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[(3) The number of men, members of those armed forces, who are now so stationed is less than one hundred and they are not combat troops. The presence of some of those men is already covered by the [title] agreement of [date] between the two Governments.]

Your Excellency's note above-mentioned, and this note in reply are considered as placing on record the understanding of the two Governments in regard to this matter.

[Concluding paragraph, according to the style of the mission concerned.]

NOTE: The bracketed paragraph (3), or suitable variation, is to be included whenever justified by the facts.

Le/T:WWhittington:md 2/26/47

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REPORT OF SPECIAL INTERDEPARTMENTAL
COMMITTEE ON KOREA

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I

I. INTRODUCTORY.

The Special Interdepartmental Committee on Korea was established as a result of conversations between the Secretary of State and the Secretary of War regarding the unsatisfactory situation in Korea. It was agreed between the Secretaries that the Committee should consult with other experts on Far Eastern affairs not now directly concerned with Korean matters. Mr. Grew, former Under Secretary of State, agreed to review the findings of the Committee, while Mr. J. Weldon Jones, Assistant Director of the Bureau of the Budget, agreed to act as a member of the Committee. The other members of the Committee were Mr. J. K. Penfield, Deputy Director of the Office of Far Eastern Affairs in the State Department, and Major General A. V. Arnold, former chairman of the U.S. delegation of the Joint Commission in Korea and previously Military Governor of Korea. Other State and War Department officers participating in the work of the Committee were: Mr. Hugh Borton and Mr. E. M. Martin of State Department and Lt. Col. E. W. Hendrick and Lt. Col. T. N. Dupuy of the War Department.

The Committee was directed orally to study the present unsatisfactory state of affairs in Korea, and, on the basis of that study, to develop for submittal to the Secretaries of State and War recommendations for a proposed governmental policy with regard to Korea.

In studying the situation in Korea, the Committee soon came to the conclusion that little further progress could be made towards the accomplishment of U.S. aims in Korea until an effort had been made on a governmental level to reach agreement with the Soviet Union regarding means of implementing the Moscow Agreement of December 1945. It was the opinion of the Committee
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that this approach should be made before the termination of the forthcoming Moscow Conference. Therefore, in view of the early departure of the Secretary of State for Moscow, the Committee decided to submit its preliminary views to the Secretaries of State and War. These views were submitted on February 25 in a memorandum (Appendix "F") enclosing an initial draft of Sections II, III, IV and V of this report.

In its consideration of the situation in Korea the ^{Committee} following studies were reviewed ^{various pertinent studies prepared within the} ~~by the Committee.~~ ^{two departments and in the field.}

1. Memo from P&O to SECWAR 4 January 1947 subject: Maintenance of U.S. Forces in Korea (S).
2. Memo for Mr. Petersen 23 January 1947 subject: Conditions in Korea (S).
3. Intelligence Staff Study Project 3592, 30 January 1947 (T.S.).
4. Letter from SECWAR to President 27 July 1946 (T.S.).
5. Excerpts from discussion of recent activities of the Soviet Union affecting the security of the U.S. armed forces and the military security of the U.S. (T.S.).
6. U.S.-Russian relations summary of address by Mr. Harriman, Secretary of Commerce at National War College 10 October 1946 (conf).
7. Summary review and action program for economy of south Korea as of 10 December 1946 by National Economic Board USAMGIK (conf not to be released).
8. Bunce "Report on Fiscal Operations USAMGIK" received by State 10 January 1947.
9. Summary by McDiarmid 3 February 1947 for working party on Korea of Advisory Committee on Occupied Areas Affairs of Bunce report on fiscal operations U.S. Military Government in Korea.
10. Shipments to Korea without Cost of Dollars, 130 Million (Stalheim).
11. Comparison Chistiakov's letter November 26 and Hodge's letter December 24.
12. Draft of UN Trusteeship for Korea. ~~Appb & G.~~
13. SWNCC FPI 2/2. SWNCC Subcommittee on Foreign Policy. Public Information Program on Korean Occupation Policy.
14. Memo to SECSTATE by Vincent 27 January 1947.
15. SWNCC 176/23.
16. A Solution of the Korean Problem by Syngman Rhee.
17. Draft historical study of USAFIK relations with the Russians (First year).

The Committee interviewed the following experts:

The Honorable A. W. Harriman, Secretary of Commerce.

Lieutenant General J. R. Hodge, Commanding General, U.S. Army Forces in Korea.

Mr. E. Durbrow, Counselor, U.S. Embassy, Moscow, U.S.S.R.

Mr. Llewellyn E. Thompson, Chief, Division of Eastern European Affairs, State Department.

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II. PRESENT SITUATION IN KOREA

A. General.

1. U.S. policy towards Korea is based on the following basic objectives: (1) To establish a self-governing sovereign Korea as soon as possible, independent of foreign control and eligible for membership in the United Nations; (2) to insure that the national government so established shall be fully representative of the freely expressed will of the Korean people; and (3) to assist the Koreans in establishing a sound economy and adequate educational system as essential bases of an independent, democratic state.

2. For the purpose of taking the Japanese surrender Korea was divided into two zones of military occupation, the United States occupying that part south of 38°, and the U.S.S.R. occupying the northern part of the country. This division persists. However, through the Cairo and Potsdam Declarations, the United States, the United Kingdom, and China are committed to the eventual independence of all of Korea. In its declaration of war on Japan on August 8, 1945, the U.S.S.R. joined in the Potsdam Declaration.

3. In the early days of the occupation the U.S. Commander, General Hodge, was unable to establish satisfactory liaison with the Soviet Commander in the north. Political and economic problems created by the artificial division of the country into two zones became acute. In December 1945, at the Moscow Conference, these serious consequences of the bi-zonal occupation were discussed and an agreement between the U.S., U.S.S.R. and U.K. was reached regarding Korea. This agreement, to which China subsequently subscribed, provided that:

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II. A. 3. (1) There would be an immediate conference between representatives of the U.S. and Soviet Commands in Korea for the purpose of settling acute economic and administrative matters.

(ii) The U.S. and Soviet Commanders in Korea would establish a Joint Commission which, in consultation with local democratic parties and social organizations, would prepare plans for the formation of a provisional Korean government.

(iii) The Joint Commission, with the participation of the provisional Korean government (when established) and Korean democratic organizations, would work out measures "for helping and assisting (trusteeship) the political, economic and social progress of the Korean people, the development of democratic self-government and the establishment of the national independence of Korea" which would be submitted for the joint consideration of the Governments of the U.S., U.S.S.R., U.K. and China "for the working out of an agreement concerning a four-power trusteeship of Korea for a period of up to five years".

4. The conference called in subparagraph (1) above met early in 1946 but achieved no substantial results.

5. On March 20, 1946, the Joint U.S.-U.S.S.R. Commission provided for in the Moscow Agreement met for the first time. It was the U.S. view that the formulation of plans for the creation of a provisional Korean government was the first and most pressing task before the Commission.

The Soviets at first insisted that the provisional Korean government be formed after consultations with only those
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II. A. 5. (continued)

political parties and social organizations fully in favor of the Moscow Agreement, including its provisions for a trusteeship for Korea. The Soviet position would have had the effect of excluding from consultation all parties save the Communist party and its fellow travelers, even though, until indoctrinated with the "party line," Communists in south Korea, like those in the north, initially opposed trusteeship. The Joint Commission finally agreed that it would consult with Korean democratic parties and social organizations which were "truly democratic in their aims and methods" and which would subscribe to a declaration that they would "uphold the aims of the Moscow Decision", "abide by the decisions of the Joint Commission in its fulfillment of paragraph 2 of the Moscow Decision in the formation of a provisional Korean Democratic Government", and cooperate with the Commission "in the working out by it . . . of proposals concerning measures foreseen by paragraph 3 of the Moscow Decision".

The Soviet delegation then insisted that if any of these Korean parties were represented by any individuals who had expressed opposition to the Moscow Agreement, and particularly to the provision for trusteeship, these individuals should be declared ineligible for consultation with the Joint Commission. The United States delegation did not accept this proposal on the ground that such an exclusion would constitute a violation of democratic, representative principles and particularly the principle of freedom of speech. As it became evident that no progress could be made, the Commission adjourned sine die on May 8, 1946.

6. Immediately after the Commission adjourned the U.S. Command took the initiative in pressing the Soviet Command for
resumption

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II. A. 6. (continued)

resumption of negotiations. The several exchanges of letters which have taken place have failed to change the basic Soviet position. Furthermore, the Soviets have engaged in obvious delaying tactics. The following summary clearly shows that General Hodge has been doing his best to achieve some progress toward implementation of the Moscow Agreement and that General Chistiakov is doing his best to delay such progress:

Letter from General Hodge to General Chistiakov --	May 9, 1946
Letter from General Hodge to General Chistiakov --	June 15, 1946
Reply from General Chistiakov to General Hodge --	August 6, 1946
Reply from General Hodge to General Chistiakov --	August 12, 1946
Mr. Bunce visited north Korea and engaged in exploratory conversations with a view to reconvening the Joint Commission --	September, 1946
Reply from General Chistiakov to General Hodge --	October 26, 1946
Reply from General Hodge to General Chistiakov --	November 1, 1946
Reply from General Chistiakov to General Hodge --	November 26, 1946
Reply from General Hodge to General Chistiakov --	December 24, 1946
Reply from General Chistiakov to General Hodge --	February 28, 1947

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II. B. Southern Korea.

1. Political progress and situation.

In the American zone U.S. military government under a military governor, who is an officer on the Staff of the U.S. Commander, was established on September 9, 1945, at the beginning of the occupation. This ~~Government~~ Government is operated by U.S. military and civilian personnel as well as Koreans, who have been given a large number of responsible positions. Emphasis is being placed upon the treatment of Koreans as a liberated people, and measures are being adopted which provide for Korean participation in constructive political, economic and cultural programs.

An interim legislative assembly for south Korea was convened December 12, 1946. It is designed to provide training in democratic political procedures and has the duty of formulating and presenting to the U.S. Commander draft laws to be used as the basis for political, economic and social reforms in the American zone. The legislative assembly is composed of 90 members, 45 of whom were elected and 45 appointed by General Hodge. Of those elected, ~~31~~³⁰ are rightists, 13 are independents and 2 are leftists; of those appointed, 41 are from various professional and religious groups not affiliated with the extreme rightists and 4 are rightists. The Chairman of the Assembly is Mr. Kim Kyu Sik, an outstanding leader of the moderates.

The meeting of the Interim Legislative Assembly on January 20, 1947, ended in confusion with the passage by a vote of 44 to 1 of an extreme rightist-backed resolution against trusteeship and against General Hodge's position on trusteeship as expressed in published letters to the Soviet Commander. Thirty-four rightists and 10 independent members of the Assembly supported the resolution. It is significant, however, that this
vote

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II. B. 1. (continued)

vote was taken after the withdrawal or abstention of 45 members who did not wish to support the resolution but felt that they could not, for political reasons, vote against it. The Chairman, Kim Kyu Sik, was not present at the session. The representative character of the Assembly is threatened by the rightists who declare they will reorganize the legislature, expelling those who did not vote against trusteeship. However, encouragement is being given to moderate elements by the U.S. authorities and it is hoped that these elements will become dominant in the Assembly in the near future.

There is considerable unrest in south Korea because of the Koreans' desire for immediate independence and their growing pessimism regarding the prospects of U.S.-Soviet agreement. This unrest is aggravated by the serious economic situation, which cannot improve until considerable material assistance is received from the U.S. The right wing elements are increasing their vocal opposition to trusteeship and are threatening to instigate widespread civil disorder.

The Korean Communists are using terrorism and other typical Communist tactics to weaken and confuse other political elements. They assert that the U.S. will some day withdraw from south Korea and that Soviet-sponsored Communism will inevitably triumph in the entire nation. They threaten that they will then mete out dire punishment to those who now oppose Communist objectives. Complicating the confused political picture is the political inexperience of the Koreans after forty years of Japanese domination, during which Korean national

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II. B. 1. (continued)

national life and self-expression were ruthlessly suppressed and the Koreans were forced to adapt themselves to the Japanese mold.

In spite of these developments, however, U.S. friendliness toward Korea prior to the Japanese annexation, and extensive American missionary activity both before and during the period of Japanese rule, have resulted in a backlog of good will among Koreans generally toward the United States. Also, many Koreans are intelligent enough to realize that much as they yearn for freedom from foreign supervision, withdrawal of the U.S. would merely mean falling under a much more oppressive foreign yoke. Therefore, the effect of hysterically emotional appeals for immediate independence and driving out of the "imperialist oppressor" is potentially ~~more~~ less in Korea than it would be in a normal colonial area.

2. Economic

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II. B. 2. Economic situation.

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Korea, as an integral part of the Japanese Empire, was set up to contribute to the Japanese war-making potential and was not organized as a self-sustaining economic unit. With the end of the war and the abolition of Japanese controls there was a complete collapse of all manufacturing effort. Few Koreans had the technical training to fill the vacancies created by removal of Japanese. Factories built to produce war supplies were not suited to a peacetime Korean economy. The limited stockpiles left by the Japs at the end of years of war were quickly used up.

The collapse of the domestic economy was, of course, accentuated by the breaking off of Korean economic and financial relations with Japan and the yen bloc countries such as Manchuria from which nearly 95% of Korean prewar imports came.

Recovery from these blows has been severely handicapped by the separation of the country into two zones. The hydroelectric power, chemical and metal industries of north Korea are a necessary complement of the agriculture and textile industry of south Korea. Until an economic agreement is reached with the Soviets, south Korea will continue to be deprived of essential coal, fertilizer and electric power produced in the north.

Military government has furnished technical help, some trained operators and made every effort locally to rebuild south Korea's industry, but production in large industrial plants is currently at less than 20% of capacity.

The population of south Korea has increased by two million through repatriation of Koreans from other countries
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and an influx of refugees from north Korea. This has posed a difficult problem of employment and food supply.

Rice, the basic commodity of Korean economy, is in short supply because of failure of the Japanese to provide adequate fertilizer during the war years and inability since the surrender to secure fertilizer, either from the Soviet zone or as imports. In addition the 1946 crop was seriously damaged by floods caused by deforestation. During 1946, 650,000 metric tons of food had to be imported to make up for this and other food crop deficits.

The railway transportation system, which is particularly necessary to the economy in view of the mountainous terrain, was allowed to deteriorate by the Japanese. The removal of Japanese technicians and operators left a void which military government has found difficult to fill. New rolling stock and urgent right-of-way maintenance were necessary to prevent a complete breakdown of this basic means of transportation.

Bank of Chosen note circulation has increased from 8,621,000,000 yen in December 1945 to 17,400,000,000 yen in January 1947. Open market prices are rising sharply, having increased about 30% during December 1946. The excess of government expenditures over revenue is currently running about 700,000,000 won (yen) per month.

The south Korean economy, although in better shape than that of north Korea, is in a critical position and substantial assistance will be necessary to make possible the development of the sound economic conditions which are essential to a healthy political and social development.

3. Cultural

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II. B. 3. Cultural and educational situation.

The task of reeducation and reorientation of the Korean people after almost a half century of Japanese domination is an Herculean one. First of all, there is widespread poverty. Secondly, while accurate figures are not available, the Korean literacy rate is estimated to be between 20% and 45%. Finally, there are acute shortages of personnel, school plant, and teaching materials. Korean educators are attempting with the aid of the U.S. to replace an educational system and plant which have been since 1910 designed deliberately to serve Japanese ends. With a considerable increase in school enrollment, since the Japanese surrender, what was already an inadequate and antiquated school plant is now taxed to the utmost. As of June 1946 about 1,650,000 children in the age group 6-18 were in school although actual existing school capacity was limited to 1,387,000. As a result, double shifts in attendance have been necessary in many cases, and immediate compulsory attendance for all grades has been delayed, it is estimated, until 1952. Literally thousands of new teachers in all subjects are needed. In June 1946 it was estimated that there were 26,500 teachers in south Korea, but this figure includes a great many who were placed in teaching positions despite almost complete lack of qualifications or training, simply because teachers were so badly needed. There is practically no science or laboratory equipment, and only the most inadequate supply of instructional and classroom materials. What is most important for the future of Korean education, there is a crying need for American technical skill and advice.

C. Northern Korea.

1. Political progress and current situation.

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II. C 1. The "people's committees," organized in Korea in the closing days of the war, and dominated in most instances by leftists, were the bases upon which the U.S.S.R. forces built their government in north Korea. In October 1945 after some reorganizations, notably in P'yongyang, a series of elections was held up through the provincial level to legalize the local people's committees. These elections were apparently not successful from the Soviet point of view as, beginning in February 1946, the committee at P'yongyang sponsored a purging process involving expulsion from local committees of persons antagonistic or neutral toward the U.S.S.R. This operation was aided by Communist-dominated "peace preservation corps" to which the Soviets gave the arms and authority of the former Japanese-controlled police forces. As the local committees acquired a satisfactory political complexion the Soviet army commanders ostensibly turned over to the committees the governing authority in local areas, and the appearance of local self-government was achieved.

The centralization of control over the local people's committees, and the rounding out of the governmental framework in north Korea were also begun early in 1946. In February, a "Congress" said to represent political, trade union, peasant, and other social and cultural groups chose an "Interim People's Committee" as the central governing body for north Korea. Reported to contain only two non-Communists, the election of this body was doubtless a confirmation, for the sake of publicity and apparent legality, of leaders previously approved or selected by the Soviet authorities. According to its announced program, the Interim People's Committee, now termed the "Provisional People's Committee," has jurisdiction over land reform, industrial

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industrial development, transportation, communications, business, banking, justice, education, labor, and public peace for the Soviet-occupied zone.

In November 1946, election for members of the people's committees up through the provincial level again were held. The incumbent committees were the main nominating agencies; a slate listing only one candidate for each position was presented, and the voting in most instances was "open" with a separate box for ballots cast against the official slate. Suffrage was extended to all over 20 years of age, except Koreans adjudged pro-Japanese and those without civil rights or with families abroad or in south Korea. Russian sources reported that 4,208,551 votes were cast, representing 96.9% of the eligible voters. Ninety-nine per cent of the 1800 official candidates were elected.

The Congress of People's Committees began its 1947 session on February 17. From reports thus far received, this body appears to perform the functions of like agencies in the U.S.S.R., that of listening to reports of the laws enacted by the central or interim committee, hearing speeches supporting the action of the government, and giving its unanimous endorsement to the laws and policies presented.

The Soviet military are withdrawing from the administration of civilian affairs and there are indications that the Soviet Military Government is being de-activated.

Control over the Korean-staffed governmental framework in north Korea is achieved primarily by the paralleling series of Communist Party organizations, often indistinguishable from, and always a faction within, the governmental committee hierarchy. Support for proposed or accomplished governmental

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governmental action is secured through a series of similarly controlled organizations embracing such economic, social, and cultural groupings as peasants, labor unions, women, youth, and others. All are combined into a Democratic People's Coalition Front. With pressure exerted to force every person into one of these organizations, the dissident individual voice is lost in that of the organization which speaks for him. Organizations outside of the official hierarchy are dealt with by infiltration or suppression. The Soviets are reported to be recruiting, arming, and training a Korean military force the strength of which is variously estimated up to 500,000.

Today, despite the use of Koreans in administrative positions, authority in north Korea continues to be in Russian hands, and despite the framework designed to eliminate contrary views, some opposition still exists. Ex-Democratic Party members, some Christian and youth groups are known to have resisted Soviet-sponsored measures. Other opposition has been directed against specific policies of the government, such as the trusteeship issue, the heavy taxes in kind, and the actions of the Soviet troops. No widespread revolt is likely to occur, however, because of the general approval of such reforms as those embodied in the land and labor laws, because of the authoritarian nature of the government, the strictness of its police measures, and, finally, because of the presence of Soviet troops in north Korea.

2. Economic situation.

The major portion of Korea's natural resources -- hydroelectric power, minerals and coal -- are found in north Korea accompanied by the corresponding heavy industries.

Initially

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Initially the Soviet army discharged Japanese technicians, but after an unseccessful attempt to carry on with the help of Koreans alone, the Japs were brought back to work.

The economic outlook in the Russian zone appears more unfavorable now than in the American zone. Agricultural production during 1946 in north Korea was probably relatively better than in south Korea, due to greater availability of commercial fertilizers and to less flood damage. However, agricultural prospects for 1947 for south Korea are at least as favorable as for north Korea, where Soviet grain collection policies have tended, it is believed, to discourage production. However, the over-all food situation currently appears to be much better in the southern half of the peninsula because of more equitable distribution of available foodstuffs, greater cereal imports from abroad, and the contrasting policies of the two occupation armies, with the Red Army largely living off the land and, according to numerous reports, even exporting grains.

Industry and mining in the north appear to be operating at not more than 10-15 per cent of over-all capacity, and production of hydroelectric power has fallen off considerably as a result of inadequate maintenance and repair.

The condition of the railroads is even more serious in north Korea than in south Korea. There has been little attempt to repair or replace worn-out rail equipment and only the most casual attempts at maintenance. The recall of Jap technicians to the railroad shops has been necessary to prevent complete stoppage.

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III-A

III. IMPORTANCE OF KOREA TO THE U. S.

A. Strategic. ^(indenting 8 spaces) ~~From a positive point of view~~ the

U.S. has little strategic interest in maintaining troops or bases in Korea. In the event of hostilities in the Far East present forces in Korea would be a military liability to the U.S. They could not be maintained there without substantial reinforcement prior to the initiation of hostilities, a move which would have no military advantage, since any offensive operations which the U.S. might wish to conduct on the continent of Asia would in all probability bypass the Korean peninsula. ~~The U.S. strategic interest in Korea is purely negative, but is nevertheless of some importance.~~ ^{However,} should an enemy be able to establish and maintain strong air bases in the peninsula, he would be able to interfere with U.S. communications and operations in East China, Manchuria, the Yellow Sea, Sea of Japan and adjacent islands. In the event of hostilities, this would necessitate the diversion of air strength which could otherwise be employed in a strategic offensive, to the strategically defensive operations of neutralizing such enemy bases. This would, however, be more efficient and less costly than large scale ground operations.

^{insert 8 spaces} The above **brief** strategic analysis of the situation in Korea has a direct bearing on the problems considered in this report. The U.S. has at present only a negative military interest in maintaining troops in Korea, ^{but} control of all of Korea by Soviet or Soviet-dominated forces, while not immediately serious, would constitute a strategic threat to U.S. interests in the Far East. It would, therefore, appear that from the strategic point of view it is in the best interests to the U.S. to endeavor to ^e insure the permanent military neutralization of Korea.

* (Insert attached paragraph)

III-B

* An additional and important politico-military consideration, affecting our strategic interest, is the effect which the spread of Communist influence in Korea would have on neighboring areas. The present position of the Soviets in North Korea, taken in conjunction with their occupation of the Liaotung Peninsula, enables them to place enormous political pressure on Manchuria and, thus, on China. Similarly the political effect of unhampered Communist control over all Korea would have serious political and military implications in Japan. The Japanese, like all Orientals, watch closely the signs of shifting policy. There might result a growing unrest among the Japanese people because of their uncertainty regarding future U. S. policy in the Far East, and their fears of expanding Soviet influence. This, particularly in connection with the return from Siberia of Communist-indoctrinated Japanese prisoners, might result in a sharp increase in our manpower requirements in Japan.

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III. B. Political.

1. The United States has long been interested in the progressive development toward independence of dependent and suppressed peoples in the Far East. This basic policy motivated our grant of independence to the Philippines in 1946, our initiative at the San Francisco Conference in 1945 in obtaining agreement for inclusion of a chapter on international trusteeship in the Charter of the United Nations, and our acceptance of a commitment to ensure a free and independent Korea. This policy has increased the confidence of dependent peoples in the United States and enhanced our position in the Pacific. A failure fully to live up to our Korean responsibilities would result in immediate damage to our position in dependent areas and those regions immediately subject to Soviet pressure, a development which would seriously affect our interests throughout the world.

2. Korea is strategically located in northeast Asia close to both China and Japan, where we have extremely important political interests, and is adjacent to Soviet territory and vulnerable to Soviet influence. ^{As pointed out in the preceding section,} Developments in Korea have an ^{extremely serious} important bearing on our political interest in these neighboring areas. ^{A Soviet dominated Korea would constitute an} ~~It is therefore of political importance to the~~ ^{political and military threat to Manchuria, north China and Japan. The grave dangers to the} ~~United States to establish adequate guarantees for the continu-~~ ^{ance of a truly free and independent Korea which minimizes the} ~~US of such a development need no elaboration in view of the recognized~~ ^{importance of our interests in those areas.} ~~chances of political alienation of Korea from the United States.~~

3. Korea at the present time is the only place in the world where the U.S. and the U.S.S.R. stand face to face alone. It is a testing ground for the effectiveness of the American concept of democracy as compared to Soviet ideology.

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If sufficient support is not forthcoming to give our democracy a fair trial in Korea, other peoples and countries throughout the world will instinctively question both the effectiveness and virility of the United States and its form of government.

4. Korea's principal political importance to the U.S. is, perhaps, the effect of developments there on the whole course of Soviet-U.S. relations. It is important that there be no gaps or weakening in our policy of firmness in containing the U.S.S.R. because weakness in one area is invariably interpreted by the Soviets as indicative of an overall softening. A backing down or running away from the U.S.S.R. in Korea could very easily result in a stiffening of the Soviet attitude on Germany or some other area of much greater intrinsic importance to us. On the other hand, a firm "holding of the line" in Korea can materially strengthen our position in our other dealings with the U.S.S.R.

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III-C

A (indenting 8 spaces)

C. Economic. While Korea has no important economic significance to the U.S., as an independent country with a revived and unified economy there may be a small market for U.S. exports, especially raw cotton and miscellaneous manufactured goods. The U.S. may purchase a few things from Korea such as graphite, fish products, handicraft wares, but nothing of any strategic importance. A stabilized Korea may also provide a field for the investment of a limited amount of U.S. capital. From a negative standpoint certain Korean resources, such as the hydroelectric power, and her heavy metals and chemical industries, are of ^{such} ~~sufficient~~ importance that the U.S. must be concerned if they ^{remain} ~~come~~ under the control of an ^{aggressive and expanding} ~~unfriendly~~ power. From the same standpoint the possession of her rail system, which connects the complementary industrial establishments of Korea, Manchuria, the Soviet Far East and Japan, and the control of any of these areas by an unfriendly power, would contain dangerous implications.

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IV. POSSIBLE COURSES OF ACTION.

Do not underscore - A. Without Agreement with U.S.S.R.*Do not underscore* 1. Continuation of Present Policies and Programs.

The present U.S. program in south Korea (which provides for the use of Koreans in political, administrative and technical positions under military government supervision, and for limited imports of food and other essentials to prevent disease and unrest) was based on the assumption that the provisions of the Moscow Decision would soon be carried out. Consequently this program was intended to be only an interim one. The successful operation of even this limited program has been hampered by insufficient funds and lack of Korean cooperation. Consequently, present conditions in Korea are deteriorating rather than improving. If this trend continues, it is apparent that our position in Korea will soon weaken to a point where it may become untenable. The Korean people are daily growing more antagonistic in their attitude toward military government, toward U.S. objectives in Korea, and even toward the U.S. itself. These antagonisms have already caused riots and disorders involving loss of life. There is every reason to expect an increase in the use of tactical troops to suppress disorders with all the attendant complications in world public opinion. It is therefore obviously extremely unwise to rely solely on present ineffective programs.

Do not underscore 2. Recognition of Independent Government in South Korea.

Both in the U.S. and in Korea there is some pressure, inspired principally by the Syngman Rhee group, for the recognition by the U.S. of the independence of

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IV-A-2

south Korea. Many Koreans, anxious for independence, angered by the proposed trusteeship, and thoroughly discouraged by the failure of the U.S. and the Soviets to get started even at that, are clamoring for independence. Superficially this might appear to be a step which would enable the U.S. to shed some, at least, of the burdens which are proving so onerous. However, it is questionable if this single act will solve any of the present problems, either of the U.S. or the Koreans. It seems certain, on the other hand, that whether or not accompanied by withdrawal of U.S. forces, to grant immediate independence to south Korea would create new difficulties.

Indent 13 spaces Recognition of her political independence will not solve the economic problem of southern Korea. Only unification, and a program of outside aid in rehabilitation can do that. The U.S., the only practicable source for such aid, will be more likely to make grants to a people for which it has direct responsibility than to an independent country. No loaning agency could consider south Korea an acceptable risk.

Indent 13 spaces From the standpoint of the U.S., of course, an independent south Korea might provide an excuse for ending our financial assistance, but it would mean starvation and economic chaos in south Korea, a development for which the U.S. could not, in good conscience, allow itself to be responsible. Moreover, it would represent a direct breach of our commitments, both to our allies and to the Koreans, to establish a united and truly independent Korea. These commitments are important as a pledge to a liberated people whose treatment by the great powers is watched with concern by all small powers and dependent peoples throughout the world

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IV-A-2

world. This ^{fulfillment} fulfilment is important as evidence that U.S. foreign policy is based upon fundamental principles which will not be abandoned. And again, regardless of whether we withdraw our forces or not, our recognition of the independence of southern Korea would inevitably be the signal for a concerted effort to bring all of Korea under the political control of groups more interested in cooperating with the U.S.S.R. than in promoting the welfare of Korea. Our ability to counter such a campaign, not an easy thing to do under the best of circumstances, would be greatly hampered in an independent south Korea.

^{Indent 13 spaces} Of course, if our recognition were accompanied by a withdrawal of U.S. forces, it would be obvious to the world that the U.S. had suffered a complete political defeat in a test of strength with the Soviet Union in the only area where we and the Soviets stand face to face alone. It is improbable that the U.S. could unilaterally establish safeguards which would assure that an independent southern Korea would not fall under Soviet domination. The effect on world power relations, however, would almost certainly far transcend the mere transfer of southern Korea from the U.S. to Soviet control. The loss of U.S. prestige and influence, and the consequent increase in Soviet influence and power, would have prejudicial repercussions not only on U.S. interests in the Far East but on the entire U.S. world position.

^{Indent 13 spaces} If, on the other hand, we should make our recognition conditional on permission for our troops to remain, we could hardly hope to avoid reaping the antagonism and ill-will which seem the inevitable lot of foreign troops quartered in a proud and independent nation. Not
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IV-A-3

only the Koreans, but many other nations would condemn the U.S. Furthermore, it is difficult to see how the presence of U.S. troops could effectively offset any of the disadvantages described above which would result from a recognition by the U.S. of the independence of south Korea.

Do not underscore

3. Reference of problem to Foreign Ministers or UN.

Unilateral action by the U.S. to refer the Korean problem to the Foreign Ministers who participated in the Moscow Agreement or to the United Nations (presumably the Security Council) would be unsatisfactory because (1) it would in effect be an admission by the U.S. of failure in Korea and would thus have a most damaging effect on U.S. prestige; (2) it would undoubtedly be countered by the Soviets with the assertion that the U.S. is committed to an international agreement regarding Korea which it refuses to implement, thus putting us in a most disadvantageous position; and (3) it is hardly likely that a unilateral attempt by us to bring additional protagonists into the Korean situation would result in hastening a solution to the problem. The various factors involved in possible prior agreement with the Soviets for reference of the problem to an international body are discussed below in IV-B.

Indent 13 spaces
If, however, all other attempts to solve the Korean problem should fail, it might eventually become desirable to refer it to the United Nations. This cannot be done until it is conclusively demonstrable that the **Soviet Union** is deliberately preventing a solution of the Korean problem. Such action, of course, should not be taken without carefully weighing the importance of a Korean solution

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IV-A-4

against the possible repercussions resulting from another open U.S. •- Soviet dispute in the United Nations.

Do not under score.
4. Adoption of an aggressive positive program for south Korea.

As pointed out in IV-A-1 above, a continuation of our present essentially interim and ineffective program is unsatisfactory. As discussed in IV-B-1 below, any attempt to approach the Russians regarding a solution of the Korean impasse, while we appear to be so halfhearted in carrying out our responsibilities in our zone, would in all probability be rebuffed. It therefore appears necessary, if we are to remain in Korea and to achieve any success in solving the Korean problem, to initiate an aggressive, positive, long-term program. Even though basic agreement on the Korean problem may be reached with the Soviets in the future, the U.S. cannot postpone positive action in southern Korea pending such agreement.

indent 13 spaces
Such a program would have the following advantages:

(i) It would show the Russians that we have no intention of allowing Korea to fall into their hands by default.

(ii) It would strengthen our position in any future negotiations with the Soviets. For example, if it is obvious that we are determined to expend money and effort during the next few years to insure Korean independence, the Soviets will realize that if they are to retain their present position in Korea they will either have to expend funds and effort of their own, which they would be reluctant to do, or be willing to retreat from their present position.

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IV-A-4(iii)

(iii) It would provide a sound basis for the development of a country which will be able to maintain its independence after U.S. and Soviet withdrawal.

(iv) Any new program which provided for adequate civilian relief and rehabilitation in Korea would make the Koreans more cooperative and thus strengthen our position in that country under any circumstances.

Indent 13 spaces. In order to succeed, such a program must be supported by sufficient funds in the form of Congressional appropriations to finance the substantial political, economic and cultural measures required to bring about the economic rehabilitation of southern Korea and to prepare the country for early and complete independence. Lacking such funds, we will fail to meet our international commitments in Korea. The essentials of such a plan are outlined in Appendix "A". This plan calls for the appropriation of \$230,000,000 for fiscal 1948. In view of the present temper of Congress, the outlook for approval of this sum is not encouraging. It should, however, be possible to obtain Congressional action which would greatly strengthen our position in Korea. Passage of the authorizing legislation alone would have a great psychological effect. The above \$230,000,000 involves an increase in the budget of only \$93,000,000, as the War Department occupied areas budget -- which it is hoped will be approved -- includes an allocation of \$137,000,000 for Korea.

- ~~IV.~~ B. In Collaboration with the U.S.S.R. *Do not underscore.*
1. Desirability of Governmental Negotiations. *Do not underscore.*
- a. Status of local negotiations.

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IV-B-1-a

Indent 18 spaces General Hodge is, as pointed out in II-^A~~g~~-6 above, corresponding with the Soviet Commander with a view to reaching agreement on a formula for reconvening the Joint Commission. It is improbable that agreement will be reached under present conditions, as the Soviets are apparently unwilling to change their position and the U.S. is unable to make further concessions from the position taken in General Hodge's letter of December 24, 1946, without compromising our basic belief in freedom of expression, and risking Soviet domination of all of Korea. Thus, under present circumstances, we cannot anticipate progress toward solution of the Korean problem through negotiations on a local level in Korea.

Indent 18 spaces There is, however, nothing to be gained by formally breaking off these negotiations. By allowing the situation to drag on along its present lines, the door remains open for Soviet concessions if and when the operation of our positive program and other developments in Korea convince the Russians that it is to their interest to retreat from their present intransigent position. Any further negotiations in Korea should be kept strictly within the terms of the Moscow Agreement and any contemplated modification thereof should be discussed on a governmental level.

b. Disadvantages.

→
An approach to the Soviets on a governmental level under present circumstances has certain disadvantages:

- (1) Without any evidence of a firm U.S. determination completely to fulfill our Korean responsibilities, such an approach would undoubtedly be regarded by the U.S.S.R. as a "lead from weakness"

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IV-B-1-b-(1)

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weakness" and could therefore not be expected to result in progress towards a solution of the Korean problem. The Russians, anticipating U.S. concessions if they continue their intransigence, could be expected to reject our approach or, more probably, give a procrastinating reply or no reply at all. The impression of weakness engendered by such an approach might persist to some extent even after the initiation of a positive program in our zone, and thus prejudice future attempts to reach an agreement.

(ii) An approach now, or in the near future, might prejudice our ^{over-all} overall position vis-à-vis the U.S.S.R. The committee is not in a position to evaluate this factor. It is noted, however, that governmental approaches have been made to the U.S.S.R. on other matters where, even though the approach appeared foredoomed to failure, it was felt important to make clear to the Soviets and to the world that the U.S. would adhere to its international commitments.

c. Advantages.

A governmental approach would also have

advantages:

(1) Most important it should greatly ease the position of the occupation authorities. Lack of any substantial action by the U.S. Government has apparently given many Koreans the impression, which may be shared by the Soviets, that the U.S. has no great interest in the Korean problem

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IV-B-1-c-(1)

problem and has more or less abandoned General Hodge to his own devices. An early governmental approach would provide positive evidence to the Koreans of our desire for early Korean independence. Until such evidence is forthcoming it will undoubtedly become increasingly difficult to maintain our position in the face of constantly growing Korean impatience.

(11) Congress will not approve special Korean legislation without a careful analysis of the record of our Korean negotiations with the U.S.S.R., and will wish to be assured that every possible step has been taken to reach agreement before it approves special legislation. The fact that a governmental level approach had been made would be added evidence of the extent of our attempts to implement the Moscow Agreement. Absence of such evidence might lead Congress to question the need for the desired legislation or at least to defer approval pending results of a governmental approach. On the other hand, it might be possible to persuade the Congress that a strong affirmation of U.S. purposes in Korea, expressed by Congressional approval of a three-year program, is needed in order to enable us to approach the Soviets on a sufficiently aggressive basis to give hope of securing a settlement satisfactory to us. Evidence of further Soviet procrastination, even if only for a month or two, will clearly indicate to Congress the necessity for special legislation if we are ever to achieve a solution in Korea.

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IV. B. 1. C. (continued)

Indent 13 spaces It is believed that on balance the advantages of making a governmental level approach to the U.S.S.R. in the near future outweigh the disadvantages.

Indent 10 spaces 2. Timing of approach.

Indent 13 spaces It is unlikely that discussions with the Russians would result in substantial progress toward a settlement if made before a positive program is actually in operation in south Korea. However, they would have much greater chance of being substantially effective if accompanied by some evidence of our determination to carry through in Korea, such as a strong Presidential statement submitting Korean legislation to Congress. It is suggested, therefore, that the timing should be thus coordinated if this can be done without unduly delaying the approach. In order to be effective for its purposes (in Korea and vis-à-vis Congress), it should in any event be made before the conclusion of the coming Moscow Foreign Ministers' meeting.

Indent 10 spaces 3. Substance and manner of approach.

Indent 13 spaces The Soviets invariably view with horror any alteration of the wording of an existing agreement and a direct proposal involving modification of the Moscow Agreement would therefore in all probability be brusquely rejected and would result in vigorous Soviet accusations that we were failing to live up to our agreements. The U.S. approach should be aggressive in order to minimize any impression of weakness. Any U.S. proposals should be so worded as to come within the letter of the Moscow Agreement although they might, in effect, represent a considerable modification thereof. For example:

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IV B

3. Substance and Manner of Approach.

The tactics of our action are important to the successful liquidation (partial or whole) of our commitment in Korea. To be successful we must avoid the appearance before the world of abrogating a ~~grave~~ formal international commitment because of weakness, or Soviet pressure or both. Furthermore, any direct initial proposal to the Soviets deviating from the Moscow Agreement would result in vigorous Soviet accusation that we were failing to live up to our agreements. Under these circumstances, therefore, it appears that our initial approach to the Soviets should be a formal and stiff demand that the Moscow Agreement be implemented. The result which is desired from this approach is a general, but clear cut, agreement which will result in definite progress toward Korean independence. If possible this ^{agreement} should ~~be in the form of~~ ^{provide for} specific guidance to the negotiators (presumably the Joint Commission) who will elaborate the details. The minimum results which we ^{seek to} should achieve from the discussions in Moscow should be ~~an~~ agreement whereby the two governments will (1) direct the Joint Commission to reconvene at once and (2) will set a definite date (such as August 1, 1947, or the next Foreign Ministers Conference) for a governmental review of the progress of the Joint Commission. Discussed below are specific proposals which the United States could make to expedite attainment of the ultimate objectives of the Moscow Agreement. It may, of course, be necessary to vary considerably from these suggestions during the course of negotiations, the details of proposals and counter-proposals being worked out in the light of day to day developments.

a. It might be possible to fulfill the consultation provisions of the Moscow Agreement by avoiding a definition of "democratic organization" and having the Joint Commission divide into two sections, a northern (Soviet) section which would consult with organizations in north Korea and a southern (U.S.) section which would consult with organizations in south Korea, each section establishing its own rules of procedure. A provisional government might then be formed by amalgamating a northern Korean group with one from southern Korea, the groups being proportionate in size to the population of the two zones.

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- b. A possible proposal would be an abridgement of the Moscow Agreement which would bring about early trusteeship through the elimination or simplification of the steps of consultation and establishment of a provisional government. For use in the event such an opportunity arises, there is attached, as Appendix "C", a draft trusteeship agreement which is believed would be acceptable to us and to which it might be possible to obtain Russian agreement. In this regard consideration must be given to the inevitable Korean resentment if a trusteeship is established without consultation with Koreans. Some form of consultation, therefore, perhaps of the sort suggested in subparagraph a, above, should be contemplated.
- c. It is desirable to propose that the ^{strength} ~~weight~~ of both occupation forces be reduced to a designated level (such as 40,000 or less in each zone) through mutual withdrawals of United States and Soviet troops from each zone within certain time periods. Considerable care must be exercised in framing and in discussing such a proposal for the reasons discussed in subparagraph d, below.
- d. While our ultimate objective must be withdrawal from Korea and independence for Korea at the earliest date consistent with Korean capabilities for self-government, it is believed that the United States should not make an initial proposal for complete mutual withdrawal from Korea and abandonment of the trusteeship provisions of the Moscow Agreement. The Russians already suspect our motives in having proposed and suggested to the Koreans that a trusteeship may not be necessary. Furthermore, if there is not a period of trusteeship there is likely to be wide-spread civil war and chaos in Korea. As discussed in section IV B 4 below, however, it is quite possible that the Soviets may propose early mutual withdrawal by both nations. The United States cannot accept the political onus of disapproving with such a proposal, and must, therefore, immediately agree in principle to such a proposal subject to adequate safeguards to Korean political and territorial integrity.
- e. Consideration ^{might} ~~should~~ be given to referring the Korean problem, in agreement with the U.S.S.R., to the Security Council of the United Nations. An attempt to obtain Soviet agreement to such action would have the same disadvantages, in reduced measure, as United States unilateral action along the lines discussed in paragraph IV A 3 above, and is therefore undesirable unless no more promising courses are available to us.

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IV B

4. Possible Soviet proposals for mutual withdrawal.

Either as a propaganda move to take the initiative in breaking the present deadlock in Korea, or as a counter-proposal to the U.S. approach discussed in IV B 3 above, the Soviet Government might suggest that both the U.S. and Soviet forces withdraw simultaneously from Korea. As has been pointed out in Section II C, the economic situation in North Korea is worse than in the south, largely because Soviet forces are living off the Korean countryside. These forces, nevertheless, are a continuing drain on the resources and manpower of Eastern Siberia. There is reason to believe, therefore, that the Soviets would like to withdraw their occupation forces just as soon as they can be sure that the North Korean puppet government and army which they have created will be strong enough and sufficiently well indoctrinated to be relied upon to carry out Soviet objectives without the actual presence of Soviet troops.

The Soviets realize that the easiest, and politically most practicable, way for them to obtain control of South Korea is to utilize trustworthy Korean Communist armed forces as a means of pressure to obtain control or possibly to seize the area after the withdrawal of U.S. forces. In this way, without the onus and dangers involved in overt aggression in Korea, the Soviets would be able to achieve virtual domination of Korea similar to their present control over Poland, Outer Mongolia, Yugoslavia and Albania. They also realize that such a proposal, accompanied by suitable propaganda, would create considerable popular demand in the U.S. for the withdrawal of U.S. troops from Korea. Many Americans, in Congress as well as in the public at large, would see in such a proposal an opportunity to reduce governmental expenditures and to make further reductions in the Army.

There are two alternative courses which the Soviets could adopt in proposing the mutual withdrawal of U.S. and Soviet troops from Korea:

- a. Withdrawal of troops, but retention of the present system of U.S. and Soviet administration of the two zones pending implementation of the Moscow Agreement.

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It is most likely that the Soviet proposal would, at least initially, take this form in order not to abrogate the Moscow Agreement. Their propaganda would emphasize this aspect, point out that while the U.S. is delaying implementation of the Moscow Agreement, the Soviets are at least offering to lift the burden of occupation forces from the Korean people. They would count on the fact that, if their proposal were accepted, the U.S. administration in the south would be powerless to prevent the infiltration of Korean Communist troops who would then be able to take over South Korea at any time, either through influencing elections or by overt military action.

Acceptance of such a Soviet proposal would, of course, put the United States in the extremely undesirable position of retaining responsibility for civil administration without U.S. military support. There is a difference of opinion among the members of the Committee on whether public opinion and political pressure in this country would force such acceptance, but there is complete agreement that it should be avoided if possible.

It is therefore felt that the U.S. should respond to such a proposal by agreeing that the earliest possible withdrawal of troops is desirable, should offer to make immediate substantial mutual proportional troop withdrawals, and should make every attempt to expedite implementation of the Moscow Agreement, or if considered tactically advisable at the time, its modification to provide for the expeditious relinquishment of administrative as well as military responsibilities in Korea.

b. Withdrawal of U.S. and Soviet troops simultaneously with independence for a united Korea.

While, as mentioned above, it is doubtful if this would be an initial Soviet proposal, it might well develop as a proposal in the course of discussions. It would have the same general advantages for the Soviets as discussed above and would, furthermore, be more likely to gain popular American support. It would probably jeopardize passage by Congress of the three year grant-in-aid legislation ~~by Congress~~, since economy-minded opponents could say that the Soviet proposal proves that the program is unnecessary.

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The U.S. should agree at once to the principle of a mutual withdrawal and early independence for Korea, pointing out that this has been the continuing U.S. aim in Korea. However, as this proposal would involve a modification of the Moscow Agreement, the U.S. should propose either (1) a meeting of representatives of the four powers to consider the proposal or (2) a meeting of U.S.-U.S.S.R. representatives to draft a detailed plan for presentation to the other two powers. The Committee is inclined to favor the latter alternative, although decision would have to be made in the light of tactical considerations at the time.

The U.S. should insist upon ^{that} ~~the inclusion~~ in any plan for implementing a mutual withdrawal and early independence for Korea ^{must include} of as many provisions as possible to safeguard Korean political freedom and national independence. These safeguards might include:

- (i) Provisions for setting up of a Korean Government by a body chosen by popular election, each zone being represented by a number of representatives proportionate to its population (this ^{should} ~~must~~ be the initial U.S. position; it might be modified somewhat in discussions if Russian agreement can be obtained in no other way).
- (ii) Some type of guarantee by the United Nations.
- (iii) Effective Bill of Rights guarantee.
- (iv) Financial assistance and supervision by the World Bank.
- (v) Inspected limitation of armed Korean forces to necessary domestic constabulary, police and Coast Guard, recruited on a representative basis.

It should be pointed out to Congress that if the Soviet proposal is genuine, it will be unnecessary to carry out the expenditures envisaged in the grant-in-aid legislation. It should further be pointed out, however, that nothing is more likely to make the Soviets willing to carry out their proposal than passage of the legislation. Should the negotiations with the Soviets then be successful, the money can be withdrawn by Congress. If the Soviets do not agree to the safeguards we propose, the legislation will still be required.

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V. RECOMMENDATIONS

It is recommended that:

- A. The program outlined in Appendix "A" be implemented, action to include:
1. Request to the President to forward to Congress draft legislation for a "grant-in-aid" to Korea and implementing appropriation of \$230,000,000 for fiscal 1948.
 2. Allocation of \$85,000,000 of the War Department deficiency appropriation for the remainder of fiscal 1947 to Korea.
 3. Gradual civilianization of Military Government in Korea, appointment of a Political Adviser of ambassadorial status and cooperation by State and War Departments in providing him with appropriate staff.
 4. Termination of CINCFE's political responsibilities in Korea.
 5. Issuance of new directive to CG USAFIK.
 6. Intensification of present policies regarding participation of Koreans in government.
 7. Institution of a publicity campaign in the U.S., including a statement by the President to be issued upon General Hodge's return to Korea.
 8. Despatch of a high level business and industrial group to Korea to make recommendations on economic and financial rehabilitation.
 9. Intensification of public information and education program in Korea.
 10. Printing of a new currency for Korea without delay.
- B. The door to be left open to a continuation of current U.S.-U.S.S.R. negotiations in Korea.
- C. An early governmental level approach be made to the U.S.S.R. expressing our concern over Soviet obstruction to implementation of the Moscow Agreement.
- D. A Soviet proposal for mutual withdrawal of forces from Korea should be approved in principle, subject to the establishment of adequate safeguards assuring the political and territorial integrity of an independent and united Korea.

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APPENDIX "B"

JOINT RESOLUTIONTO CARRY OUT THE OBLIGATIONS OF THE UNITED STATES
IN KOREA

WHEREAS the President of the United States agreed with Generalissimo Chiang Kai-shek and Prime Minister Churchill at Cairo on December 1, 1943, that "in due course Korea shall become free and independent", and the President of the United States, the President of the National Government of the Republic of China and the Prime Minister of Great Britain agreed on July 26, 1945, at Potsdam that "the terms of the Cairo Declaration shall be carried out", to which agreement the USSR, adhered on August 8, 1945, and

WHEREAS the Japanese Government accepted in the Terms of Surrender on September 2, 1945, the provisions set forth in the Potsdam Declaration of July 26, 1945, and have ceased to exercise any authority in Korea, where United States forces have been in occupation south of 38 degrees north latitude since September 8, 1945, and

WHEREAS the President of the United States declared on September 18, 1945, that "The building of a great nation has now begun with the assistance of the United States, China, Great Britain and the Soviet Union who are agreed that Korea will become free and independent", and

WHEREAS at a meeting in Moscow in December 1945 the Ministers of Foreign Affairs of the Union of Soviet Socialist Republics, the United States of America and the United Kingdom agreed to the establishment of a Soviet-United States Joint Commission to assist the formation of a provisional Korean government and to work out measures for the development of
democratic

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APPENDIX "B" (continued)

democratic self-government and the establishment of the national independence of Korea, and

WHEREAS this Joint Commission was unable to reach agreement in regard to its procedures it adjourned sine die on May 8,

1946, without having accomplished the purposes set forth in

Insert after first RESOLVED paragraph

(Alternative to preceding paragraph: Resolved ^{copy}
by the Senate and House of Representatives of the United States of America in Congress assembled, That there is authorized to be appropriated to the President such sums not to exceed \$ _____ in the aggregate, as the Congress may determine to be necessary for the provision of relief, economic rehabilitation, government, trial of war criminals, forwarding of programs of economic reform revitalization of the educational system, re-education of the indigenous populations thereof, including payment, subject to such authorization and limitations as he may prescribe, of tuition, personal allowances (not to exceed ten dollars \$10 per day), traveling expenses (not to exceed those authorized for like US military or civilian personnel) and fees incident to instruction in the United States or elsewhere of such persons as may be required to carry out the purposes of this resolution, official entertainment expenses, purchase, hire, maintenance, repair and operation of passenger automobiles and aircraft, and repair and maintenance of buildings, utilities, facilities and appurtenances and such other purposes as may be necessary to carry out the responsibilities, obligations, and objectives of the United States in Korea.)

1946, without having accomplished the purposes set forth in the Moscow Declaration,

Therefore be it

RESOLVED by the Senate and House of Representatives of the United States of America in Congress assembled, That there is authorized to be appropriated to the President such sums, not to exceed \$ _____ in the aggregate, as the Congress may determine to be necessary to carry out the obligations of the United States in Korea, including the provision of relief and economic assistance, the development of democratic self-government, reeducation, and such other purposes, as may be necessary to realize the objectives of the United States in Korea.

insert attached

Section 2. The President, after consultation with the Secretary of State, may allocate sums from the appropriation hereinabove authorized to any department, agency, or independent establishment of the government by transfer to or merger with, appropriations thereof, or otherwise for direct expenditure by such department, agency or independent establishment for the purpose of this resolution.

Section 3. No part of the appropriations authorized by this resolution shall be used in any manner that will directly aid in the relief, rehabilitation, government, reorientation or re-education of that part of Korea north of 38 degrees north latitude, unless the President, after consultation with the Secretary of State, has first determined that the economic and political

unification

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APPENDIX "B" (continued)

unification of the two areas of Korea located north and south, respectively, of the 38 degree parallel has been accomplished.

Section 4. The President shall submit to the Congress semi-annual reports of expenditures and activities under authority of this resolution.

Section 5. The authority contained in this resolution shall expire on June 30, 1950, except to the extent that funds herein authorized to be appropriated shall be required subsequent to June 30, 1950, for necessary administrative expenses incident to the activities undertaken in accordance with the provisions of this resolution.

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JOINT RESOLUTION
MAKING AN APPROPRIATION TO CARRY OUT THE
OBLIGATIONS OF THE UNITED STATES IN KOREA

RESOLVED by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby appropriated out of any money in the Treasury not otherwise appropriated, to enable the President to carry out the provisions of the Joint Resolution concerning the obligations of the United States in Korea, approved _____, 1947 (Public Law _____), \$ _____, and to remain available until June 30, 1948: Provided that not to exceed \$ _____ shall be available for administrative expenses.

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APPENDIX "F"

Washington, D.C.
February 25, 1947

MEMORANDUM FOR THE SECRETARY OF STATE AND THE SECRETARY OF WAR

Subject: Korea

The Special Inter-Departmental Committee on Korea, established to prepare policy recommendations for the Secretaries with regard to Korea, has reached general agreement with regard to a U.S. course of action in Korea. It will be a few days, however, before the detailed report and recommendations of the committee have been prepared and have been discussed with Mr. Grew.

In view of the early departure of the Secretary of State for Moscow, and the opinion of this committee that he should discuss the question of Korea in Moscow, it appears desirable that certain pertinent aspects of the committee's proposed report should be considered by the two Secretaries prior to the departure of the Secretary of State.

Enclosed is an initial draft of the general discussion and recommendations to be contained in the committee's final report. It is the view of the committee that two measures are essential to obtaining a satisfactory solution of the difficult Korean problem. These measures, discussed in Section IV of the enclosed initial draft report are:

a. An approach to the Soviet Government, prior to the close of the forthcoming Moscow Conference, and

b. Special legislation by the Congress to authorize and appropriate funds for a positive program for economic rehabilitation, educational and governmental improvement, and political guidance for Korea.

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APPENDIX "F" (continued)

A governmental approach at this time might be considered by the Soviets as a sign of U.S. weakness in Korea. A properly planned aggressive approach, however, will minimize such an appearance of weakness. It is felt, furthermore, that such an approach would be of inestimable assistance to General Hodge in alleviating the situation in Korea, would clarify the U.S. position with regard to its intentions in Korea, and would prove to Congress that all possible efforts had been made to achieve a Korean settlement.

A positive political, cultural and economic program will be necessary, not only to improve the present unsatisfactory conditions in Korea, but in order to strengthen our hand for any future negotiations with the Soviets. It will be necessary to convince Congress that a strong affirmation of U.S. purposes in Korea, expressed by Congressional approval of a three-year program and separate appropriations for Korea for fiscal year 1948, is absolutely essential in order to enable us to approach the Soviets on a sufficiently strong basis to give hope of securing a settlement satisfactory to the U. S. It is now anticipated that such a program will amount to approximately \$600,000,000 for the three years, of which approximately \$250,000,000 would be spent during the fiscal year 1938, an increase of \$113,000,000 over the \$137,000,000 now allocated to Korea in the proposed 1948 War Department budget. Without such a program, and the necessary legislation, the committee feels that the Korean situation will so deteriorate as to seriously impair the U.S. world position.

In order to assure the maximum possibility of success in the governmental approach to the USSR, the committee believes
it desirable

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APPENDIX "F" (continued)

it desirable to coordinate the timing of the approach with Presidential submission to Congress of the proposed special Korean legislation, since it is believed that this will not delay the approach.

The committee recommends that the course of action proposed above be approved in principle by the Secretaries of State and War.

J. Weldon Jones

J. K. Penfield

A. V. Arnold

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S E C R E TREPORT OF SPECIAL INTERDEPARTMENTAL
COMMITTEE ON KOREA

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I. INTRODUCTORY.

The Special Interdepartmental Committee on Korea was established as a result of conversations between the Secretary of State and the Secretary of War regarding the unsatisfactory situation in Korea. It was agreed between the Secretaries that the Committee should consult with other experts on Far Eastern affairs not now directly concerned with Korean matters. Mr. Grew, former Under Secretary of State, agreed to review the findings of the Committee, while Mr. J. Weldon Jones, Assistant Director of the Bureau of the Budget, agreed to act as a member of the Committee. The other members of the Committee were Mr. J. K. Penfield, Deputy Director of the Office of Far Eastern Affairs in the State Department, and Major General A. V. Arnold, former chairman of the U.S. delegation of the Joint Commission in Korea and previously Military Governor of Korea. Other State and War Department officers participating in the work of the Committee were: Mr. Hugh Borton and Mr. E. M. Martin of State Department and Lt. Col. E. W. Hendrick and Lt. Col. T. N. Dupuy of the War Department.

The Committee was directed orally to study the present unsatisfactory state of affairs in Korea, and, on the basis of that study, to develop for submittal to the Secretaries of State and War recommendations for a proposed governmental policy with regard to Korea.

In studying the situation in Korea, the Committee soon came to the conclusion that little further progress could be made towards the accomplishment of U.S. aims in Korea until an effort had been made on a governmental level to reach agreement with the Soviet Union regarding means of implementing the Moscow Agreement of December 1945. It was the opinion of the Committee that this approach should be made before the termination of the forthcoming Moscow Conference. Therefore, in view of the early departure of the Secretary of State for Moscow, the Committee decided to submit its preliminary views to the Secretaries of State and War. These views were submitted on February 25 in a memorandum (Appendix "F") enclosing an initial draft of Sections II, III, IV and V of this report.

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In its consideration of the situation in Korea the Committee reviewed various pertinent studies prepared within the two departments and in the field.

The Committee interviewed the following experts:

The Honorable A. W. Harriman, Secretary of Commerce.

Lieutenant General J. R. Hodge, Commanding General, U.S. Army Forces in Korea.

Mr. E. Durbrow, Counselor, U.S. Embassy, Moscow, U.S.S.R.

Mr. Llewellyn E. Thompson, Chief, Division of Eastern European Affairs, State Department.

II. PRESENT SITUATION IN KOREA

A. General.

1. U.S. policy towards Korea is based on the following basic objectives: (1) To establish a self-governing sovereign Korea as soon as possible, independent of foreign control and eligible for membership in the United Nations; (2) to insure that the national government so established shall be fully representative of the freely expressed will of the Korean people; and (3) to assist the Koreans in establishing a sound economy and adequate educational system as essential bases of an independent, democratic state.

2. For the purpose of taking the Japanese surrender Korea was divided into two zones of military occupation, the United States occupying that part south of 38°, and the U.S.S.R. occupying the northern part of the country. This division persists. However, through the Cairo and Potsdam Declarations, the United States, the United Kingdom, and China are committed to the eventual independence of all of Korea. In its declaration of war on Japan on August 8, 1945, the U.S.S.R. joined in the Potsdam Declaration.

3. In the early days of the occupation the U.S. Commander, General Hodge, was unable to establish satisfactory liaison with the Soviet Commander in the north. Political and economic problems created by the artificial division of the country into two zones became acute. In December 1945, at the

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Moscow Conference, these serious consequences of the bi-zonal occupation were discussed and an agreement between the U.S., U.S.S.R. and U.K. was reached regarding Korea. This agreement, to which China subsequently subscribed provided that:

(i) There would be an immediate conference between representatives of the U.S. and Soviet Commands in Korea for the purpose of settling acute economic and administrative matters.

(ii) The U.S. and Soviet Commanders in Korea would establish a Joint Commission which, in consultation with local democratic parties and social organizations, would prepare plans for the formation of a provisional Korean government.

(iii) The Joint Commission, with the participation of the provisional Korean government (when established) and Korean democratic organizations, would work out measures "for helping and assisting (trusteeship) the political, economic and social progress of the Korean people, the development of democratic self-government and the establishment of the national independence of Korea" which would be submitted for the joint consideration of the Governments of the U.S., U.S.S.R., U.K. and China "for the working out of an agreement concerning a four-power trusteeship of Korea for a period of up to five years".

4. The conference called in subparagraph (i) above met early in 1946 but achieved no substantial results.

5. On March 20, 1946, the Joint U.S.-U.S.S.R. Commission provided for in the Moscow Agreement met for the first time. It was the U.S. view that the formulation of plans for the creation of a provisional Korean government was the first and most pressing task before the Commission.

The Soviets at first insisted that the provisional Korean government be formed after consultations with only those political parties and social organizations fully in favor of the

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Moscow Agreement, including its provisions for a trusteeship for Korea. The Soviet position would have had the effect of excluding from consultation all parties save the Communist party and its fellow travelers, even though, until indoctrinated with the "party line", Communists in south Korea, like those in the north, initially opposed trusteeship. The Joint Commission finally agreed that it would consult with Korean democratic parties and social organizations which were "truly democratic in their aims and methods" and which would subscribe to a declaration that they would "uphold the aims of the Moscow Decision", "abide by the decisions of the Joint Commission in its fulfillment of paragraph 2 of the Moscow Decision in the formation of a provisional Korean Democratic Government", and cooperate with the Commission "in the working out by it . . . of proposals concerning measures foreseen by paragraph 3 of the Moscow Decision".

The Soviet delegation then insisted that if any of these Korean parties were represented by any individuals who had expressed opposition to the Moscow Agreement, and particularly to the provision for trusteeship, these individuals should be declared ineligible for consultation with the Joint Commission. The United States delegation did not accept this proposal on the ground that such an exclusion would constitute a violation of democratic, representative principles and particularly the principle of freedom of speech. As it became evident that no progress could be made, the Commission adjourned sine die on May 8, 1946.

6. Immediately after the Commission adjourned the U.S. Command took the initiative in pressing the Soviet Command for resumption of negotiations. The several exchanges of letters which have taken place have failed to change the basic Soviet position. Furthermore, the Soviets have engaged in obvious delaying tactics. The following summary clearly shows that General Hodge has been doing his best to achieve some progress toward implementation of the Moscow Agreement and that General Chistiakov is doing his best to delay such progress:

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Letter from General Hodge to General Chistiakov --	May 9, 1946
Letter from General Hodge to General Chistiakov --	June 15, 1946
Reply from General Chistiakov to General Hodge --	August 6, 1946
Reply from General Hodge to General Chistiakov --	August 12, 1946
Mr. Bunce visited north Korea and engaged in exploratory conversations with a view to reconvening the Joint Commission --	September, 1946
Reply from General Chistiakov to General Hodge --	October 26, 1946
Reply from General Hodge to General Chistiakov --	November 1, 1946
Reply from General Chistiakov to General Hodge --	November 26, 1946
Reply from General Hodge to General Chistiakov --	December 24, 1946
Reply from General Chistiakov to General Hodge --	February 28, 1947

B. Southern Korea.

1. Political progress and situation.

In the American zone U.S. military government under a military governor, who is an officer on the Staff of the U.S. Commander, was established on September 9, 1945, at the beginning of the occupation. This government is operated by U.S. military and civilian personnel as well as Koreans, who have been given a large number of responsible positions. Emphasis is being placed upon the treatment of Koreans as a liberated people, and measures are being adopted which provide for Korean participation in constructive political, economic and cultural programs.

An interim legislative assembly for south Korea was convened December 12, 1946. It is designed to provide training in democratic political procedures and has the duty of formulating and presenting to the U.S. Commander draft laws to be used as the basis for political, economic and social reforms in the American zone. The legislative assembly is composed of 90 members, 45 of whom were elected and 45 appointed by General Hodge. Of those elected 30 are rightists, 13 are independents and 2 are leftists; of those appointed, 41 are from various professional and religious groups not affiliated with the extreme rightists and 4 are rightists. The Chairman of the Assembly is Mr. Kim Kyu Sik, an outstanding leader of the moderates.

The meeting of the Interim Legislative Assembly on January 20, 1947, ended in confusion with the passage by a vote of 44 to 1 of an extreme rightist-backed resolution against trusteeship and against General Hodge's position on trusteeship

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as expressed in published letters to the Soviet Commander. Thirty-four rightists and 10 independent members of the Assembly supported the resolution. It is significant, however, that this vote was taken after the withdrawal or abstention of 45 members who did not wish to support the resolution but felt that they could not, for political reasons, vote against it. The Chairman, Kim Kyu Sik, was not present at the session. The representative character of the Assembly is threatened by the rightists who declare they will reorganize the legislature, expelling those who did not vote against trusteeship. However, encouragement is being given to moderate elements by the U.S. authorities and it is hoped that these elements will become dominant in the Assembly in the near future.

There is considerable unrest in south Korea because of the Koreans' desire for immediate independence and their growing pessimism regarding the prospects of U.S.-Soviet agreement. This unrest is aggravated by the serious economic situation, which cannot improve until considerable material assistance is received from the U.S. The right wing elements are increasing their vocal opposition to trusteeship and are threatening to instigate widespread civil disorder.

The Korean Communists are using terrorism and other typical Communist tactics to weaken and confuse other political elements. They assert that the U.S. will some day withdraw from south Korea and that Soviet-sponsored Communism will inevitably triumph in the entire nation. They threaten that they will then mete out dire punishment to those who now oppose Communist objectives. Complicating the confused political picture is the political inexperience of the Koreans after forty years of Japanese domination, during which Korean national life and self-expression were ruthlessly suppressed and the Koreans were forced to adapt themselves to the Japanese mold.

In spite of these developments, however, U.S. friendliness toward Korea prior to the Japanese annexation, and

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extensive American missionary activity both before and during the period of Japanese rule, have resulted in a backlog of good will among Koreans generally toward the United States. Also, many Koreans are intelligent enough to realize that much as they yearn for freedom from foreign supervision, withdrawal of the U.S. would merely mean falling under a much more oppressive foreign yoke. Therefore, the effect of hysterically emotional appeals for immediate independence and driving out of the "imperialist oppressor" is potentially less in Korea than it would be in a normal colonial area.

2. Economic Situation.

Korea, as an integral part of the Japanese Empire, was set up to contribute to the Japanese war-making potential and was not organized as a self-sustaining economic unit. With the end of the war and the abolition of Japanese controls there was a complete collapse of all manufacturing effort. Few Koreans had the technical training to fill the vacancies created by removal of Japanese. Factories built to produce war supplies were not suited to a peacetime Korean economy. The limited stockpiles left by the Japs at the end of years of war were quickly used up.

The collapse of the domestic economy was, of course, accentuated by the breaking off of Korean economic and financial relations with Japan the the yen bloc countries such as Manchuria from which nearly 95% of Korean prewar imports came.

Recovery from these blows has been severely handicapped by the separation of the country into two zones. The hydroelectric power, chemical and metal industries of north Korea are a necessary complement of the agriculture and textile industry of south Korea. Until an economic agreement is reached with the Soviets, south Korea will continue to be deprived of essential coal, fertilizer and electric power produced in the north.

Military government has furnished technical help, some trained operators and made every effort locally to rebuild

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south Korea's industry, but production in large industrial plants is currently at less than 20% of capacity.

The population of south Korea has increased by two million through repatriation of Koreans from other countries and an influx of refugees from north Korea. This has posed a difficult problem of employment and food supply.

Rice, the basic commodity of Korean economy, is in short supply because of failure of the Japanese to provide adequate fertilizer during the war years and inability since the surrender to secure fertilizer, either from the Soviet zone or as imports. In addition the 1946 crop was seriously damaged by floods caused by deforestation. During 1946, 650,000 metric tons of food had to be imported to make up for this and other food crop deficits.

The railway transportation system, which is particularly necessary to the economy in view of the mountainous terrain, was allowed to deteriorate by the Japanese. The removal of Japanese technicians and operators left a void which military government has found difficult to fill. New rolling stock and urgent right-of-way maintenance were necessary to prevent a complete breakdown of this basic means of transportation.

Bank of Chosen note circulation has increased from 8,621,000,000 yen in December 1945 to 17,400,000,000 yen in January 1947. Open market prices are rising sharply, having increased about 30% during December 1946. The excess of government expenditures over revenue is currently running about 700,000,000 won (yen) per month.

The south Korean economy, although in better shape than that of north Korea, is in a critical position and substantial assistance will be necessary to make possible the development of the sound economic conditions which are essential to a healthy political and social development.

3. Cultural and educational situation.

The task of reeducation and reorientation of the Korean people after almost a half century of Japanese domination

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is an Herculean one. First of all, there is widespread poverty. Secondly, while accurate figures are not available, the Korean literacy rate is estimated to be between 20% and 45%. Finally, there are acute shortages of personnel, school plant, and teaching materials. Korean educators are attempting with the aid of the U.S. to replace an educational system and plant which have been since 1910 designed deliberately to serve Japanese ends. With a considerable increase in school enrollment, since the Japanese surrender, what was already an inadequate and antiquated school plant is now taxed to the utmost. As of June 1946 about 1,650,000 children in the age group 6-18 were in school although actual existing school capacity was limited to 1,387,000. As a result, double shifts in attendance have been necessary in many cases, and immediate compulsory attendance for all grades has been delayed, it is estimated, until 1952. Literally thousands of new teachers in all subjects are needed. In June 1946 it was estimated that there were 26,500 teachers in south Korea, but this figure includes a great many who were placed in teaching positions despite almost complete lack of qualifications or training, simply because teachers were so badly needed. There is practically no science or laboratory equipment, and only the most inadequate supply of instructional and classroom materials. What is most important for the future of Korean education, there is a crying need for American technical skill and advice.

C. Northern Korea.

1. Political progress and current situation.

The "people's committees", organized in Korea in the closing days of the war, and dominated in most instances by leftists, were the bases upon which the U.S.S.R. forces built their government in north Korea. In October 1945 after some reorganizations, notably in P'yongyang, a series of elections was held up through the provincial level to legalize the local people's committees. These elections were apparently not successful from the Soviet point of view as, beginning in

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February 1946, the committee at P'yongyang sponsored a purging process involving expulsion from local committees of persons antagonistic or neutral toward the U.S.S.R. This operation was aided by Communist-dominated "peace preservation corps" to which the Soviets gave the arms and authority of the former Japanese-controlled police forces. As the local committees acquired a satisfactory political complexion the Soviet army commanders ostensibly turned over to the committees the governing authority in local areas, and the appearance of local self-government was achieved.

The centralization of control over the local people's committees, and the rounding out of the governmental framework in north Korea were also begun early in 1946. In February, a "Congress" said to represent political, trade union, peasant, and other social and cultural groups chose an "Interim People's Committee" as the central governing body for north Korea. Reported to contain only two non-Communists, the election of this body was doubtless a confirmation, for the sake of publicity and apparent legality, of leaders previously approved or selected by the Soviet authorities. According to its announced program, the Interim People's Committee, now termed the "Provisional People's Committee", has jurisdiction over land reform, industrial development, transportation, communications, business, banking, justice, education, labor, and public peace for the Soviet-occupied zone.

In November 1946, election for members of the people's committees up through the provincial level again were held. The incumbent committees were the main nominating agencies; a slate listing only one candidate for each position was presented, and the voting in most instances was "open" with a separate box for ballots cast against the official slate. Suffrage was extended to all over 20 years of age, except Koreans adjudged pro-Japanese and those without civil rights or with families abroad or in south Korea. Russian sources reported that 4,208,551 votes were cast, representing 96.9% of the eligible voters. Ninety-nine per cent of the 1800 official candidates were elected.

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The Congress of People's Committees began its 1947 session on February 17. From reports thus far received, this body appears to perform the functions of like agencies in the U.S.S.R., that of listening to reports of the laws enacted by the central or interim committee, hearing speeches supporting the action of the government, and giving its unanimous endorsement to the laws and policies presented.

The Soviet military are withdrawing from the administration of civilian affairs and there are indications that the Soviet Military Government is being de-activated.

Control over the Korean-staffed governmental framework in north Korea is achieved primarily by the paralleling series of Communist Party organizations, often indistinguishable from, and always a faction within, the governmental committee hierarchy. Support for proposed or accomplished governmental action is secured through a series of similarly controlled organizations embracing such economic, social, and cultural groupings as peasants, labor unions, women, youth, and others. All are combined into a Democratic People's Coalition Front. With pressure exerted to force every person into one of these organizations, the dissident individual voice is lost in that of the organization which speaks for him. Organizations outside of the official hierarchy are dealt with by infiltration or suppression. The Soviets are reported to be recruiting, arming, and training a Korean military force the strength of which is variously estimated up to 500,000.

Today, despite the use of Koreans in administrative positions, authority in north Korea continues to be in Russian hands, and despite the framework designed to eliminate contrary views, some opposition still exists. Ex-Democratic Party members, some Christian and youth groups are known to have resisted Soviet-sponsored measures. Other opposition has been directed against specific policies of the government, such as the trusteeship issue, the heavy taxes in kind, and the actions

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of the Soviet troops. No widespread revolt is likely to occur, however, because of the general approval of such reforms as those embodied in the land and labor laws, because of the authoritarian nature of the government, the strictness of its police measures, and, finally, because of the presence of Soviet troops in north Korea.

2. Economic situation.

The major portion of Korea's natural resources -- hydroelectric power, minerals and coal -- are found in north Korea accompanied by the corresponding heavy industries. Initially the Soviet army discharged Japanese technicians, but after an unsuccessful attempt to carry on with the help of Koreans alone, the Japs were brought back to work.

The economic outlook in the Russian zone appears more unfavorable now than in the American zone. Agricultural production during 1946 in north Korea was probably relatively better than in south Korea, due to greater availability of commercial fertilizers and to less flood damage. However, agricultural prospects for 1947 for south Korea are at least as favorable as for north Korea, where Soviet grain collection policies have tended, it is believed, to discourage production. However, the over-all food situation currently appears to be much better in the southern half of the peninsula because of more equitable distribution of available foodstuffs, greater cereal imports from abroad, and the contrasting policies of the two occupation armies, with the Red Army largely living off the land and, according to numerous reports, even exporting grains.

Industry and mining in the north appear to be operating at not more than 10-15 per cent of over-all capacity, and production of hydroelectric power has fallen off considerably as a result of inadequate maintenance and repair.

The condition of the railroads is even more serious in north Korea than in south Korea. There has been little attempt to repair or replace worn-out rail equipment and only the most casual attempts at maintenance. The recall

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of Jap technicians to the railroad shops has been necessary to prevent complete stoppage.

III. IMPORTANCE OF KOREA TO THE U.S.

A. Strategic.

The U.S. has little strategic interest in maintaining troops or bases in Korea. In the event of hostilities in the Far East present forces in Korea would be a military liability to the U.S. They could not be maintained there without substantial reinforcement prior to the initiation of hostilities, a move which would have no military advantage, since any offensive operations which the U.S. might wish to conduct on the continent of Asia would in all probability bypass the Korean peninsula. However, should an enemy be able to establish and maintain strong air bases in the peninsula, he would be able to interfere with U.S. communications and operations in East China, Manchuria, the Yellow Sea, Sea of Japan and adjacent islands. In the event of hostilities, this would necessitate the diversion of air strength which could otherwise be employed in a strategic offensive, to the strategically defensive operations of neutralizing such enemy bases. This would, however, be more efficient and less costly than large scale ground operations.

The above brief strategic analysis of the situation in Korea has a direct bearing on the problems considered in this report. The U.S. has at present only a negative military interest in maintaining troops in Korea, but control of all of Korea by Soviet or Soviet-dominated forces, while not immediately serious, would constitute a strategic threat to U.S. interests in the Far East. It would, therefore, appear that from the strategic point of view it is in the best interests to the U.S. to endeavor to ensure the permanent military neutralization of Korea.

An additional and important politico-military consideration, affecting our strategic interest, is the effect which the spread of Communist influence in Korea would have on neighboring

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areas. The present position of the Soviets in north Korea, taken in conjunction with their occupation of the Liaotung Peninsula, enables them to place enormous political pressure on Manchuria and, thus, on China. Similarly the political effect of unhampered Communist control over all Korea would have serious political and military implications in Japan. The Japanese, like all Orientals, watch closely the signs of shifting policy. There might result a growing unrest among the Japanese people because of their uncertainty regarding future U.S. policy in the Far East, and their fears of expanding Soviet influence. This, particularly in connection with the return from Siberia of Communist-indoctrinated Japanese prisoners, might result in a sharp increase in our manpower requirements in Japan.

B. Political

1. The United States has long been interested in the progressive development toward independence of dependent and suppressed peoples in the Far East. This basic policy motivated our grant of independence to the Philippines in 1946, our initiative at the San Francisco Conference in 1945 in obtaining agreement for inclusion of a chapter on international trusteeship in the Charter of the United Nations, and our acceptance of a commitment to ensure a free and independent Korea. This policy has increased the confidence of dependent peoples in the United States and enhanced our position in the Pacific. A failure fully to live up to our Korean responsibilities would result in immediate damage to our position in dependent areas and those regions immediately subject to Soviet pressure, a development which would seriously affect our interests throughout the world.

2. Korea is strategically located in northeast Asia close to both China and Japan, where we have extremely important political interests, and is adjacent to Soviet territory and vulnerable to Soviet influence. As pointed out in the preceding

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section, developments in Korea have an important bearing on our political interest in these neighboring areas. A Soviet dominated Korea would constitute an extremely serious political and military threat to Manchuria, north China and Japan. The grave political dangers to the United States of such a development need no elaboration in view of the recognized importance of our interests in those areas.

3. Korea at the present time is the only place in the world where the U.S. and the U.S.S.R. stand face to face alone. It is a testing ground for the effectiveness of the American concept of democracy as compared to Soviet ideology. If sufficient support is not forthcoming to give our democracy a fair trial in Korea, other peoples and countries throughout the world will instinctively question both the effectiveness and virility of the United States and its form of government.

4. Korea's principal political importance to the U.S. is, perhaps, the effect of developments there on the whole course of Soviet-U.S. relations. It is important that there be no gaps or weakening in our policy of firmness in containing the U.S.S.R. because weakness in one area is invariably interpreted by the Soviets as indicative of an overall softening. A backing down or running away from the U.S.S.R. in Korea could very easily result in a stiffening of the Soviet attitude on Germany or some other area of much greater intrinsic importance to us. On the other hand, a firm "holding of the line" in Korea can materially strengthen our position in our other dealings with the U.S.S.R.

C. Economic

While Korea has no important economic significance to the U.S., as an independent country with a revived and unified economy there may be a small market for U.S. exports, especially raw cotton and miscellaneous manufactured goods. The U.S. may purchase a few things from Korea such as graphite, fish products,

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handicraft wares, but nothing of any strategic importance. A stabilized Korea may also provide a field for the investment of a limited amount of U.S. capital. From a negative standpoint certain Korean resources, such as the hydroelectric power, and her heavy metals and chemical industries, are of such importance that the U.S. must be concerned if they remain under the control of an aggressive and expanding power. From the same standpoint the possession of her rail system, which connects the complementary industrial establishments of Korea, Manchuria, the Soviet Far East and Japan, and the control of any of these areas by an unfriendly power, would contain dangerous implications.

IV. POSSIBLE COURSES OF ACTION

A. Without Agreement with U.S.S.R.

1. Continuation of present policies and programs.

The present U.S. program in south Korea (which provides for the use of Koreans in political, administrative and technical positions under military government supervision, and for limited imports of food and other essentials to prevent disease and unrest) was based on the assumption that the provisions of the Moscow Decision would soon be carried out. Consequently this program was intended to be only an interim one. The successful operation of even this limited program has been hampered by insufficient funds and lack of Korean cooperation. Consequently, present conditions in Korea are deteriorating rather than improving. If this trend continues, it is apparent that our position in Korea will soon weaken to a point where it may become untenable. The Korean people are daily growing more antagonistic in their attitude toward military government, toward U.S. objectives in Korea, and even toward the U.S. itself. These antagonisms have already caused riots and disorders involving loss of life. There is every reason to expect an increase in the use of tactical troops to suppress disorders with all the attendant complications in world public opinion. It is therefore obviously extremely unwise to rely solely on present ineffective programs.

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2. Recognition of Independent Government in South Korea.

Both in the U.S. and in Korea there is some pressure, inspired principally by the Syngman Rhee group, for the recognition by the U.S. of the independence of south Korea. Many Koreans, anxious for independence, angered by the proposed trusteeship, and thoroughly discouraged by the failure of the U.S. and the Soviets to get started even at that, are clamoring for independence. Superficially this might appear to be a step which would enable the U.S. to shed some, at least, of the burdens which are proving so onerous. However, it is questionable if this single act will solve any of the present problems, either of the U.S. or the Koreans. It seems certain, on the other hand, that whether or not accompanied by withdrawal of U.S. forces, to grant immediate independence to south Korea would create new difficulties.

Recognition of her political independence will not solve the economic problem of southern Korea. Only unification, and a program of outside aid in rehabilitation can do that. The U.S., the only practicable source for such aid, will be more likely to make grants to a people for which it has direct responsibility than to an independent country. No loaning agency could consider south Korea an acceptable risk.

From the standpoint of the U.S., of course, an independent south Korea might provide an excuse for ending our financial assistance, but it would mean starvation and economic chaos in south Korea, a development for which the U.S. could not, in good conscience, allow itself to be responsible. Moreover, it would represent a direct breach of our commitments, both to our allies and to the Koreans, to establish a united and truly independent Korea. These commitments are important as a pledge to a liberated people whose treatment by the great powers is watched with concern by all small powers and dependent peoples

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throughout the world. This fulfillment is important as evidence that U.S. foreign policy is based upon fundamental principles which will not be abandoned. And again, regardless of whether we withdraw our forces or not, our recognition of the independence of southern Korea would inevitably be the signal for a concerted effort to bring all of Korea under the political control of groups more interested in cooperating with the U.S.S.R. than in promoting the welfare of Korea. Our ability to counter such a campaign, not an easy thing to do under the best of circumstances, would be greatly hampered in an independent south Korea.

Of course, if our recognition were accompanied by a withdrawal of U.S. forces, it would be obvious to the world that the U.S. had suffered a complete political defeat in a test of strength with the Soviet Union in the only area where we and the Soviets stand face to face alone. It is improbable that the U.S. could unilaterally establish safeguards which would assure that an independent southern Korea would not fall under Soviet domination. The effect on world power relations, however, would almost certainly far transcend the mere transfer of southern Korea from the U.S. to Soviet control. The loss of U.S. prestige and influence, and the consequent increase in Soviet influence and power, would have prejudicial repercussions not only on U.S. interests in the Far East but on the entire U.S. world position.

If, on the other hand, we should make our recognition conditional on permission for our troops to remain, we could hardly hope to avoid reaping the antagonism and ill-will which seem the inevitable lot of foreign troops quartered in a proud and independent nation. Not only the Koreans, but many other nations would condemn the U.S. Furthermore, it is difficult to see how the presence of U.S. troops could effectively offset any of the disadvantages described above which would result from a recognition by the U.S. of the independence of south Korea.

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3. Reference of problem to Foreign Ministers or UN.

Unilateral action by the U.S. to refer the Korean problem to the Foreign Ministers who participated in the Moscow Agreement or to the United Nations (presumably the Security Council) would be unsatisfactory because (1) it would in effect be an admission by the U.S. of failure in Korea and would thus have a most damaging effect on U.S. prestige; (2) it would undoubtedly be countered by the Soviets with the assertion that the U.S. is committed to an international agreement regarding Korea which it refuses to implement, thus putting us in a most disadvantageous position; and (3) it is hardly likely that a unilateral attempt by us to bring additional protagonists into the Korean situation would result in hastening a solution to the problem. The various factors involved in possible prior agreement with the Soviets for reference of the problem to an international body are discussed below in IV-B.

If, however, all other attempts to solve the Korean problem should fail, it might eventually become desirable to refer it to the United Nations. This cannot be done until it is conclusively demonstrable that the Soviet Union is deliberately preventing a solution of the Korean problem. Such action, of course, should not be taken without carefully weighing the importance of a Korean solution against the possible repercussions resulting from another open U.S.-Soviet dispute in the United Nations.

4. Adoption of an aggressive positive program for south Korea.

As pointed out in IV-A-1 above, a continuation of our present essentially interim and ineffective program is unsatisfactory. As discussed in IV-B-1 below, any attempt to approach the Russians regarding a solution of the Korean impasse, while we appear to be so halfhearted in carrying out our responsi-

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bilities in our zone, would in all probability be rebuffed. It therefore appears necessary, if we are to remain in Korea and to achieve any success in solving the Korean problem, to initiate an aggressive, positive, long-term program. Even though basic agreement on the Korean problem may be reached with the Soviets in the future, the U.S. cannot postpone positive action in southern Korea pending such agreement.

Such a program would have the following advantages:

(i) It would show the Russians that we have no intention of allowing Korea to fall into their hands by default.

(ii) It would strengthen our position in any future negotiations with the Soviets. For example, if it is obvious that we are determined to expend money and effort during the next few years to ensure Korean independence, the Soviets will realize that if they are to retain their present position in Korea they will either have to expend funds and effort of their own, which they would be reluctant to do, or be willing to retreat from their present position.

(iii) It would provide a sound basis for the development of a country which will be able to maintain its independence after U.S. and Soviet withdrawal.

(iv) Any new program which provided for adequate civilian relief and rehabilitation in Korea would make the Koreans more cooperative and thus strengthen our position in that country under any circumstances.

In order to succeed, such a program must be supported by sufficient funds in the form of Congressional appropriations to finance the substantial political, economic and

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cultural measures required to bring about the economic rehabilitation of southern Korea and to prepare the country for early and complete independence. Lacking such funds, we will fail to meet our international commitments in Korea. The essentials of such a plan are outlined in Appendix "A". This plan calls for the appropriation of \$230,000,000 for fiscal 1948. In view of the present temper of Congress, the outlook for approval of this sum is not encouraging. It should, however, be possible to obtain Congressional action which would greatly strengthen our position in Korea. Passage of the authorizing legislation alone would have a great psychological effect. The above \$230,000,000 involves an increase in the budget of only \$93,000,000, as the War Department occupied areas budget -- which it is hoped will be approved -- includes an allocation of \$137,000,000 for Korea.

B. In collaboration with the U.S.S.R.

1. Desirability of governmental negotiations.

a. Status of local negotiations.

General Hodge is, as pointed out in II-A-6 above, corresponding with the Soviet Commander with a view to reaching agreement on a formula for reconvening the Joint Commission. It is improbable that agreement will be reached under present conditions, as the Soviets are apparently unwilling to change their position and the U.S. is unable to make further concessions from the position taken in General Hodge's letter of December 24, 1946, without compromising our basic belief in freedom of expression, and risking Soviet domination of all of Korea. Thus, under present circumstances, we cannot anticipate progress toward solution of the Korean problem through negotiations on a local level in Korea.

There is, however, nothing to be gained by formally breaking off these negotiations. By allowing the situation to drag on along its present lines, the door remains open for Soviet concessions if and when the operation of our

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positive program and other developments in Korea convince the Russians that it is to their interest to retreat from their present intransigent position. Any further negotiations in Korea should be kept strictly within the terms of the Moscow Agreement and any contemplated modification thereof should be discussed on a governmental level.

b. Disadvantages.

An approach to the Soviets on a governmental level under present circumstances has certain disadvantages:

(1) Without any evidence of a firm U.S. determination completely to fulfill our Korean responsibilities, such an approach would undoubtedly be regarded by the U.S.S.R. as a "lead from weakness" and could therefore not be expected to result in progress towards a solution of the Korean problem. The Russians, anticipating U.S. concessions if they continue their intransigence, could be expected to reject our approach or, more probably, give a procrastinating reply or no reply at all. The impression of weakness engendered by such an approach might persist to some extent even after the initiation of a positive program in our zone, and thus prejudice future attempts to reach an agreement.

(ii) An approach now, or in the near future, might prejudice our over-all position vis-à-vis the U.S.S.R. The Committee is not in a position to evaluate this factor. It is noted, however, that governmental approaches have been made to the U.S.S.R. on other matters where, even though the approach appeared foredoomed to failure, it was felt important to make clear to the Soviets and to the world that the U.S. would adhere to its international commitments.

c. Advantages.

A governmental approach would also have advantages:

(1) Most important it should greatly ease the position of the occupation authorities. Lack of any

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substantial action by the U.S. Government has apparently given many Koreans the impression, which may be shared by the Soviets, that the U.S. has no great interest in the Korean problem and has more or less abandoned General Hodge to his own devices. An early governmental approach would provide positive evidence to the Koreans of our desire for early Korean independence. Until such evidence is forthcoming it will undoubtedly become increasingly difficult to maintain our position in the face of constantly growing Korean impatience.

(ii) Congress will not approve special Korean legislation without a careful analysis of the record of our Korean negotiations with the U.S.S.R., and will wish to be assured that every possible step has been taken to reach agreement before it approves special legislation. The fact that a governmental level approach had been made would be added evidence of the extent of our attempts to implement the Moscow Agreement. Absence of such evidence might lead Congress to question the need for the desired legislation or at least to defer approval pending results of a governmental approach. On the other hand, it might be possible to persuade the Congress that a strong affirmation of U.S. purposes in Korea, expressed by Congressional approval of a three-year program, is needed in order to enable us to approach the Soviets on a sufficiently aggressive basis to give hope of securing a settlement satisfactory to us. Evidence of further Soviet procrastination, even if only for a month or two, will clearly indicate to Congress the necessity for special legislation if we are ever to achieve a solution in Korea.

It is believed that on balance the advantages of making a governmental level approach to the U.S.S.R. in the near future outweigh the disadvantages.

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2. Timing of approach.

It is unlikely that discussions with the Russians would result in substantial progress toward a settlement if made before a positive program is actually in operation in south Korea. However, they would have much greater chance of being substantially effective if accompanied by some evidence of our determination to carry through in Korea, such as a strong Presidential statement submitting Korean legislation to Congress. It is suggested, therefore, that the timing should be thus coordinated if this can be done without unduly delaying the approach. In order to be effective for its purposes (in Korea and vis-à-vis Congress), it should in any event be made before the conclusion of the coming Moscow Foreign Ministers' meeting.

3. Substance and manner of approach.

The tactics of our action are important to the successful liquidation (partial or whole) of our commitment in Korea. To be successful we must avoid the appearance before the world of abrogating a formal international commitment because of weakness, or Soviet pressure or both. Furthermore, any direct initial proposal to the Soviets deviating from the Moscow Agreement would result in vigorous Soviet accusation that we were failing to live up to our agreements. Under these circumstances, therefore, it appears that our initial approach to the Soviets should be a formal and stiff demand that the Moscow Agreement be implemented. The result which is desired from this approach is a general, but clear cut, agreement which will result in definite progress toward Korean independence. If possible this agreement should provide for specific guidance to the negotiators (presumably the Joint Commission) who will elaborate the details. The minimum results which we should seek to achieve from the discussions in Moscow should be an agreement whereby the two governments will (1) direct the Joint Commission to reconvene at once and (2) will set a definite date (such as August 1, 1947,

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or the next Foreign Ministers Conference) for a governmental review of the progress of the Joint Commission. Discussed below are specific proposals which the United States could make to expedite attainment of the ultimate objectives of the Moscow Agreement. It may, of course, be necessary to vary considerably from these suggestions during the course of negotiations, the details of proposals and counter-proposals being worked out in the light of day to day developments.

a. It might be possible to fulfill the consultation provisions of the Moscow Agreement by avoiding a definition of "democratic organization" and having the Joint Commission divide into two sections, a northern (Soviet) section which would consult with organizations in north Korea and a southern (U.S.) section which would consult with organization in south Korea, each section establishing its own rules of procedure. A provisional government might then be formed by amalgamating a northern Korean group with one from southern Korea, the groups being proportionate in size to the population of the two zones.

b. A possible proposal would be an abridgement of the Moscow Agreement which would bring about early trusteeship through the elimination or simplification of the steps of consultation and establishment of a provisional government. For use in the event such an opportunity arises, there is attached, as Appendix "C", a draft trusteeship agreement which is believed would be acceptable to us and to which it might be possible to obtain Russian agreement. In this regard consideration must be given to the inevitable Korean resentment if a trusteeship is established without consultation with Koreans. Some form of consultation, therefore, perhaps of the sort suggested in subparagraph a above, should be contemplated.

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c. It is desirable to propose that the strength of both occupation forces be reduced to a designated level (such as 40,000 or less in each zone) through mutual withdrawals of United States and Soviet troops from each zone within certain time periods. Considerable care must be exercised in framing and in discussing such a proposal for the reasons discussed in subparagraph d below.

d. While our ultimate objective must be withdrawal from Korea and independence for Korea at the earliest date consistent with Korean capabilities for self-government, it is believed that the United States should not make an initial proposal for complete mutual withdrawal from Korea and abandonment of the trusteeship provisions of the Moscow Agreement. The Russians already suspect our motives in having proposed and suggested to the Koreans that a trusteeship may not be necessary. Furthermore, if there is not a period of trusteeship there is likely to be wide-spread civil war and chaos in Korea. As discussed in section IV, B, 4 below, however, it is quite possible that the Soviets may propose early mutual withdrawal by both nations. The United States cannot accept the political onus of disapproving with such a proposal, and must, therefore, immediately agree in principle to such a proposal subject to adequate safeguards to Korean political and territorial integrity.

e. Consideration might be given to referring the Korean problem, in agreement with the U.S.S.R., to the Security Council of the United Nations. An attempt to obtain Soviet agreement to such action would have the same disadvantages, in reduced measure, as United States unilateral action along the lines discussed in paragraph IV, A, 3 above, and is therefore undesirable unless no more promising courses are available to us.

4. Possible Soviet proposals for mutual withdrawal.

Either as a propaganda move to take the initiative in breaking the present deadlock in Korea, or as a counter-proposal

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to the U.S. approach discussed in IV, B, 3 above, the Soviet Government might suggest that both the U.S. and Soviet forces withdraw simultaneously from Korea. As has been pointed out in Section II C, the economic situation in north Korea is worse than in the south, largely because Soviet forces are living off the Korean countryside. These forces, nevertheless, are a continuing drain on the resources and manpower of Eastern Siberia. There is reason to believe, therefore, that the Soviets would like to withdraw their occupation forces just as soon as they can be sure that the North Korean puppet government and army which they have created will be strong enough and sufficiently well indoctrinated to be relied upon to carry out Soviet objectives without the actual presence of Soviet troops.

The Soviets realize that the easiest, and politically most practicable, way for them to obtain control of south Korea is to utilize trustworthy Korean Communist armed forces as a means of pressure to obtain control or possibly to seize the area after the withdrawal of U.S. forces. In this way, without the onus and dangers involved in overt aggression in Korea, the Soviets would be able to achieve virtual domination of Korea similar to their present control over Poland, Outer Mongolia, Yugoslavia and Albania. They also realize that such a proposal, accompanied by suitable propaganda, would create considerable popular demand in the U.S. for the withdrawal of U.S. troops from Korea. Many Americans, in Congress as well as in the public at large, would see in such a proposal an opportunity to reduce governmental expenditures and to make further reductions in the Army.

There are two alternative courses which the Soviets could adopt in proposing the mutual withdrawal of U.S. and Soviet troops from Korea:

a. Withdrawal of troops, but retention of the present system of U.S. and Soviet administration of the two zones pending implementation of the Moscow Agreement.

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It is most likely that the Soviet proposal would, at least initially, take this form in order not to abrogate the Moscow Agreement. Their propaganda would emphasize this aspect, point out that while the U.S. is delaying implementation of the Moscow Agreement, the Soviets are at least offering to lift the burden of occupation forces from the Korean people. They would count on the fact that, if their proposal were accepted, the U.S. administration in the south would be powerless to prevent the infiltration of Korean Communist troops who would then be able to take over south Korea at any time, either through influencing elections or by overt military action.

Acceptance of such a Soviet proposal would, of course, put the United States in the extremely undesirable position of retaining responsibility for civil administration without U.S. military support. There is a difference of opinion among the members of the Committee on whether public opinion and political pressure in this country would force such acceptance, but there is complete agreement that it should be avoided if possible.

It is therefore felt that the U.S. should respond to such a proposal by agreeing that the earliest possible withdrawal of troops is desirable, should offer to make immediate substantial mutual proportional troop withdrawals, and should make every attempt to expedite implementation of the Moscow Agreement, or if considered tactically advisable at the time, its modification to provide for the expeditious relinquishment of administrative as well as military responsibilities in Korea.

b. Withdrawal of U.S. and Soviet troops simultaneously with independence for a united Korea.

While, as mentioned above, it is doubtful if this would be an initial Soviet proposal, it might well develop as a proposal in the course of discussions.

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It would have the same general advantages for the Soviets as discussed above and would, furthermore, be more likely to gain popular American support. It would probably jeopardize passage by Congress of the three year grant-in-aid legislation, since economy-minded opponents could say that the Soviet proposal proves that the program is unnecessary.

The U.S. should agree at once to the principle of a mutual withdrawal and early independence for Korea, pointing out that this has been the continuing U.S. aim in Korea. However, as this proposal would involve a modification of the Moscow Agreement, the U.S. should propose either (1) a meeting of representatives of the four powers to consider the proposal or (2) a meeting of U.S.-U.S.S.R. representatives to draft a detailed plan for presentation to the other two powers. The Committee is inclined to favor the latter alternative, although decision would have to be made in the light of tactical considerations at the time.

The U.S. should insist that any plan for implementing a mutual withdrawal and early independence for Korea must include as many provisions as possible to safeguard Korean political freedom and national independence. These safeguards might include:

(i) Provisions for setting up of a Korean Government by a body chosen by popular election, each zone being represented by a number of representatives proportionate to its population (this should be the initial U.S. position; it might be modified somewhat in discussions if Russian agreement can be obtained in no other way).

(ii) Some type of guarantee by the United Nations.

(iii) Effective Bill of Rights guarantee.

(iv) Financial assistance and supervision by the World Bank.

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(v) Inspected limitation of armed Korean forces to necessary domestic constabulary, police and Coast Guard, recruited on a representative basis.

It should be pointed out to Congress that if the Soviet proposal is genuine, it will be unnecessary to carry out the expenditures envisaged in the grant-in-aid legislation. It should further be pointed out, however, that nothing is more likely to make the Soviets willing to carry out their proposal than passage of the legislation. Should the negotiations with the Soviets then be successful, the money can be withdrawn by Congress. If the Soviets do not agree to the safeguards we propose, the legislation will still be required.

V. RECOMMENDATIONS

It is recommended that:

A. The program outlined in Appendix "A" be implemented, action to include:

(1) Request to the President to forward to Congress draft legislation for a "grant-in-aid" to Korea and implementing appropriation of \$230,000,000 for fiscal 1948.

(2) Allocation of \$85,000,000 of the War Department deficiency appropriation for the remainder of fiscal 1947 to Korea.

(3) Gradual civilianization of Military Government in Korea, appointment of a Political Adviser of ambassadorial status and cooperation by State and War Departments in providing him with appropriate staff.

(4) Termination of CINCFE's political responsibilities in Korea.

(5) Issuance of new directive to CG USAFIK.

(6) Intensification of present policies regarding participation of Koreans in government.

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(7) Institution of a publicity campaign in the U.S., including a statement by the President to be issued upon General Hodge's return to Korea.

(8) Despatch of a high level business and industrial group to Korea to make recommendations on economic and financial rehabilitation.

(9) Intensification of public information and education program in Korea.

(10) Printing of a new currency for Korea without delay.

B. The door to be left open to a continuation of current U.S.-U.S.S.R. negotiations in Korea.

C. An early governmental level approach be made to the U.S.S.R. expressing our concern over Soviet obstruction to implementation of the Moscow Agreement.

D. A Soviet proposal for mutual withdrawal of forces from Korea should be approved in principle, subject to the establishment of adequate safeguards assuring the political and territorial integrity of an independent and united Korea.

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S E C R E TAPPENDIX "B"JOINT RESOLUTIONTO CARRY OUT THE OBLIGATIONS OF THE UNITED STATES
IN KOREA

WHEREAS the President of the United States agreed with Generalissimo Chiang Kai-shek and Prime Minister Churchill at Cairo on December 1, 1943, that "in due course Korea shall become free and independent", and the President of the United States, the President of the National Government of the Republic of China and the Prime Minister of Great Britain agreed on July 26, 1945, at Potsdam that "the terms of the Cairo Declaration shall be carried out", to which agreement the U.S.S.R. adhered on August 8, 1945, and

WHEREAS the Japanese Government accepted in the Terms of Surrender on September 2, 1945, the provisions set forth in the Potsdam Declaration of July 26, 1945, and have ceased to exercise any authority in Korea, where United States forces have been in occupation south of 38 degrees north latitude since September 8, 1945, and

WHEREAS the President of the United States declared on September 18, 1945, that "The building of a great nation has now begun with the assistance of the United States, China, Great Britain and the Soviet Union who are agreed that Korea will become free and independent", and

WHEREAS at a meeting in Moscow in December 1945 the Ministers of Foreign Affairs of the Union of Soviet Socialist Republics, the United States of America and the United Kingdom agreed to the establishment of a Soviet-United States Joint Commission to assist the formation of a provisional Korean government and to work out measures for the development of democratic self-government and the establishment of the national independence of Korea, and

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WHEREAS this Joint Commission was unable to reach agreement in regard to its procedures it adjourned sine die on May 8, 1946, without having accomplished the purposes set forth in the Moscow Declaration,

Therefore be it

RESOLVED by the Senate and House of Representatives of the United States of America in Congress assembled, That there is authorized to be appropriated to the President such sums, not to exceed \$_____ in the aggregate, as the Congress may determine to be necessary to carry out the obligations of the United States in Korea, including the provision of relief and economic assistance, the development of democratic self-government, reeducation, and such other purposes, as may be necessary to realize the objectives of the United States in Korea.

RESOLVED by the Senate and House of Representatives of the United States of America in Congress assembled, That there is authorized to be appropriated to the President such sums not to exceed \$_____ in the aggregate, as the Congress may determine to be necessary for the provision of relief, economic rehabilitation, government, trial of war criminals, forwarding of programs of economic reform revitalization of the educational system, re-education of the indigenous populations thereof, including payment, subject to such authorization and limitations as he may prescribe, of tuition, personal allowances (not to exceed ten dollars [\$10] per day), traveling expenses (not to exceed those authorized for like US military or civilian personnel) and fees incident to instruction in the United States or elsewhere of such persons as may be required to carry out the purposes of this resolution, official entertainment expenses, purchase, hire, maintenance, repair and operation of passenger automobiles and aircraft, and repair and maintenance of buildings, utilities, facilities and appurtenances and such other purposes as may be necessary to carry out the responsibilities, obligations, and objectives of the United States in Korea.

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Section 2. The President, after consultation with the Secretary of State, may allocate sums from the appropriation hereinabove authorized to any department, agency, or independent establishment of the government by transfer to or merger with, appropriations thereof, or otherwise for direct expenditure by such department, agency or independent establishment for the purpose of this resolution.

Section 3. No part of the appropriations authorized by this resolution shall be used in any manner that will directly aid in the relief, rehabilitation, government, reorientation or re-education of that part of Korea north of 38 degrees north latitude, unless the President, after consultation with the Secretary of State, has first determined that the economic and political unification of the two areas of Korea located north and south respectively, of the 38 degree parallel has been accomplished.

Section 4. The President shall submit to the Congress semi-annual reports of expenditures and activities under authority of this resolution.

Section 5. The authority contained in this resolution shall expire on June 30, 1950, except to the extent that funds herein authorized to be appropriated shall be required subsequent to June 30, 1950, for necessary administrative expenses incident to the activities undertaken in accordance with the provisions of this resolution.

S E C R E TANNEX TO APPENDIX "B"JOINT RESOLUTION
MAKING AN APPROPRIATION TO CARRY OUT THE
OBLIGATIONS OF THE UNITED STATES IN KOREA

RESOLVED by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby appropriated out of any money in the Treasury not otherwise appropriated, to enable the President to carry out the provisions of the Joint Resolution concerning the obligations of the United States in Korea, approved _____, 1947 (Public Law _____), \$ _____, and to remain available until June 30, 1948: Provided that not to exceed \$ _____ shall be available for administrative expenses.

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S E C R E TAPPENDIX "F"Washington, D. C.
February 25, 1947

MEMORANDUM FOR THE SECRETARY OF STATE AND THE SECRETARY OF WAR

Subject: Korea

The Special Inter-Departmental Committee on Korea, established to prepare policy recommendations for the Secretaries with regard to Korea, has reached general agreement with regard to a U.S. course of action in Korea. It will be a few days, however, before the detailed report and recommendations of the committee have been prepared and have been discussed with Mr. Grew.

In view of the early departure of the Secretary of State for Moscow, and the opinion of this committee that he should discuss the question of Korea in Moscow, it appears desirable that certain pertinent aspects of the committee's proposed report should be considered by the two Secretaries prior to the departure of the Secretary of State.

Enclosed is an initial draft of the general discussion and recommendations to be contained in the committee's final report. It is the view of the committee that two measures are essential to obtaining a satisfactory solution of the difficult Korean problem. These measures, discussed in Section IV of the enclosed initial draft report are:

- a. An approach to the Soviet Government, prior to the close of the forthcoming Moscow Conference, and
- b. Special legislation by the Congress to authorize and appropriate funds for a positive program for economic rehabilitation, educational and governmental improvement, and political guidance for Korea.

A governmental approach at this time might be considered by the Soviets as a sign of U.S. weakness in Korea. A properly planned aggressive approach, however, will minimize such an appearance of weakness. It is felt, furthermore, that such

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an approach would be of inestimable assistance to General Hodge in alleviating the situation in Korea, would clarify the U.S. position with regard to its intentions in Korea, and would prove to Congress that all possible efforts had been made to achieve a Korean settlement.

A positive political, cultural and economic program will be necessary, not only to improve the present unsatisfactory conditions in Korea, but in order to strengthen our hand for any future negotiations with the Soviets. It will be necessary to convince Congress that a strong affirmation of U.S. purposes in Korea, expressed by Congressional approval of a three-year program and separate appropriations for Korea for fiscal year 1948, is absolutely essential in order to enable us to approach the Soviets on a sufficiently strong basis to give hope of securing a settlement satisfactory to the U. S. It is now anticipated that such a program will amount to approximately \$600,000,000 for the three years, of which approximately \$250,000,000 would be spent during the fiscal year 1938, an increase of \$113,000,000 over the \$137,000,000 now allocated to Korea in the proposed 1948 War Department budget. Without such a program, and the necessary legislation, the committee feels that the Korean situation will so deteriorate as to seriously impair the U.S. world position.

In order to assure the maximum possibility of success in the governmental approach to the USSR, the committee believes it desirable to coordinate the timing of the approach with Presidential submission to Congress of the proposed special Korean legislation, since it is believed that this will not delay the approach.

The committee recommends that the course of action proposed above be approved in principle by the Secretaries of State and War.

J. Weldon Jones

J. K. Penfield

A. V. Arnold