

REMARKS BY
DR. OTTO E. GUTHE
OF THE
CENTRAL INTELLIGENCE AGENCY
AT THE
ASIAN STUDIES CONFERENCE,
Indiana University,
Bloomington, Indiana
12 November 1959
8:00 pm, (CST)

ASIAN STUDIES AND OUR NATIONAL SECURITY

I. Introduction

It is a privilege to be here this evening and to participate with you in this Conference.

I have been impressed by the truly remarkable expansion over the last decade in the attention given to Asian studies by American scholars, academic institutions, and foundations, and this has come -- I am sure not by chance -- at a time when our position of leadership in the Free World and our involvement in Asia have called for a fuller understanding of this important part of the world.

A tremendous challenge to all men of freedom is found in Asia. To place this challenge in a meaningful context, I am going to emphasize a few of the things that are happening there.

Later, I want to make some remarks on how your colleges and universities, through Asian studies, can provide further insight on Asian problems affecting our security interests.

II. The Nature of the Challenge

A. Communist China

We cannot escape the influence of Communist China in Asia. Here, we have a nation hostile to our interests, rapidly growing in power and influence. We can foresee the possibility -- indeed the probability -- of a formidable, unfriendly China, a nation of a billion souls by 1975, a nation led by dedicated and ruthless Communists, unrelenting in their antagonism to us. Even the Soviets show some stirrings of worry about this rising power.

The present leaders in China are arrogant and aggressive in their actions, and seem bent on maintaining international tensions and pressure on neutralist governments.

The growing, naked power of the Chinese Communists already has to be reckoned with -- and may, within the lifetime of many of you, present the Free World with a challenge equally dangerous to that now posed by the Soviet Union. And indeed, there is no reason to expect their ambitions to be

limited to Asia. They are already showing signs of increased interest in Africa, South America, and even in the Caribbean.

Militarily, they have built up a formidable force, made possible by Soviet backing and by an economic development program that has been pushed with a fervor and ruthlessness not attempted by any other nation in modern history.

Communist China is standing increasingly on its own feet. It has assumed a posture of near-equality in its business relationships with the Soviet Union. Aside from military loans, all that Peiping has received in long-term credit from Moscow over the past ten years has been two economic loans totaling \$430 million. All of Red China's imports from the USSR have been on a pay-as-you-go basis since 1956, and China at the same time has been paying off the Soviet loans of previous years.

Under forced draft methods, there have been impressive increases in Communist China's industrial output. In 1958, during the "Great Leap Forward," a new high in the rate of overall economic growth was attained by pressing for increases in physical output at almost any cost.

The Chinese clearly are building up their heavy industry. They are plowing back into investment a large and increasing proportion of their total output. They intend to assure continued and rapid economic growth -- and their chances, based on the record, are good. But these advances cannot mask the needs of a hungry people.

These people have been mercilessly exploited by their Communist leaders -- witness the marshalling of labor resources for the Great Leap Forward and the practices which accompanied the introduction of the communes, which the peasants appear to have bitterly resented. In establishing the communes, Peiping followed an unchartered course. The experimentation involved painful backing and filling. Agriculture on the Mainland has not moved ahead as rapidly as industry -- and diets, rather than improving, have decreased in quality, and living standards remain low. However, recognition of the need for reducing popular discontent and providing for worker incentives may force the Red leaders to bring about some betterment.

Communist China, at great cost in human suffering, is making substantial progress toward transforming an

overcrowded and underdeveloped agricultural country into an industrial nation. This example may attract rather than repel those Free Asians who want to make the giant step forward into the industrial age -- who may look to industrialization by Communist type methods as the quickest and surest way.

All of you, I am sure, have read recent reports about the gross overstatements in Chinese Communist economic claims, and of dissension between the Soviets and the Chinese. These reports may raise doubts in your minds regarding the future of this threat I have been talking about.

Although Peiping recently admitted in dramatic fashion that many of their statistics of output for 1958 were far too high, the country nevertheless continues to move forward industrially. The original excessive claims for grain production in 1958 were also reduced. However, there appears to have been a substantial increase even so, largely because of good weather in that year. Unquestioning acceptance of Peiping's claims would, of course, be foolhardy, but gross underestimation of China's developing strength would be equally dangerous for our national security.

Now, on the question of Sino-Soviet dissension -- Mr.

Khrushchev's visit to Peiping last month resulted in reports that have been variously interpreted to indicate strain in the alliance. There are many compelling reasons for these nations to continue an association of mutual accommodation, even though they may not see eye to eye in approaching certain questions of mutual interest. Certainly the USSR and Communist China appear united in wanting Western influence and Free World institutions eliminated from Asia, even though they are not always in agreement on the

B. Penetration into Free Lands

While the Chinese Communists are hard at work internally, striving to meet the highly ambitious goals set by their leaders, they are also busily engaged in penetration of other parts of the world.

There is a growing body of evidence that the Chinese Communist Party, enjoying a new feeling of strength and having consolidated its gains, is taking a greater role in the guidance and direction of other Communist parties, particularly in the underdeveloped areas of the world.

Soviet defector Alexander Kaznacheev recently told a press conference in Rangoon that, while the Soviet Union and Communist China were working together in Asia, the principal

responsibility for Burma has been assigned to the Chinese Communists. It is suggested that this may also be true to some extent in the remainder of Southeast Asia. The growing importance of Peiping as a center of Communist authority in this area is also attested by the increasing number of Communist leaders who travel frequently to Peiping, occasionally staying months at a time with little public report of their activities. Moreover, it is generally accepted as a fact in some Asian countries that the local Communist party is financed through the Chinese Communist Embassies.

While this Chinese Communist influence, both in party affairs and in economic matters, has manifested itself first and most intensely in South and Southeast Asia, it is not confined to those areas. In the Near East, in Africa, and in Latin America, Communist China is making a real effort to establish trade missions and technical aid projects. Communist leaders from these areas also are paying frequent and extended visits to Peiping as well as to Moscow. The Chinese Communists apparently now share with the Soviets some of the responsibility for Communist penetration and subversion in these areas more remote from their Mainland stronghold.

In Asia, some overseas branches of the Communist-controlled Bank of China -- not to be confused with the Bank controlled by Nationalist China -- have been used as instruments for financial support of Peiping's causes among the Overseas Chinese. For instance, there were numerous reports that the gains made in Burma by the Communist-led National United Front in the April 1956 elections were due, in large part, to the generous financial aid supplied by the Chinese Communists through the Bank. Direct assistance has been given by the Bank to Communist-dominated communities of Overseas Chinese in the form of low interest, easy term loans. Pro-Communist newspapers in Asia have readily obtained Bank loans, as have other businessmen who favor Communism.

The Bank of China, however, is by no means the only instrument employed to win over and exploit the Overseas Chinese communities, particularly those in Southeast Asia. Chinese Chambers of Commerce have, in some cases, been infiltrated by pro-Communists, and their economic influence has been employed for the subversion of the allegiance of these people. As another tactic, the bait of profits from trade with the Mainland is dangled before Overseas Chinese merchants to win their adherence. Also,

young students have been encouraged to go to the Mainland for their higher education, in the expectation that many will return as indoctrinated Communists to work within their communities. There is resistance in these communities to such subversion, but the degree of Communist success is worthy of close attention.

Another approach is through labor union penetration. The All-China Federation of Trade Unions, for example, seeks to dominate the labor movements in the less developed Asian countries. Here, the local groups are weak financially and possess little knowledge of the true function of unions.

In Indonesia -- an outstanding target for this type of Communist subversive activity -- labor unions are affiliated with and controlled by political parties. The dominant union is the Communist-controlled SOBSI federation which claims a membership of over 2-1/2 million and at the minimum controls at least a million workers in key sectors of the economy. SOBSI, in exploiting "nationalist" and "anti-colonial" feelings of the Indonesians, is slowly corrupting the chances for the non-Communist labor federations to gain strength in that country.

Of great potential danger to Free World security is the

attempt to create a Communist-controlled Pacific and Asian Regional Dockworkers organization. The first step in this was the Conference held in Japan in May 1959. A second Conference is planned for May 1960. The power that such an organization could have over shipping in the Pacific is obvious.

- - -

Now, what about competitive co-existence? This term to the Soviets implies essentially a transitional phenomenon. They believe that only the Communist system will survive the competition. In Peiping on September 30th, Khrushchev re-emphasized this confidence in recounting passages of his speech in Pittsburgh. "I said we challenged the capitalist countries to peaceful competition ... I told my American audience, 'We warn you -- look out, we are sure to win!'" He went on to say, "... socialism and communism ... will leave capitalism far behind and inevitably will supplant it on the arena of history."

In "competing" with the Free World, the Bloc countries have used many means to attain political ends, including economic penetration. You all know of innumerable instances of this penetration. Let me only say that the avenues of approach in this activity are as varied as the nations to which these efforts are

directed. This variation is a reflection of opportunity, planning, and flexibility -- not of uncertainty and caprice. Regarding the nature of the Bloc economic offensive in this wide area, it does appear clear that the Bloc often tailors its effort to exploit either an existing domestic tendency, a nationalistic ambition, or a potential source of dissension and conflict with the major Western powers. It believes that the gambit selected will reduce Western influence and, sooner or later, attract -- or force -- the nation in question closer to the Sino-Soviet Bloc. The weapons available to the Bloc countries for their economic offensive are principally trade, financial aid in the form of credits and grants, and technical and scientific aid.

The countries of South and Southeast Asia are prime targets. They have received roughly 50 percent of the more than \$3 billion of credits and grants extended since 1954 by the Bloc to some countries of the Free World. Of this total aid, nearly all of the grants -- about \$170 million -- have been provided to these countries. Nine-tenths of the Bloc's aid to South and Southeast Asia has been economic. In this area were almost one half of the 4,700 non-military Bloc technicians active in less developed countries

during the first half of this year.

Up to the present, Communist China has played a minor role in providing credits and technical aid. It has offered only 6 percent of the total Bloc aid extended to the Free World in the past five years. For some time to come, China may have to rely on the European Soviet Bloc to carry a major part of the offensive in this field of economic aid.

However, on the commercial side, Communist China accounts for more than one half of the Bloc's trade with South and Southeast Asia. But this trade is subject to frequent and sudden fluctuations. In 1958, increased exports to Southeast Asia of certain Communist Chinese goods, such as textiles, caused considerable concern especially to Japan. This offensive evaporated as suddenly as it appeared. The intensive pressures of the Leap Forward Program had resulted in industrial and supply dislocations and transportation bottlenecks and caused the Chinese Communists to default on export contracts. Even so, since the Chinese will continue to need foreign exchange, we can expect them to undertake other drives similar to that of 1958.

The manner in which the Soviet Bloc, and to a lesser extent Communist China, conduct this economic penetration tends to

weaken Western influence but also supports the Bloc image of progress and power.

Will these activities of Communist China and the other countries of the Sino-Soviet Bloc continue to create situations and trends inimicable to Free World interests? Will the "demonstration" provided by the Communist Chinese rise in power and productive capacity delude the uncommitted nations of Asia into following a similar path? The answers to these questions lie in the future. Now, the very dimensions of the emergent Communist power loom threateningly over Southeast Asia. It is alienating and frightening China's neighbors, particularly now in the light of Tibet and the Indian boundary situation.

Up to this point, I have identified the threat of Communist China as the challenge we face in Asia. The uncommitted countries of Asia are themselves presenting the Western nations with a distinctly different and extremely important element of the challenge -- a test of our ability to assist these countries toward a constructive life of well being and freedom.

There is much still for us to learn on how to help and work with our Free Asian friends, and how better to understand their problems -- problems which to them are overwhelming and for which there are, more often than not, no easy or ready solutions.

If we exercise much wisdom and have an objective but sympathetic appreciation of what the people of these countries are up against, our help will be constructive. The psychiatrist, Dr. Mottram Torre, made a useful point in this regard when he quoted Asian officials as saying, "Send us men who can understand our pace and adapt themselves to it." These are demanding qualities.

Our national security in Asia hinges, in large measure, on the effectiveness with which the Western nations are meeting this challenge, as reflected in the responses of these Free Asian people. Here lives a large part of what has come to be known as the Middle Billion -- the "billion human beings who," to quote Secretary Herter, "are balanced so precariously between the free world and the Communist empire. The decision of these people as they compare Sino-Soviet promises and performances against our own is a decision we must respect and try to influence for the very simple reason that our future hangs on it."

III. Contributions of Asian Studies

Your programs for Asian studies will have their effect in influencing the direction of the responses of the peoples of Asia.

Although in CIA, as elsewhere in Government, we have our own training programs and incentives for language study, we still need additional young men and women proficient in one or more of the many languages of Asia. We would hope that they would also be armed with a basic understanding of the cultures, motivations, and environments of the people of the area with which they are concerned. The dearth of Americans who can handle some of the more "exotic" languages has been brought forcibly to our attention more than once. The National Defense Foreign Language Fellowships and NDEA assistance to centers should in time expand this group very substantially.

Encouraging to us in Washington is the vitality of the Association of Asian Studies and the trend in organizing regional Asian studies conferences and special committees -- for example, the creation last week of the Joint Committee on the Contemporary China by the Social Science Research Council and the American Council of Learned Societies.

Of very great importance to our nation is the current trend,

exemplified by this Conference and supported by the foundations, toward strengthening Asian studies at the undergraduate level. It is here that interest in Asia, its societies, and its problems is instilled in an ever expanding student body. These young Americans fan out in all directions to influence the public mind toward a better appreciation of our national security interests in that part of the world.

A start has been made toward the development of language and area programs specifically designed to help American management and financial experts, engineers, and others destined to assist the people of the less developed areas. They can make impressive contributions merely by using their specialized knowledge, but would perform even more effectively for the local governments if they could be assured of some training of this type. Furthermore, in grooming young Americans for assignments abroad, let us be sure that they attain some of the highly desirable aspects of what is now known as overseasmanship.

An impressive number of students from Asia are in the United States -- well over 16,000 from South, Southeast, and East Asia; 6,000 from the Near East. Of inestimable value is the practice of having Asian students and scholars attend our universities as well

as having Americans study, conduct research, and teach at institutions abroad. While the great majority have found their stay in America rewarding, some have returned to their homes with experiences which, to some extent, have alienated them from America. Those now here should return with a better appreciation of our values and our way of life.

The Communists also recognize the benefits of such programs. As far as we can determine, from mid-1956 to mid-1959 at least 600 students from the Near East and 160 students from South and Southeast Asia, excluding Overseas Chinese returning to the Mainland, studied in countries of the Sino-Soviet Bloc. Probably more than 750 technicians among the nationals of these less developed countries have received training in the Bloc during the same period. Three-quarters of them came from South and Southeast Asia.

We are very conscious of the favorable position of the academic community for undertaking research abroad in cooperation with the indigenous governmental and private institutions and with knowledgeable individuals of the areas under study. Scholars from your institutions are being called upon with increasing

frequency to advise and consult with those in Government who are directly concerned with these parts of the world. You are all acquainted with the listing of research studies in progress, prepared by the External Research Division of the Department of State. Nearly 1,000 entries in the most recent issuances pertained to South, Southeast, and East Asia, but you may not know that this Division last year received requests from within the Government for more than 100 unpublished studies on these areas, apart from the many that had been published. Your research is in demand. Of particular interest are the foundation-sponsored group research projects, many of which bear very directly on difficult questions of the moment.

There is an increasing awareness in the United States of the complexity and subtleties of the situations encountered in Asia, and your studies help to provide the necessary background and perspective.

There are, of course, almost unlimited opportunities for additional research oriented toward problems we face in Asia. Here are a few suggestions put down at random.

Quite obviously Communist China stands as a major target for searching study.

With respect to the Free Asian countries, more attention could well be given to the study of the true nature of "nationalism" as a force motivating the leaders and as a symbol for the people.

What about the traits that are essential for leadership in rapidly developing societies? How can effective local leadership and local managerial skills be obtained at various levels within these countries?

How can an enlightened leader assure integrity at various levels of government to offset the danger of an undermining corruption that might arise from ignorance or ineptness in the use of sound concepts of basic administration?

Useful beginnings have been made in studying the changing basic values, attitudes, and institutions of the societies found in the countries of Asia.

More attention could be devoted to an analysis of the practical problems confronting the transitional societies of this area in their quest for modernization and economic stability.

The variety of possibilities for research stems from the breadth of our security interests and from the diversity of cultures and stages of development found within these lands of Asia.

This and similar conferences augur well for the expansion in public cognizance of issues arising from the involvement of the

United States in Asia. The academic community, the foundations -- and now the Government -- must work perseveringly to increase materially our Asian language resources.

And our Government agencies, looking increasingly to the scholars for greater insight on questions of national policy and security, need the counsel of men deeply involved in the study of current changes in Asia. For it is only by an understanding and a sensitive appreciation of the nature of these people, of the problems they are encountering, and of the pressures they experience that we can expect full success in meeting the challenge now present in Asia.

-- END --