.

<sup>23</sup> McLellan, *Dean Acheson*, p. 211.

Eastern Assistance Act of 1950, was later signed into law by Truman on 25 June 1950, the day after the North Koreans' crossed the 38<sup>th</sup> parallel into South Korea.<sup>24</sup>

During this period, Mao Zedong traveled to Moscow to meet with Stalin in search of economic aid. Edmund Clubb, however, continued to argue that the Chinese communists wanted "American recognition for both political and economic reasons." Clubb downplayed Mao's Moscow trip, which he believed was an act of desperation. At that time, famine plagued China's population and the new government needed economic aid. Clubb felt Mao might come back from Moscow with nothing.<sup>25</sup> He was right. Stalin only granted Mao \$300 million in credit. After 1952, Stalin agreed to pull Soviet troops out of Port Arthur (Dalian), but failed to give back portions of Xinjiang province and Mongolia. However, Stalin agreed to a security treaty with the PRC in the case of war against Japan.<sup>26</sup>

The State Department remained under fire from congressional critics. Wisconsin Senator Joseph R. McCarthy accused the State Department of being subverted by communism, and Alger Hiss was found guilty of perjury and communist subversion. McCarthy used Yalta as a weapon against Hiss and the State Department. Acheson in a public statement said he supported Hiss, and stated he would not "turn his back" on Hiss. This statement caused controversy in the country. California representative Richard M. Nixon called it "disgusting," and Senator William Knowland threatened to withhold State Department "appropriations," because of Acheson's comment.<sup>27</sup>

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<sup>24</sup> *The Eastern Assistance Act of 1950. U.S. Statutes at Large* (64) (1952): 202.

<sup>25</sup> The Consul General at Peiping (Clubb) to the Secretary of State, 20 January 1950, 1950, *FRUS*, vol. VI, pp. 286, 288.

<sup>26</sup> Jonathan D. Spence, *The Search of Modern China* (New York: W.W. Norton & Company, 1990), 524.

<sup>27</sup> *Time*, 6 February 1950.

The administration faced further problems regarding the Chinese Nationalist Government on Taiwan. The Chinese Nationalists continued to threaten the State Department's objective of politically dividing the Chinese communists and the Soviet Union. In February, the Chinese Nationalist Air Force (CAF) bombed Shanghai and Nanjing injuring and killing thousands of Chinese citizens. This act also endangered American citizens and threatened American business interests in China. It was reported in the news media that the United States had sent "several substantial shipments of military equipment" to Taiwan. This news hit the United States and Mainland China and further complicated NSC 41.<sup>28</sup> The Chinese Nationalists used American-supplied airplanes, gasoline, and bombs in its attacks. Philip D. Sprouse, Director of the Office of Chinese Affairs, was frustrated over the administration's handling of the situation. He believed Truman's non-military policy toward Taiwan had no credibility because of the CAF air raids against Mainland China.<sup>29</sup>

The State Department reevaluated NSC 37, U. S. policy toward Taiwan. A report formulated a policy that the United States could use to distance itself from the Nationalist government. It focused on the relationship between NSC 37 and NSC 34, the policy to drive out Soviet influence from Red China. NSC 41, being an outgrowth of NSC 34, was the only weapon the administration could use to create a division between the Chinese communists and the Soviet Union. Without economic trade, the United States had no influence over the Chinese people or the government. The State Department believed the United States' "long-term objectives in China" continued to threaten its relations with the

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<sup>28</sup> 16 March 1950, *ROCA*, 1945-1955, microfilm, (Wilmington, DE, 1989), reel 16, p. 2.

<sup>29</sup> Memorandum by the Director of the Office of Chinese Affairs (Sprouse) to the Deputy Assistant Secretary of State for Far Eastern for Far Eastern Affairs (Merchant), 16 February 1950, *FRUS*, 1950, vol. VI, p. 313.

Nationalist government. However, the report stated that these attacks on Shanghai and Nanjing contributed to the Chinese communists' economic problems, and might delay the political unification of all of China under Chinese communist rule. Furthermore, the report speculated that the Nationalist air raids would interfere with the Chinese communists' objectives in taking Taiwan and possibly Southeast Asia. However, the blockade continued to turn the Chinese communists away from the United States. The economic blockade also continued to be more of a hindrance than a benefit to the United States. The report recommended that the United States continue aiding the Nationalists on Taiwan with ECA aid programs in order to curb communist subversion. In addition, the report prohibited all shipments of military equipment to Taiwan, and prevented the exportation of aviation gasoline to Taiwan from the United States.<sup>30</sup>

#### *NSC 41 versus NSC 48*

While the Taiwan problem haunted the State Department, differences arose between NSC 41 and NSC 48. Internally, the NSC saw contradictions between these two policies. Charles Sawyer, Secretary of Commerce and NSC member, saw these contradictions as manifest in trade policy. NSC 41 prohibited trade items that could be used for military purposes to China but not commodity items. The United States already had support from Great Britain and other countries in this trade policy. NSC 48, however, placed restrictions on strategic materials and commodity items to China, the Soviet Union, and the East European bloc.<sup>31</sup> Restrictions on commodity items were already placed on the Soviet Union and the eastern bloc countries since 1948. NSC 48 placed the same controls

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<sup>30</sup> 16 March 1950, *ROCA*, 1945-1955, microfilm, (Wilmington, DE, 1989), reel 16, pp. 4-8.

<sup>31</sup> The Secretary of State to Commerce (Sawyer), 3 February 1950, *FRUS*, 1950, vol. VI, p. 621.

on trade with China.<sup>32</sup> The Department of Commerce worried about the issue of multilateral control over trade with China. Furthermore, Secretary Sawyer warned that NSC 48 placed stricter trade restrictions on commodity items to China than Great Britain and Western European countries. He viewed this as unfair to United States' business interests in China. The Commerce Department did not want to place export controls on China until Great Britain and others agreed to it. Acheson informed Sawyer that restrictions set forth in NSC 48 were immaterial to that of the controls set up for NSC 41. Acheson wanted to separate trade with China from the NSC 48 trade controls. He wanted to implement both policies in order to rehabilitate Japan's economy, and politically divide the Chinese communists and the Soviet Union.<sup>33</sup>

While the NSC enforced both NSC 41 and NSC 48, differences between the Departments of State and Defense widened. Louis Johnson believed the administration's attempts to drive a wedge between the Soviet Union and the PRC had failed. No evidence existed that there was a rift between the two communist powers. It appeared NSC 34, the policy to drive out Soviet influence in China, and NSC 41, U. S. trade policy toward China, failed to bring about such change. Furthermore, the Defense Department believed "unrestricted trade with China would not be recognized by the Chinese people as a gesture of friendship." The Defense Department believed the Soviet Union influenced China's economic thinking, and that the only influence that the United States and other non-communist countries had were over "commodities which the USSR" was "unable or

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<sup>32</sup> Tucker, "American Policy Toward Sino-Japanese Trade in the Postwar Years," 202.

<sup>33</sup> "Implementation of Policy Regarding Trade with China," 23 January 1950, *ROCA, 1945-1955*, microfilm, (Wilmington, DE, 1989), reel 16, pp. 1-2.

unwilling to supply.” The Chinese communists would also take credit for the improvement of the economy if trade relations with the United States, Japan, and Europe developed.<sup>34</sup>

The Defense Department thought NSC 48, U. S. policy toward all of Asia, could effectively divide the Soviet Union and the Chinese communists politically. It believed restrictive trade controls on China and the Soviet Union would “impose . . . maximum responsibility” for the Chinese communists’ own economic well being. In order to accomplish this, the Defense Department advocated strict multilateral control not only on the Soviet Union and the eastern bloc countries, but also on China. This control, the Defense Department hoped, would “impose the maximum strain on the Soviet economy.” These strains would also be felt on the PRC, and would delay the political unification of all of China, especially Taiwan. Restrictions on industrial and transportation equipment and other commodities would contribute to the United States’ national security objectives in East Asia. The Soviets would use its special position in Manchuria to exploit the Chinese communist economy for its own economic benefit. This would cause friction between both regimes, and politically lead to a breakup of the two communist governments. The Defense Department considered NSC 41, U. S. trade policy toward China, a “trade policy of appeasement,” and speculated that the Chinese communists would “eliminate private business and enterprise” once China’s economy had developed from western trade. NSC 41, according to Louis Johnson and the Defense Department, could not effectively create a division between the Soviets and the Chinese communists. Johnson and his department recommended preventing the Soviet Union, the eastern bloc countries, and North Korea from obtaining strategic materials from the United States or other countries. If these

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<sup>34</sup> “U.S. Policy Regarding Trade with China,” 17 March 1950, *ROCA*, 1945-1955, microfilm, (Wilmington, DE, 1989), reel 16, p. 4.

restrictions were not placed on these communist countries, then the Soviet Union, Eastern Europe, and North Korea, would export strategic materials to China. The Defense Department believed NSC 48 could accomplish this task.<sup>35</sup>

The divisions between the Department of State and Defense over strategic and non-strategic materials continued. The British continued to trade with the Chinese communists. Secretary of Defense Johnson worried that the British were exporting strategic materials used for military purposes to the PRC. On 24 March, Johnson warned about the “lack of accord among friendly countries” regarding the trade controls of “highly strategic commodities” to China. He considered this a “security hazard” for the United States’ position in East Asia. During this period, the British offered 87,000 tons of steel rails to the PRC. Also, Western Germany offered to export 15,000 tons of steel rails to the PRC. Johnson argued that these trade transactions were inconsistent with NSC 48. He feared the Chinese communists would use these rails against the Southeast Asian region, especially Indochina.<sup>36</sup> Livingston T. Merchant, now Deputy Secretary of State for Far Eastern Affairs, believed these were not strategic materials but commodity items. He thought that NSC 48 was a virtual embargo on China, and Merchant accused the Defense Department of pursuing a “policy towards China even more severe than is now pursued towards the Soviet Union and its eastern European satellites.” Merchant did not believe that these shipments would enhance the communists’ military adventures in Southeast Asia or in Indochina. The Chinese communists were not dependent on railroads to execute their military operations. Merchant believed the Chinese communists were only interested in transporting food to different areas of China through the establishment of a railway

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<sup>35</sup> Ibid., p. 5.

<sup>36</sup> The Secretary of Defense (Johnson) to the Secretary of State, 24 March 1950, *FRUS*, 1950, vol. VI, p. 625.



network. China, Merchant recalled, had only used a “few major trunk railway lines for passenger and freight transportation,” and most of the famines China endured were a result of the “inadequacy of rail transport.” Merchant recommended to Acheson that this transaction of steel rails was allowable, unless the U. S. government changed its commodities classifications.<sup>37</sup>

Acheson replied to Johnson’s criticisms regarding trade with China. He agreed that a multilateral approach among the allies should be coordinated. He believed China should be considered a satellite of the Soviet Union. However, Acheson did not want to surrender “the Chinese market to the British or other suppliers.” He did not want to pull out of China because American oil companies were still there. Acheson wrote that “unilateral United States self-denial would turn the market over to the British and expose American personnel and properties to extreme jeopardy.” The American oil companies were the only American representatives in China. Despite all the problems the administration faced in China, Acheson still wanted to keep the United States’ foot in the door.<sup>38</sup>

However, the State Department could not sustain this policy. Acheson tried to make advances toward the Chinese communists, but he was rebuffed. Even though NSC 41, U. S. trade policy towards China, was scrutinized by Louis Johnson and the Defense Department, Acheson and the State Department still wanted to continue trading with

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<sup>37</sup> Memorandum by the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant) to the Secretary of State, 20 April 1950, *FRUS*, 1950, vol. VI, 628-629, 631.

<sup>38</sup> Secretary of State to the Secretary of Defense (Johnson), 28 April 1950, *FRUS*, 1950, vol. VI, pp. 632-633, 636.

China. Acheson instructed Edmund Clubb to arrange an informal meeting with Zhou Enlai.<sup>39</sup> On 9 April, Clubb wrote back to Acheson that the Chinese communists would not see him. He felt they were politically tied to the Soviets, and the only way China would deal with the U. S. was if the United States extended recognition to the CCP.<sup>40</sup>

Domestically, McCarthyism created a hostile atmosphere in Washington, especially toward the administration's China policy. Acheson was criticized for his connection to Alger Hiss, and the State Department was under fire by Congressional Republicans.<sup>41</sup> Acheson's own State Department began to believe that NSC 41 was out of date. He also lost the support of the president. In Southeast Asia, the situation was better, and officials in the department believed that the implementation of NSC 48 would be successful. As a result, it looked more imperative that the United States keep Taiwan out of communist hands in order to safe-guard the Southeast Asian region.<sup>42</sup>

### *U. S. Foreign Policy Turns Militaristic*

In April 1950, the PPS formulated a new policy called NSC 68. It advocated that \$40 billion be spent on a "massive American rearmament" to combat Soviet communist expansion. Truman rejected this proposal because of the size of the spending package, and he advocated only \$13 billion in defense spending.<sup>43</sup> He feared that the increase in defense

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<sup>39</sup> The Secretary of State to the Consulate General at Peiping, 22 March 1950, *FRUS*, 1950, vol. VI, p. 322.

<sup>40</sup> Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Secretary of State, 14 April 1950, *FRUS*, 1950, vol. VI, p. 327.

<sup>41</sup> *Time*, 13 March 1950.

<sup>42</sup> *Ibid.* Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Secretary of State, 14 April 1950, *FRUS*, 1950, vol. VI, p. 327.

<sup>43</sup> Ronald L. McGlothlen, *Controlling the Waves: Dean Acheson and U.S. Foreign Policy in Asia*, (New York: W.W. Norton & Company, 1993), p. 117.

spending would cause inflation.<sup>44</sup> During this period, the Chinese communists took Tibet, Hainan, and the Chusan Islands. Reports from Taiwan indicated that the Chinese communists were moving toward Taiwan. Chinese advances in Tibet, Hainan, and the Chusan Islands made NSC 48 a more realistic approach to combating Soviet expansion in Southeast Asia. The Central Intelligence Agency (C.I.A.) predicted that the Chinese communists would invade Taiwan near the end of 1950.<sup>45</sup> Reports out of Taiwan also indicated that the Russians were supplying the Chinese communists with military jet fighters to take Taiwan. The Naval attaché from Hong Kong and the military attaché in Taiwan predicted that if Taiwan was taken by the Chinese communists, United States' attempts to maintain the Indochina-Thailand-Burma line would be very expensive. They recommended maintaining the Nationalists' military on the island in order to "gain time" to strengthen Southeast Asia's defenses.<sup>46</sup>

In late May, the Secretary of State for Far Eastern Affairs, Dean Rusk, wrote Acheson a memorandum concerning Taiwan. Rusk stated that the Chinese communists were junior partners in the Soviet Union campaign to spread communism. He recommended to Acheson that the United States take a stand against the spread of communism by neutralizing the Taiwan Straits. Rusk hoped that such a move would send a strong message to the Soviet Union and show the United States' "confidence and resolution." If the United States did not safeguard Taiwan, then the United States position

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<sup>44</sup>Michael Hogan, *Harry S. Truman and the Origins of the National Security State, 1945-1955*, (Cambridge: Cambridge University Press, 1998), p. 12.

<sup>45</sup>Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Secretary of State, 17 April 1950, *FRUS*, 1950, vol. VI, p. 330.

<sup>46</sup>Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Secretary of State, 26 April 1950, *FRUS*, 1950, vol. VI, pp. 335, 334.

in Japan, the Philippines, and Indonesia would be lost as well as other places in the world.<sup>47</sup>

Even though he advocated Sino-Japanese trade, General Douglas A. MacArthur believed that Taiwan remained vital to U. S. national security. On 14 June, MacArthur wrote a memorandum regarding the United States' position on Taiwan. He called a communist dominated Taiwan "an unsinkable aircraft carrier and submarine," which could be utilized by the Soviet Union. MacArthur recalled that in 1941 Japan "controlled not only the Ryukyus but the entire periphery of China" by using its position on Taiwan. He advocated that Taiwan's economy could be rehabilitated in order to reestablish "the economics of these oriental nations [Southeast Asian countries] now largely dependent upon United States assistance." MacArthur believed that Taiwan should be incorporated in the U. S. defense perimeter.<sup>48</sup>

On 24 June 1950, the North Koreans crossed over the 38<sup>th</sup> parallel and invaded South Korea. The State Department believed this represented a much larger Soviet plan to invade Japan.<sup>49</sup> Three days later, Truman, on Acheson's recommendation, sent the Seventh Fleet into the Taiwan Straits in order to prevent a communist attack against the island. Also, the U. S. naval presence was expected to prevent further Nationalist attacks against the mainland.<sup>50</sup> NSC 48 made Truman's decision to secure the Taiwan Straits even more plausible, but Acheson wanted to prevent further attacks on the mainland by the Chinese

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<sup>47</sup> Extract From a Draft Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Rusk) to the Secretary of State, 30 May 1950, *FRUS*, 1950, vol. VI, p. 350.

<sup>48</sup> Memorandum on Formosa, by General of the Army Douglas MacArthur, Commander in Chief, Far East, and Supreme Commander, Allied Powers, Japan, 14 June 1950, *FRUS*, 1950, vol. VII, pp. 163-164.

<sup>49</sup> Intelligence Estimate Prepared by the Estimate Group, Office of Intelligence Research, Department of State, 25 June 1950, *FRUS*, 1950, vol. VII, p. 151.

<sup>50</sup> Memorandum of Conversation, by the Ambassador at Large (Jessup), 25 June 1950, *FRUS*, 1950, vol. VII, p. 158.

Nationalists. Administration officials later placed a trade embargo on North Korea and an embargo on all petroleum products to China. They feared oil shipments would get into the hands of the North Koreans. Because of the Korean War, Truman approved of NSC 68, U. S. policy toward the Soviet Union, and it became the "bible" of the new national security ideology. This ideology remained central U. S. national security thinking throughout the Cold War.<sup>51</sup> Six months after the start of the Korean War, the Chinese communists entered the war against the United States and its United Nations allies. Finally, the United States closed the door on China.

### *Conclusion*

During this period, the State Department's policy toward China seemed unrealistic. The Korean War verified Louis Johnson and the JCS's fear of Soviet expansion in East Asia. The Korean War verified that the Chinese communist were politically tied to the Soviet Union. Furthermore, the Korean War verified that the Chinese communists were a military threat. The Truman administration was handicapped by a hostile congress, American public opinion, a divided administration, and its own Taiwan policy. NSC 37, U. S. policy toward Taiwan, and NSC 48, U. S. policy toward all of Asia, also had the effect of undercutting the importance of Mainland China. This strategic shift toward Taiwan and Southeast Asia gave the Defense Department an alternative to NSC 41, U. S. trade policy toward China, which it exploited.

The Defense Department believed it could preserve the Nationalist Government's position on Taiwan by using NSC 48 to undermine the State's Department's China trade

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<sup>51</sup> Hogan, *A Cross of Iron*, p. 12.

policy. This trade policy interfered with the Defense Department's ambition to secure Taiwan from communist domination. In addition, the Defense Department believed Taiwan was key to the defense of Southeast Asia. If Taiwan fell to the Chinese communists, Southeast Asia would follow. The State Department advocated trade with China in order to drive the Chinese communists away from the Soviet Union. In addition, it sought to rehabilitate Japan's economy through economic trade with China. According to Acheson and the State Department, NSC 48 would also benefit Japan's economic rehabilitation. Therefore, the State Department sought to strengthen Japan's economy through economic trade with Mainland China and the Southeast Asian region. However, the Chinese communist seizure of the U. S. Consulate in Beijing, the rise of McCarthyism, and the Sino-Soviet Treaty of Friendship further undermined the State Department's efforts to promote a more realistic policy toward China.

## *Conclusion*

A new national security ideology transformed U. S. foreign policy after World War II. It called for an increase in U. S. commitments abroad against Soviet domination. It viewed the Soviet threat as a part of a far-reaching communist scheme seeking international domination. This ideology was applied to East Asia, and especially to China. The National Military Establishment, later the Department of Defense, the Joint Chiefs of Staff (JCS), and the China Lobby were advocates and practitioners of this new ideology. These groups believed that the Chinese communists were a part of an international military threat to the United States. The Department of State, however, believed that the Chinese communists did not pose a major military danger. It blamed Jiang Jieshi and his Nationalist Government for the spread of communism in China. Therefore, the State Department believed Chinese communism was a regional problem and not part of an international conspiracy.

In 1947, the Wedemeyer Report concluded that Jiang Jieshi's Nationalist Government was corrupt and could not survive unless it initiated dire economic and political reform. The report advocated that the United States grant economic and military aid to the Chinese Nationalists in order to curb the communist threat. It proposed a United Nations Trusteeship of Manchuria, which Wedemeyer believed would prohibit further communist expansion in China. Secretary of State George C. Marshall believed that it was Jiang Jieshi's corrupt Nationalist Government that caused communism to spread in China. He did not believe that a communist-controlled China represented a national security threat to the United States. China's economy was in turmoil and it would take years for the

Chinese communists to rehabilitate it. He suppressed the Wedemeyer report because of its position regarding economic and military aid. Marshall believed if the Wedemeyer Report was publicized, a full-fledged effort by the National Military Establishment and the China Lobby would keep the United States deeply involved in the Chinese Civil War. The Truman administration suppressed this report to allow a policy shift from China and toward the economic rehabilitation of Japan. After the report's suppression, the China Lobby, congressional pro-Nationalist supporters, and the National Military Establishment pressured the State Department to grant military and economic aid to China. Concurrently, the Truman administration believed that Western Europe's economic turmoil would lead to communism. In order to get the Marshall Plan through Congress, the State Department initiated its own economic package for China, but the National Military Establishment and the China Lobby wanted this economic package to include military aid. The China Aid Act of 1948 involved a compromise between the State Department and National Military Establishment and the China Lobby in exchange for support for the Marshall Plan. This aid package kept the United States involved in the Chinese Civil War for the next two years.

After the Marshall mission, the U. S. decided that Japan would become the economic foundation of East Asia. The Truman administration believed Japan's economic rehabilitation would revitalize the economies of all of Asia. Concurrently, the State Department believed that trade with Mainland China would help Japan rehabilitate its economy. The State Department believed that Sino-Japanese trade would create a political division between the Soviet Union and the Chinese communists. NSC 34, U. S. policy to create a political division between the Soviets and the Chinese communists, and NSC 41,



U. S. policy toward trade with China, were both interrelated policies aimed at achieving the same goal.

In 1948, the Nationalist Government made Taiwan its safe haven. U. S. economic and military aid from the China Aid Act of 1948 went to the Chinese Nationalists. Therefore, the National Security Council pursued a new policy of greater emphasis on Taiwan. However, the Departments of State and Defense interpreted this policy in two different ways. The State Department advocated the economic rehabilitation of Taiwan in order to help the native Taiwanese population. It wanted to curb migration of Mainland Chinese to Taiwan in order to help native Taiwanese gain independence from Nationalist China. The Defense Department and the JCS believed that the Nationalist Government on Taiwan should be given military aid and support the United States to safeguard the island from communist expansion.

While the State Department pursued its policy toward Taiwan, the State Department advocated economic trade between Japan and China, which would drive a wedge between the Chinese communists and the Soviet Union. The Defense Department's advocacy of a military presence and aid to the Nationalists on Taiwan interfered with the State Department's pursuit to create this division. The Nationalist blockade also caused a major problem for the State Department. It brought both the NSC 37, U. S. policy toward Taiwan, and NSC 41, U. S. trade policy toward China, in conflict with each other. NSC 37's main goal was to establish self-determination for the island's native inhabitants. However, the Taiwanese independence movement on the island was politically fragmented and weak. The State Department feared the economic blockade would turn the Chinese communists toward the Soviet Union, and would undermine U. S. efforts to establish trade

relations with the Chinese communists. The blockade hindered U. S.- British cooperation as the two sides sought to restrict strategic materials from reaching China. The British had commercial interests in China and blamed the United States for granting the Chinese Nationalists military aid to conduct the blockade. The Nationalists became a severe liability for the Truman administration and the implementation of its trade policy toward China.

During this period, the Defense Department, the JCS, and the China Lobby attempted to strengthen the defense of Taiwan using portions of the \$75 million appropriated under the Mutual Defense Assistance Program (MDAP). The State Department thought that these funds would be used to aid Taiwan. The Secretary of State, Dean G. Acheson, feared that the Nationalists would use these funds to conduct the blockade of the Chinese Mainland. Therefore, Truman's 5 January 1950 announcement concerning Taiwan endorsed NSC 41, U. S. trade policy towards China. U. S. policy regarding an independent Taiwan (NSC 37), was more troublesome for the State Department's overall approach toward China.

The State Department was also interested in Japanese trade with Southeast Asia. It did not want Japan to be too dependent on trade with China. The Defense Department, however, wanted to strengthen Southeast Asia and Taiwan in order to isolate China. Louis A. Johnson, the Secretary of Defense, placed trade restrictions on commodity items to China in order to change the State Department's trade policy toward China. This trade policy interfered with the Defense Department, the JCS, and the China Lobby's efforts to strengthen Chiang Kai-shek and his Nationalist Government on Taiwan. Johnson believed that the Soviet Union wanted to use China and Taiwan as a springboard for communist

domination in East Asia. In spite of this, Acheson and the State Department were still committed to trade with China and Southeast Asia.

Nevertheless, events beyond Acheson and the State Department's control changed this policy. The Chinese communist occupation of the American Consulate headquarters in Beijing was a public relations nightmare for the Truman administration. Also, the administration's policy toward Taiwan was criticized by the right-wing press. Mao Zedong's trip to Moscow reinforced the view in the United States that the Chinese communists were tied to the Soviet Union. The Nationalist blockade also remained a threat to the State Department's China trade policy. All these events undermined the State Department's trade policy toward China and its authority over foreign policy in the Truman administration.

NSC 48 gave the Defense Department an alternative to the State Department's China trade policy. It strengthened the position of Taiwan and isolated China in East Asia. The Defense Department believed that the Chinese communists were tied to the Soviets and would not be influenced by western trade. It believed that the State Department's China trade policy was a policy of appeasement. Secretary of State Dean G. Acheson could not continue the State Department's China trade policy after he lost influence with President Harry S. Truman. The Chinese communists' intervention in Tibet, Hainan, and Chusan reinforced the Defense Department's views that China was a military threat to U. S. security. For that reason, Taiwan's strategic location became vital to the United States' security in East Asia. At the start of the Korean War, President Truman sent in the Seventh Fleet to safe-guard the Taiwan Straits from a possible communist attack. The Truman administration placed an oil embargo on Communist China in order to prevent the

North Koreans from obtaining oil. Six months later, Mao Zedong felt that the Korean War threatened his communist revolution. He sent communist troops across the Yalu River into North Korea. This confirmed the Defense Department's position that the Chinese communists were a military threat to the United States.

The divisions between these two schools of thought manifested itself within these interrelated policies. The dispute over these policies, and the failure of U. S. trade policy toward China before the Korean War, contributed to the State Department's shift from an economic approach toward fighting communism in Asia to a more militaristic approach. The failure of U. S. trade policy also created the impression that the Chinese communists were politically tied to the Soviet Union. Later, this impression contributed to U. S. involvement in Vietnam, during which U. S. officials believed Ho Chi Minh received orders from both Moscow and Beijing. The Korean War confirmed that the military approach advocated by the Defense Department, the JCS, and the China Lobby was a more realistic approach toward fighting communism in Asia than through trade. Thus, the failure of U. S. trade policy toward China helped seal the fate of U. S. policy toward Asia for the next three decades.

During this period, Japan developed into an economic powerhouse in Asia, and Jiang Jieshi became the United States' staunchest ally in East Asia. While China remained in isolation, it suffered famine and a Cultural Revolution. China remained economically weak, caused by Mao Zedong's domestic and international economic policies. Kennan's belief that the Soviet Union and the Chinese communists would split came true in the early 1960s, when Mao Zedong challenged Nikita Khrushchev as supreme communist leader in the world. NSC 48 helped lead to the United States'

involvement in Vietnam. The United States fought to contain the spread of communism. Consequently, over 58,000 Americans lost their lives in the jungles of Southeast Asia. Ironically, the same principles Kennan, Acheson, and the State Department advocated in 1949 and 1950 were espoused by another political figure 22 years later, when Richard M. Nixon, together with Zhou Enlai, brought an end to China's isolation.

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