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THE END OF AN ERA: ASIA—A YEAR
AFTER THE FALL OF INDOCHINA

Mr. MANSFIELD. Mr. President, on April 10, 1975, in an address to a joint session, President Ford asked Congress to approve an additional \$1 billion in military and economic aid for South Vietnam. The next day, American Embassy personnel were evacuated from Phnom Penh. The end of an era was at hand. By the last of that month—just a year ago—it was all over. In Saigon and Phnom Penh, the governments of General Thieu and Lon Nol were out and new governments were in. Thus ended the final chapter in the disastrous policy to contain a nonaggressive China.

Where do we stand in Asia a year later? What lessons have been learned from this attempt to interfere in vast lands and peoples half way around the globe? It is time to take stock.

Since former President Nixon's visit to Peking in 1972, winds of change have blown throughout Asia. After more than two decades of hostility and confrontation, the United States and China began the journey to normalization of relations, a journey far from completed. At last, our Nation's policy is now grounded on the fact that the United States is not an Asian power but a Pacific power. The difference is more than semantic. It is the difference between a sensible acceptance of the realities of Asia and the dangerous illusions of military omnipotence. What takes place in this vast region is of concern to Americans. But concern and control are quite different matters.

Simply stated, America's principal long-range interests in the Far East are to avoid domination of the region by any single power, to maintain friendly relations with China, Japan and other nations, and to lessen tensions which could trigger either a local or a great power conflict in the area.

Let us first look at the People's Republic of China, the home for one quarter of the people on this globe. Former President Nixon's journey was only the first step on the path to normalization of relations with China. The Shanghai communique was not a document of flesh and blood. It was a skeleton to which the sinews were to be added by both countries. In the 4 years since that document was issued, some flesh has been added in the form of trade, cultural, educational and scientific exchanges and visits to China by government officials, including members of Congress. But the basic myth of the old China policy, the obstacle to normalization of relations with the People's Republic of China, remains. The United States, officially, still treats the government of Taiwan as the government of China.

The pertinent provision in the Shanghai communique reads:

The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful

settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes.

I interpret the Shanghai communique to mean that the United States recognized that the Chinese civil war was over and that the eventual goal was full and formal normalization of relations between the People's Republic of China and the United States.

President Ford said in Honolulu last December 7 that on his recent visit to China, he "reaffirmed the determination of the United States to complete the normalization of relations with the People's Republic of China on the basis of the Shanghai communique."

The Shanghai communique stated that the United States would "progressively reduce its forces and military installation on Taiwan as the tension in the area diminishes." With the end of the war in Indochina, "tension in the area" which, conceivably, could have justified retention of U.S. forces on Taiwan ended. But there are still some 2,500 American servicemen on that island, down from 10,000 in 1972.

In addition to the regular forces, the United States maintains a military advisory mission to advise the Taiwan forces on how best to fight the forces of the People's Republic. We also continue to supply Taiwan with large quantities of weapons, \$611 million worth over the last 4 years, much of that financed on long-term government credits. The administration proposes to sell \$182.5 million more in military equipment to Taiwan by the end of the next fiscal year, \$43 million of that on credit.

Looking eastward, the partnership between the United States and Japan is the fundamental pillar of American policy in Asia. Japan and the United States are military partners. Japan's continued trust in the validity of the U.S. security commitment is essential to the maintenance of stability throughout the region because a Japan embarked in search of security on its own by way of a major military expansion would unsettle all of Asia. Japan is almost wholly dependent on foreign raw materials to supply its greatly expanded industrial plant. Asian memories of the Greater East Asia Co-Prosperty Sphere are still not forgotten. There are now pressures from the Pentagon for Japan to expand its military forces. I urge the greatest caution in pushing Japan in such a direction. There ought not to be grounds for Japan to have to doubt the U.S. security guarantee and no compelling reason for the Japanese to make a significant change in their defense policy. Any other course, in my judgment, is playing with fire in the Western Pacific.

I am deeply concerned about the fall-out from the Lockheed affair on United States-Japan relations. This episode and other recent examples of payoffs in

shady American business deals abroad demonstrate the need for reforms inside this Nation and an international code of business ethics. This is an appropriate problem for the United Nations to tackle. Both buying and selling nations should unite to seek a remedy to cure the dry rot which now afflicts international business dealings.

As to the present situation, it is in the interest of all concerned that American and Japanese officials handle the problem in such a manner as to minimize the adverse impact on our relationship. Maintenance of a close partnership with Japan should continue to have the highest priority in U.S. policy toward Asia.

Korea, the last remnant of the failure of U.S. policy in Asia, is a time bomb which must be defused. The U.S. objective should be to bring about a settlement between the two Koreas and, in the interim, to ease tensions and lessen the possibility for a resumption of hostilities. U.S. policy should not be hostage to any particular government in Korea, or anywhere else for that matter. That lesson should have been learned, finally, in Indochina and Cambodia where two generals, Thieu and Lon Nol became the tail that wags the dog. Are we to suffer the same experience in Korea?

Nearly a quarter of a century after the end of the Korean war, over 40,000 American troops remain in Korea, at a cost to the taxpayers of \$580 million annually. Many are on the DMZ line in positions which would automatically thrust the United States into the thick of the fighting should hostilities between North and South break out again. Indeed, they are there for precisely that purpose—as a tripwire. U.S. nuclear weapons are also stored in South Korea, according to former Secretary of Defense Schlesinger, adding to the dangers of the situation. Our forces in this last bastion on the Asian mainland should be reduced over a period of time and all nuclear weapons, in my judgment, should be removed. In the meantime, the United States should reexamine the tripwire concept at the DMZ. It may be that a more appropriate approach might be to seek to negotiate an even wider demilitarized zone.

The United States must do more than it has in the past to break the impasse in Korea. We should have learned from the long and costly efforts to contain the People's Republic of China that quarantine is a reaction, not a substitute for a positive policy which seeks to solve a problem. It is in the interest of the Korean people, North and South, for the United States and world peace, that contact be made between the two Koreas to help to minimize the risk of military clash and to facilitate an accommodation between North and South.

Some months ago, the North Korean Government did make a move to establish a contact with South Korea through a meeting of the Red Cross organizations in both countries.

According to the Christian Science Monitor yesterday, South Korea has proposed to the North an exchange of ancient art exhibits in what appeared to be a new initiative toward normaliz-

ing relations. I would hope, Mr. President, that that trend would continue between North and South Korea.

In Southeast Asia, the foremost task for U.S. policy remains to recognize the realities in Indochina. The administration's policy of opposition to trade and commercial relations with Vietnam or Cambodia, and the failure to send an Ambassador to Laos has something in it of the ostrich complex. The fact is that just as China was not ours to lose in 1949, neither was Indochina a quarter of a century later. That was not the tragedy for us. The tragedy was that the war was allowed to begin and to continue so long and that so many lives were needlessly lost.

Although the shooting war is over, economic warfare continues as a cornerstone of U.S. policy. There is no way that a unilateral U.S. trade embargo against Vietnam or Cambodia can be effective in a competitive world. Containment is not a policy. It is only a petulant reaction. It is time that the United States act toward the governments of Indochina, which have regained their independence, in a spirit which seeks to heal the wounds of war. Like it or not, a unified Vietnam, as North and South will ultimately become, will be a major force in Southeast Asia. It is in our long-range interest to accommodate to this fact and make the best out of the new situation.

I share the desire of all Americans to learn whatever can be learned of the missing in action in Indochina. But we can hardly expect to do so by refusing to have anything to do with the new governments of Laos, South and North Vietnam, or Cambodia. The most effective way to obtain information about the MIA's, I should think, is through face-to-face, on-the-spot official dealings. That is not likely without normalization of diplomatic and other relations. It is my understanding that the administration has decided to open talks with Vietnam on the range of issues between us, and that is certainly a step in the right direction.

In Thailand, the United States faces a delicate situation. The question of a continued American military presence has become a major issue in internal politics, a further manifestation of the forces of nationalism at work in Southeast Asia. All U.S. forces, except for a small military assistance group, have been ordered to leave the country within the next 4 months, thus bringing to a close an attempt to maintain a second military toehold on the Asian mainland. The action taken by the Kukrit government is both in their interest and in the interests of the American people.

The closing of the U.S. bases may help to improve the prospects for an easing of tensions between Thailand and North Vietnam, an arrangement much to be desired. What the new Thai Government will do remains to be seen.

The remnants of U.S. military involvement, a smoldering insurgency in the northeast, a genuine fear of North Vietnam's intentions, and the continued existence of the SEATO treaty commitment to Thailand, the only country to

which the treaty has practical application, all add up to a sensitive and volatile situation for the United States in Thailand.

Elsewhere in Southeast Asia, there are no major policy problems. Burma continues to go its own way and its government has no desire to open its doors to large-scale foreign economic intervention, by the United States or any other country. There is in Burma, however, a danger that overzealous and costly pursuit of poppies may result not so much in the lessening of the supply of dangerous drugs but in involving this nation in Burma's internal affairs and the continued fight of the government against various insurgencies. A close rein should be kept on antinarcotics activities, both there and elsewhere in the region. In the Philippines, the outstanding problem concerns the terms for continued use of the military bases at Clark and Subic Bay. Appropriate recognition of Philippine sovereignty is the issue here. Negotiations to meet this issue were begun yesterday between the two countries. I believe that a mutually satisfactory agreement can be reached, given the fact that we want to stay and the Philippine Government wants us to stay.

United States-Indonesian relations are relatively trouble free. But this land of 140 million people has a growing gap between rich and poor which vast amounts of foreign aid, new oil revenues, and outside investments seem only to have accentuated.

In both the Philippines and Indonesia the debacle in Indochina, coupled with the change in U.S. policy toward China, has stimulated new interest in regional cooperation and a reappraisal of basic international relationships. As new relationships evolve in Southeast Asia, a new spirit of self-reliance and regional cooperation is emerging. It is in our own interest to encourage and accommodate to this new spirit. One of the most promising developments is the growth of the Association of Southeast Asian Nations, or ASEAN, comprised of Thailand, Indonesia, the Philippines, Malaysia, and Singapore. This genuinely local arrangement, is showing much promise. Although the recent summit meeting of the heads of state did not produce any startling agreements, it did reaffirm a mutual desire to explore and develop common regional interests. Expanding its membership to include Burma and the nations of Indochina, a future possibility, would result in a regionwide organization of great potential. A regional zone of peace and freedom, encompassing all the nations of Southeast Asia, would be a giant step toward regional stability.

"Those who cannot remember the past are condemned to repeat it," Santayana wrote. The era of military adventure on the Asian mainland is over. As a result of Vietnam, Cambodia, and Laos, the American people now have a more realistic view of what, as a practical matter, we can and cannot do. They now know that it is not possible, or even desirable, to remake ancient cultures in our own image. There is a sober realization of the limits of America's resources and power. As was true of America in the past, the America of the future will be

the beacon to the world, not because of its military might or foreign aid diplomacy, but because of what it stands for in furthering human aspirations for freedom and a better way of life.

America is not becoming isolationist. There is, in fact, a growing awareness of the interdependence of the world and the need to tackle common problems on a multilateral basis. As U.N. Secretary-General Kurt Waldheim put it in a recent speech: "People are not turning away from ideas of world interdependence. What they are turning away from are out-moded and unworkable ways of trying to deal with the world."

In summary, I would say that the U.S. position in Asia is more favorable than it has been since the end of World War II.

First. We enjoy good relations with all nations except for North Korea and those in Indochina, which we ignore by choice.

Second. Both we and the nations of the region have a better understanding of what it takes to live in peace in a diverse world.

Third. There is no war.

Fourth. American troops are coming home from the Asian mainland.

Fifth. The economic burden of our overseas political involvement is lessening.

There is an agenda of unfinished business, to be sure. But the problems are manageable. What is needed is the will to clear away the remaining relics of outdated policies and to face up to the present and the future and to learn from the past. I will continue to do all I can in my remaining months in this body to insure that work on that agenda continues.

Mr. President, I ask unanimous consent that a speech I made on United States-Chinese relations and a portion of a report which I made last August, released last October, entitled "Winds of Change" involving relations in Southeast Asia be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

UNITED STATES-CHINESE RELATIONS

Mr. MANSFIELD. Mr. President, I listened to former Secretary of Defense James Schlesinger on a program yesterday, and he was asked some questions about the People's Republic of China. As I recollect, he stated that he and some others had discussed the possibility of arms for the People's Republic but that nothing had come of it. I assumed, based on his language, that that discussion was entirely within the U.S. administration and that the People's Republic representatives were not involved, and that it was something that was done in relation to possibilities which might, conceivably ensue at some future time.

Secretary Schlesinger also was asked whether he would approve the sending of arms to the People's Republic. He said, in effect, "We will have to face that question when it arises, but I think it should be treated on the same basis as the Soviet Union."

I, too, think that the People's Republic should be treated on the same basis as the Soviet Union. Furthermore, I would like to see a most-favored-nation treaty executed between Peking and Washington. I believe that if we are going to further normalize relations, that is one of the steps we should take, though I do not believe that we should

in any sense, in any way, in any shape, in any form, try to force arms on Peking.

One, it will be counterproductive; two, I do not think there have been any contacts with Peking in that respect; three, I believe that the Chinese look upon themselves as being perfectly capable of producing their own armament.

The Secretary also indicated that so far as nuclear weapons were concerned, we were not behind the Soviet Union. In that respect, it is my understanding that Peking has not been accelerating its nuclear programs but has continued to maintain a steady pace and only for defensive purposes. He did indicate that we were behind in conventional forces, which I assume to mean infantry, the Army, ships, seapower, the Navy. But I point out that we do have more than 2 million men under arms, scattered in too many parts of the world, stationed there for too long and at too great a cost.

I was interested in the Secretary's reference to the People's Republic, because I think this Nation has been paying too little attention to the nations across the Pacific. I point out that, as far as the People's Republic is concerned, it has somewhere between 850 and 90 million people, practically one-quarter of the population of the globe.

At the other end of Asia, I point out that Saudi Arabia, with an estimated 7 million people, has approximately one-fourth of the oil reserves in the world. So I hope we shall pay more attention to that part of the globe, recognize its significance as far as we are concerned, and be aware of the potentials which may arise from time to time. We should keep our eyes and our ears open, so that we will not place undue stress on other parts of the world at the expense of our relations with the Asian Continent. It is important that we better understand what transpires in that part of the world.

Getting a little bit closer to home, I am glad to note that on today, negotiations are beginning between the Republic of the Philippines and the U.S. Government relative to the future status of our bases in the Philippine Republic, notably at Subic Bay and Clark Field. I have no doubt that those negotiations will be successful. It will take a little give and take on both sides, but because of the inherent friendship and the deep necessity for maintaining these bases, I feel quite certain that, before too long, an amicable settlement will be reached which will satisfy both the Philippine and the American people. I wish to include at this point in the RECORD an excerpt of a report which I made to the Foreign Relations Committee in October 1975. The excerpt deals with the Philippines and the question of U.S. military bases in that country.

WINDS OF CHANGE—EVOLVING RELATIONS AND INTERESTS IN SOUTHEAST ASIA

I. THREE VARIATIONS ON NEUTRALISM

President Nixon's visit to Peking in 1972 released strong winds of change in the international relationships of Asia. The collapse in South Vietnam and Cambodia intensified these currents. Visible changes already include the restoration of contact between the United States and China looking in the direction of normalcy after many years of acrimonious confrontation. This shift has been a key factor in enabling us to reduce the U.S. military presence in Asia from some 650,000 at the height of the Indochina war to less than 60,000 at present. Moreover, a further reduction will take place in the months ahead as U.S. forces are withdrawn from Thailand.

U.S. policy, in short, is beginning to reflect the fact that the United States is a Pacific nation, but not a power on the Asian Mainland. The waters of the Pacific touch the shores of the United States on the West

Coast, at Hawaii, Alaska, the territory of Guam and the U.S. trust territories. They also beat against the coastlines of seven nations to which we have made security commitments—Japan, South Korea, Taiwan, the Philippines, Thailand, Australia and New Zealand—as well as the shores of the Soviet Union and China. What takes place in this vast region is of deep concern to this nation. However, concern and capacity to influence are quite different. What we began to perceive in Korea and saw very clearly in Indochina is that our capacity to influence the flow of history on the Asian Mainland itself is quite limited on the basis of any rational input of manpower and resources.

After the birth of the Peoples Republic of China in 1949, we established a policy of containment in Communist China. It was a policy which sought to line up nations on an either "for or against" basis with "neutrality" regarded as something to be spurned. A ring of treaties was engineered in an effort to use U.S. power and influence to choke off what were held to be China's aggressive designs on its neighbors. In Southeast Asia, both Thailand and the Philippines linked their foreign policy directly to what became a U.S. crusade against communism on the Asian mainland. Burma and Cambodia, each in its own way, tried to walk the tight rope of non-involvement. The former did so throughout the Indochina war, in part, by rejecting U.S. and other forms of foreign aid. Under Prince Norodom Sihanouk, Cambodia also held the line of non-involvement successfully for many years. When the Prince was overthrown by a military coup, however, the Khmers paid the cost in five years of bloody war. The overthrow of Sihanouk also added more U.S. casualties and billions to U.S. costs in Indochina as this nation went from non-involvement to the aid of the successor military regime in Phnom Penh.

Through Southeast Asia, nations are now making major reassessments of their relationships. Nationalism and neutrality, mixed with a budding interest in regional cooperation, are the driving forces at work. Neutrality takes on different characteristics in each of the Southeast Asian nations. Burma is a study of traditional neutrality with a heavy accent on isolationism. Thailand, the only nation in the region to remain free of colonial rule before World War II, is engaged in writing another chapter in its long history of seeking to balance its independence amidst shifting political currents. Three decades after close alinement with and vestigial dependency on the United States, the Republic of the Philippines is moving into the more open waters of international relations and accelerating its efforts to achieve a fully independent identity.

As new relationships evolve in Southeast Asia, new problems are emerging among the nations in the area and in their relations with the United States. Changes in an old order always carry a degree of painful adjustment. It is to be hoped, however, that out of the old, eventually will emerge a new spirit of self-reliance and regional cooperation. In that fashion, the independent nations of the region may be able to live together in a zone of peace respected by all of the great powers. That is the goal towards which each nation visited, in its own way and to some degree, all of them together, seemed to be moving.

The Asian nations are very likely to call for adjustments of all of the relationships with the West which grew out of a previous state of dependency. We should do our best in our own interests to accommodate to changes of this kind. They involve, in many cases, as in Indochina, the lightening of an excessive and one-sided burden which has been maintained for decades by the people of the United States. From our own point of view, it would be desirable to subject the

Southeast Asia Collective Defense Treaty, the so-called Manila Pact, to critical reexamination. The treaty seems to me of little relevance to the security of this Nation in the contemporary situation. In fact, it may be more a liability than an asset to all of the signatories. As for our relations with Indochina, it would seem to me helpful in dealing with the vestigial problems of the war and in paving the way for a peaceful future to establish direct contact with the successor governments in Vietnam and Cambodia at an appropriate time.

It would be unfortunate if out of indignation or disillusionment we should turn our backs on Asia. More in line with our interests would be to seek to understand more clearly what is transpiring on that continent. Our young people, in particular, need as much exposure as possible to the changes in Asia since they will experience in the years ahead most of the consequences. Through diplomacy and cultural contacts we should be able to harmonize our reasonable national interests in security, trade and cultural cross fertilization with the emerging situation in Southeast Asia. The present transition need not be a source of anxiety if it is approached in that fashion. Indeed, we could be on the verge of a new era which could bring great benefits both to the Asian countries and to this Nation.

II. BURMA

Neutrality and nonalignment

Under President Ne Win, Burma has navigated a course of neutralism and nonalignment for many years. Its relations with the great neighboring states of China and India are correct and formal and the same is true for the Soviet Union and the United States. Burma has no intimates and seeks none. It has sought to avoid foreign entanglements. Although it was an early member of the United Nations, only in 1973 did the nation even join the World Bank and the Asian Development Bank. In the United Nations and other international forums, Burma has abstained on many divisive issues. For years it has recognized both Koreas and both Vietnams.

Burma was an observer of what happened to the Indochinese nations when they were drawn into great power rivalries. Their tragic experience was such as to provide proof to the Burmese government of the correctness of its own policy. Whatever its shortcomings, this policy has served to keep Burma out of the conflicts which have beset others in Southeast Asia. Furthermore, isolated by natural mountain barriers on the east, west, and north the Burmese have been able to preserve to a greater degree than most nations in the region, their traditional culture.

Speculation in Burma is to the effect that its doors may soon open wider, evidencing, some say, a change in attitude towards the outside world. One Burmese official observed to me, however that what has happened is "not that Burma has changed but that the world has changed." He went on to explain that a U.S. policy of detente with the Soviet Union and the new U.S. relationship with China significantly altered the framework of Burma's neutralism and made foreign contacts, notably with the United States, more feasible.

Foreign observers, when discussing Burma's economy, generally describe it as "stagnant" or "sick." While it is obvious to a visitor that there is a great deal of poverty, the usual economic yardsticks are not exact or even very relevant when applied to a rice-based agrarian society. The extremes of poor and rich, for example, are not seen in Burma as in many other countries. Burma's economy is not rocketing ahead but neither as in Indochina has the land been devastated and hundreds of thousands killed and maimed by warfare. Also avoided so far have been the cultural upheavals and environmental despoliation which are often associated with

economic development via heavy influxes of outside capital and foreign aid.

Nevertheless, there are manifestations of political dissatisfaction from time to time which center in Rangoon and are probably directed in part, at least, at the lack of economic progress and opportunity. Three major anti-government demonstrations by workers and students have occurred during the last year and a half. Colleagues and universities have been closed from time to time and leaders of workers demonstrations have been sentenced to long prison terms.

Although a new Burmese Constitution was adopted last year, the government remains based on army leadership. Sixteen of 18 cabinet officers are military or ex-military men. While farming is still on a private basis, as are many shops and stores, the government runs much of the rest of the economy. Staples, such as rice, oil, and cloth are rationed, with scanty allotments. This system, plus a shortage of consumer goods generally undergirds a so-called "shadow economy" or black market. Although stable until the last year or so, prices are now rising. Rice stocks available for export, the country's principal source of foreign exchange, are dwindling due to lack of substantial increases in output coupled with population growth. In the last thirty years, the population has almost doubled to 30 million. The government is considering new incentives to raise rice production and recently increased the price paid to the farmer by 30 percent. As yet, however, policies have not been devised to surmount the dilemma of a dwindling per capita food supply as against what is seen as a possible loss of security and national identity which might be occasioned by limiting population growth in the midst of towering neighbors.

One way to help alleviate this dilemma, at least for the immediate future, would be by the discovery of petroleum in exportable quantities. After years of rejecting private investment, last year, Burma leased offshore tracts to two American oil companies, Exxon and Cities Service, and two companies from other countries. While the drilling has not yet yielded results, the Burmese believe the prospects are good. Burma is also seeking by its own efforts to extend present onshore oil fields which supply 70 percent of the nation's modest current needs. The government has not shown any interest in foreign involvement in the exploration for minerals, with which, according to technical reports, Burma is generously endowed.¹

A part of Burma's imports are presently being financed by loans from the World Bank and the Asian Development Bank and by bilateral agreements with West Germany and Japan. Three small Asian Development Bank projects are now underway. While the U.S. had not provided new dollar assistance to Burma since 1963, a consortium arrangement under the World Bank and the International Monetary Fund which involve foreign aid contributions by the United States, Japan, and Western European countries is under consideration.

The Burmese are in the process of repairing the severe damage caused by an earthquake in early July at Pagan, an area of historical significance and the site of numerous edifices and shrines dating from the 11th Century. They are hampered by lack of funds which are being raised through public subscription. Various nations have made contributions through their embassies in Rangoon for this very worthwhile endeavor. Shortly before I arrived, U.S. Embassy officials had asked Washington for permission to make a small monetary contribution to assist in the repair of the damage at Pagan. The request was denied, apparently on some semantic or obscure basis and the matter was buffeted from pillar to post in the bu-

reaucacy. It is amazing to find that in an Executive Branch which frequently finds ways unknown even to the Congress to rush tens of millions in aid to shore up a sinking regime as in the closing days of the Cambodian debacle, is unable to find a basis for a modest human gesture in the face of a natural disaster such as occurred in Burma last summer. One can only note that if more authority is necessary to act in a situation such as this, why has it not long since been requested?

The drug trade and insurgents along the Burmese border create a dangerous mixture. Twenty groups, most of them based on ethnic divisions and some quite small and of little contemporary significance, are now in various degrees of insurrection or insubordination with regard to the government in Rangoon. It is possible to divide the factions into three basic groupings. The first type seeks to replace the existing government and is exemplified by the Burma Communist Party, the largest single dissident element. Typified by the Kachin Independence Army (KIA), a second group seeks autonomy in ethnic areas. The third consists simply of out-and-out drug traffickers and bandits, some of whom are remnants or descendants of the forces associated with the National Government which fled from China in 1949 and which, for a time, were supported from Taiwan.

Opium is a traditional crop in the hill areas of Northeast Burma. It is estimated that the crop may reach 440 metric tons this year even though the price is currently depressed because of the loss of the South Vietnamese market. All the insurgent groups are believed to be financed, at least in part, through the drug traffic. The Chinese (Nationalist) Irregular Force which is still organized into the 3rd and 5th divisions is the most important group involved in the drug traffic. Another element is the Shan United Army, which operates in the Northern Shan states.

Each organization has its own "turfs" in the remote and scarcely accessible border areas as well as its own methods of operations. In simplified form, the cycle of operations, runs as follows: the trafficker buys the crude opium from the grower, transports it to the Thai border, sells it, uses the proceeds to buy arms or other goods, brings the arms and goods back into Burma, sells them on the black market. The cycle is completed when the proceeds from the black market sales are used to buy more opium.

The Burmese government is concerned with the drug traffic both because of the growing consumption of drugs in the country and because suppression of the trade is seen as an essential element in dealing effectively with the insurgency problem. After an initial reluctance, Burma has agreed to accept eighteen helicopters which are available under the U.S. narcotics control program. Four helicopters have been delivered, on a trial basis, and, if results are mutually satisfactory, the remainder will be turned over, in due course, to the Burmese government.

In addition to this arrangement, there have been some small Burmese purchases of U.S. military related goods. The Burmese government, however, has indicated no interest in renewal of a military aid program or in obtaining military training for its forces in the United States.

A note of caution is indicated in regard to cooperation in drug suppression. The zeal of U.S. enforcement officials in trying to get at the sources of drugs is understandable and merits much applause. Nevertheless, there are other questions involved in Burmese-U.S. relations. For too long in the administration of U.S. policies, we have tended to assume responsibility for problems which are more properly those of other nations or of the international community. One form of involvement in the internal affairs of other

¹Footnotes at end of article.

nations can lead very rapidly to other forms, as the bitter Indochina experience should have taught us.

In my judgment, therefore, any further U.S. assistance to foreign countries for their internal use in anti-drug problems, if warranted at all, would seem more appropriately to be funneled through international bodies. Whatever funds Congress thinks justified for this activity might well go as a contribution to the U.N.'s Narcotics Control program. Moreover, any activity of U.S. narcotics agents in Burma or any other nation in Southeast Asia, for that matter, must remain under the strict supervision and firm control of the U.S. Ambassador who is in the best position to know what practices are or are not possible in the light of our total relationship with the country concerned.

After my visit to Burma six years ago, I wrote: "The Burmese government continues to go its own way as it has for many years. It is neither overawed by the proximity of powerful neighbors nor overimpressed by the virtues of rapid development through large infusions of foreign aid. Burma's primary concern is the retention of its national and cultural identity and the development of an economic system preponderantly by its own efforts and along its own lines."

These are still the major pre-occupations of the Ne Win government. The nation has succeeded in maintaining its national and cultural identity. Its economic situation, however, is still very tenuous.

As for our relations with Burma, while some strengthening of cultural and technical exchange either on a bilateral or multilateral basis may be desirable and possible, my view is that we would be well-advised to avoid scrupulously any inclinations towards a deepening involvement in Burmese affairs. Such inclinations would not be welcomed in Burma as in its best interests. Clearly, too, they would not be in the best interests of this nation.

III. THAILAND

After four decades of military rule, Thailand is attempting anew to forge a democratic system. At the same time, there is underway a major revision in foreign relationships. Following student uprisings, in October 1973, the military government of Field Marshal Thanom Kittikachorn was ousted and Thanom and other government leaders fled the country. This development coupled with the rapidly changing situation in Asia, initiated by President Nixon's trip to Peking, and culminating in the collapse in Indochina, has brought about a sweeping reappraisal by Thailand of its foreign policy.

Until the fall of the Thanom government, Thailand had maintained a close relationship—some termed it a "client-state" relationship—with the United States. Now that has changed, with Thailand moving away from the long intimacy with the United States and, at the same time, seeking better relations with its neighbors in Indochina and Asia. How this land of 44 million people handles the turn towards political democracy and a new foreign policy will have far-reaching consequences for the over-all relationships in and around the Asian continent.

Political and economic situation

Prime Minister Khukrit Pramot, leader of the Social Action Party, has governed Thailand since mid-March with a coalition of eight parties. His own party, with only 18 seats, is a distant third in terms of party strength in the Parliament. While the Thai King, Phumiphon Adunyadet, serves primarily as the symbol of national unity, the monarchy is still a factor in state affairs, particularly, in times of crisis. The present Thai political system is based on a Parliament consisting of 269 seats in an elected Lower House and a 100-member appointed

Upper House. Elections earlier this year attracted 42 parties and 2,191 candidates. Predictably, the results were inconclusive. There are now representatives from 23 parties sitting in the Parliament which, when I visited it, was meeting in a joint session and engaged in spirited debate over an aspect of ASEAN. Despite earlier predictions of a short and unhappy life, the Parliamentary structure is managing to hold together and is serving as a vehicle for operative government.

The Khukrit cabinet, apart from the difficulties inherent in any coalition and, especially in one emerging from the trauma of an abrupt shift from military authoritarianism, is subject to three basic pressures; a volatile student movement; long-standing insurgencies in the north, the northeast and south; and the ever present possibility of a military coup.

The student movement wields influence, as is often the case in Asian nations, far beyond numbers. There is a working relationship between the students and labor on most issues and this coalition constitutes the most potent force in current Thai politics. It may be less of a factor, however, than it was two years ago at the time of the ousting of the dictatorship. Public reaction in Bangkok to past excesses, it is said, has caused student leaders to be more discriminating in choosing issues on which to exert their pressure.

One personal incident was instructive. When I arrived for an appointment with the Prime Minister, hundreds of out of work Thai guards at U.S. military bases, who are being discharged as the bases are phased out, were engaged in a demonstration demanding final pay adjustments. The guards were not on U.S. payrolls but, rather, were paid indirectly on the basis of U.S. contracts with Thai military leaders of the previous regime, some of whom apparently have fled the country. Since the demonstration was taking place in front of the Prime Minister's offices, it was necessary to postpone the meeting lest the presence of a visiting American official trigger more serious difficulties.

Ever present in the background of Thai politics is the potential for a military coup. While the government appears to command the loyalty of the armed forces, rumors of possible coups abound in Bangkok. Perhaps, the principal deterrent is the public revulsion with the rampant corruption of the previous military regime and the possibility that a coup at this time would again bring on a militant student-labor reaction.

The role of the military has been de-emphasized by the present government which appears to want to direct its energies toward social and economic needs. Heretofore much of the government's interest centered on Bangkok. With 4 million people, Bangkok is Thailand's only major city and it is scarcely representative of the nation. The gap between Bangkok and the rest of the country is great. Per capita income in the capital, for example, is \$600 per year but it is only about \$200 nationally, and it is, perhaps, not more than \$75 per year in the most troublesome insurgent area, the northeast. There has been little spread of commerce and industry from Bangkok to the countryside. The city, in some respects, is like a foreign land to most Thais. Its traffic jams, westernized practices and political maneuvering are quite alien to the villagers who make up the vast majority of the country's population.

Neglect of the villages is a major factor in fueling the insurgency movements. In the north the insurgents are ethnic groups often involved in the drug traffic. In the northeast the problem is peasant discontent and Thai against Thai. In the south, it is largely Malay Muslim or Chinese against Thais.

Over the years, there have been any number of anti-insurgency campaigns launched

by Bangkok, all liberally financed with U.S. funds and, often, abetted with advice from various U.S. agencies. None has brought any appreciable results. The insurgent movements have continued to grow, with a total of perhaps 8,500 now under arms in the northeast alone. The Khukrit government seems to be aware that the problem cannot be solved unless there is more effective contact between a heretofore remote government in Bangkok and the people in the localities. It is trying new approaches which include a form of revenue sharing to channel funds to the poorest areas. Also recognized is the need to change the attitudes of the underpaid and corrupt bureaucracy in the insurgent areas. While it may be difficult to persuade soldiers and police who have reaped much of the financial benefit of past anti-insurgent campaigns to become benefactors of villagers, at least an effort is being made to bring about a reorientation. The government's five year plan also emphasizes economic growth in the rural areas and reduction in income disparities. It remains to be seen whether the benefits will actually reach the people.

The Thai economy has weathered the oil crisis, the world recession, and the phaseout of U.S. military involvement in Indochina. Although the rate of inflation was 20 percent in 1974, up from an average of 4 percent in the years before, it has been falling and will probably be down to about 10 percent for 1975. Increased earnings from agricultural exports have been a prime factor in countering oil price increases. The impact of both the recession and the uncertainty over political developments in the region have been felt in the slackening of foreign investment. Tourism, too, is down. Nevertheless, Thailand enjoyed a \$400 million surplus in its over-all balance of payments in 1974 in the face of a deficit of \$657 million in trade. The difference was made up by foreign aid, oil concession payments, tourism and capital inflows.

The United States has given Thailand large amounts of economic aid over the years, much of it in the last decade for the so-called counter-insurgency programs. Thus far, a total of \$672 million in economic aid has been provided by the United States. For fiscal year 1976, \$12 million has been requested.

In an economy as formidable as Thailand's, \$12 million must be regarded as relatively inconsequential. The government's political and economic policies are the critical factors in shaping the nation's future. There would appear, therefore, to be little relevance to either country in the continuance of the bilateral aid program. Indeed, the time seems very propitious to end this vestige of "clientism" and to place the relationship of the two nations on a firm plane of mutual respect, with accent on mutually beneficial exchange.

Petroleum

There are prospects for major offshore petroleum strikes in the Gulf of Siam on Thailand's east coast and in the Andaman Sea west of the Kra Isthmus. Twenty-five wells have been drilled by American companies in the Gulf of Siam. Oil has been found, but the potential is not yet ascertainable. There could be international difficulties in some areas since most Thai concessions, overlap in part, territory also claimed by Cambodia. Thus far, however, there has not been any drilling in disputed areas. Some concessions have also been issued for the Andaman Sea but work there is not likely to start until next year. Thailand has already received more than \$75 prospectors. Renewed consideration is also being given by the Thai government to a proposal to join with Japan in constructing a major pipeline stretching across the Kra Isthmus, and terminating in a large refinery which would refine Persian Gulf crude for shipment to Japan.

Drugs

Thailand is a major site in the international drug problem, not so much as a producer but as the route of transshipment of opium brought in from elsewhere in Southeast Asia. Estimates indicate that about 40-45 tons of opium per year are actually produced in Thailand. This level is sufficient only to meet local demand.

Although some Thai officials may still be parties to the drug trade, the level of involvement is reported to be much lower than in the past. Contrary to the situation in Burma, drugs do not seem to be a significant source of financial support for insurgents but, rather, a means for personal or syndicate enrichment.

Thailand receives equipment from the United States under the narcotics control program. In fiscal year 1975, \$4.8 million was provided, with \$3.7 million more programmed for FY 1976. Bangkok is a regional headquarters for the U.S. Drug Enforcement Agency (DEA) which is active throughout Southeast Asia. The agency has a regional budget of \$500,000, but the figure does not include assistance to other governments which runs into the millions. There are 26 U.S. agents in Thailand and they are involved in operational actions as well as intelligence gathering. The day before my arrival, for example, U.S. agents and Thai police had carried out a joint raid on an opium refinery.

This sort of U.S. anti-drug activities in Thailand seems to be highly dubious. Quite apart from the expenditure of U.S. funds, the direct participation by U.S. agents in police activities within Thailand amounts to involvement in internal Thai affairs. While it undoubtedly is meritorious in objective, if is a foot-in-the-door, a point of entry which could lead to extensions and in the end, renewed entrapment in the internal affairs of that nation at renewed cost to the people of the United States. The sorry history of military and economic aid and other activity in Indochina and Thailand over the past two decades should serve as a precaution in this respect. Police actions, including local drug enforcement, are functions of indigenous governments. If there is a U.S. role, it should be limited to the exchange of information and intelligence with appropriate Thai or other officials. Beyond that point, U.S. financial assistance for anti-drug operations at whatever level may be set by the Congress, in my judgment, is best channeled through international or regional organizations.

Foreign policy and United States-Thai relations

President Nixon's trip to Peking and the end of U.S. involvement in Indochina have created a new milieu for Thai foreign policy. From direct links and intimate cooperation with the United States in matters of security, Thailand has moved towards a neutral position. An effort is now being made by Bangkok to assure good relations with all the major powers. A case in point was Prime Minister Khukrit's visit to Peking in July which resulted in the establishment of diplomatic relations with China. So, too, was the official protest to the United States over the use of Thai bases in the Mayaguez affair. That incident, moreover, was followed by a demand for the complete withdrawal of U.S. forces from Thailand.

The outcome of the Indochina war was not only a factor in the new Thai approach to China, it also resulted in intensified interest in closer association with the Southeast Asian nations. Within five months after taking office, Khukrit visited not only Peking but all of the ASEAN countries. Thailand joined in support of the proposal to create in Southeast Asia a zone of "peace, freedom, and neutrality" which would be guaranteed by the great powers. There is no indication

thus far, however, that this grouping will include any type of joint security arrangement. In that sense it would not be a substitute for the SEATO Organization which Prime Minister Khukrit and President Ferdinand Marcos of the Philippines have urged should be "phased out to make it accord with new realities in the region." This proposal, it should be noted, relates only to the organized activities under the Southeast Asian Treaty and the large headquarters staff in Bangkok. It does not involve a renunciation of the actual treaty, the so-called Manila Pact. Thailand is the only signatory in the area, however, to which the Pact now has practical application insofar as a U.S. security commitment is concerned. Pakistan renounced the treaty several years ago and the Philippines, Australia, and New Zealand, are tied to the United States by other defense arrangements.

The security relationship between the United States and Thailand is complicated by the existence of the 1962 Rusk-Thanasat communique in which the obligations of the Manila Pact were held to be both joint and several. Under that interpretation, it would seem, the multilateral SEATO treaty would also amount to a bilateral U.S.-Thai treaty. Thus, the treaty, potentially, has far more significance than the "scrap of paper," as it is often called today. An attack, for example, by an enemy in Southeast Asia could conceivably lead to a Thai call on the United States to come to its aid notwithstanding the disinclination of any other of the signatories to do so.

The fact is that the Manila Pact was born of an old and now altered view of China. It is of no current relevance to U.S. interests in Asia. Left in abeyance it is, perhaps, a source of potential mischief or embarrassment. We would be well-advised, therefore, to re-examine this agreement forthwith, with a view to its termination.

It should be noted in this connection that Prime Minister Khukrit has called for the complete withdrawal of the 19,000 U.S. military forces in Thailand by the end of March 1976. Some references, however, have been made to the possible retention of a standby capacity at the U Taphao Base, manned by a small caretaker force.

For more than a decade, my view has been that the United States, in its own interests should withdraw militarily from the Southeast Asian mainland, "lock, stock and barrel." It remains my judgment that it is not in the interest of this nation nor, probably, in the interest of Thailand to have a U.S. capacity retained at any of the installations in Thailand. There should be no toe-hold which would serve as a potential source of reinvolvement of U.S. military forces on the Southeast Asian Mainland.

Laos—The sands run out

It has been said that in Laos the French laid foundations of sand and that we tried to build on them. As seen from Thailand, the sands have run out. Since the fall of Cambodia and South Vietnam, the Pathet Lao have rapidly expanded their control of Laos. The advance occurred without much resistance or bloodshed, with the opposition tending to evaporate or flee the country. Three of the five government military commanders had left the country by early August and another left shortly afterwards.

In the capital of Vientiane, the Pathet Lao have also extended their control of the coalition central government. Prime Minister Souvanna Phouma is still in nominal command but he is reported to be virtually powerless. The King remains on the throne but is said not to play a political role. Laos is now described as a "Democratic People's Kingdom."

U.S. relations with Laos are strained and minimal following the forced closing of U.S. aid operations last June. The size of the U.S. mission dropped from 800 (including de-

pendents) in April 1975 to 32 by mid-August. It is estimated that there are also some 50 other Americans without official status remaining in Laos. U.S. assistance is not being provided to Laos as a result of a prohibition contained in the continuing appropriations resolution for FY 1976. The new U.S. Ambassador to Laos has been confirmed by the Senate, but as of late-summer had not yet been ordered to his post. In this fashion, a U.S. involvement of 22 years which cost billions of dollars and many lives is drawing to a close.

Exactly twenty years ago, in 1955, on the occasion of a third visit to Laos, I reported to the Committee as follows:

"* * * military aid policies which seek to do more than bulwark the security forces to the point where they can cope with armed minorities and stop occasional border sallies seem to me to be highly unrealistic. By the same token economic aid programs which attempt to move an ancient pastoral country overnight from the age of the oxcart to that of the airplane are equally unsound to say the least. Both, in attempting to do too much, in my opinion, can do incalculable harm.

"In Laos as in Cambodia, there has been an enormous increase in United States activity and in the size of the (U.S. official) mission during the past year. At the time of my first visit to Vientiane in 1953, there were two Americans in the entire country. Now (1955) there are some 45. Accordingly, I recommend that the Executive Branch, as in the case of Cambodia, review the extent of our activity in Laos and the size of the mission with a view to keeping both within the realm of the reasonable."

IV. UNITED STATES-PHILIPPINE RELATIONS

The Philippines have seen incursions of many peoples—Borneans, Indians, Chinese, Arabs, Indonesians, Spaniards, Americans and others. All have left traces, large and small, in the nation's culture. Of these, the American is, of course, the most recent and one of the strongest. The impact which resulted therefrom is only now in the process of being fully absorbed into the mainstream of Filipino life.

In the sphere of government-to-government relations, for example, there are still U.S. controlled and operated military bases in the Philippines. Until very recently, too, special trade and investment arrangements were in effect. In these, and in other ways, aspects of the pre-World War II dependent relationship were carried over for three decades in a sort of half-way house to full independence.

The Republic of the Philippines is now clearly on the final stretch of that course. At home, the political system transplanted from the United States is no longer operative in its original form. Abroad, what was once an almost automatic concurrence in the course of U.S. foreign policy has been replaced by a pursuit of independent Philippine national objectives. While not abandoning defense agreements with the United States, Philippine foreign policy is presently aimed at establishing good relations with all the great powers and stronger cooperatives arrangements in Southeast Asia, as well as with other developing nations.

Foreign policy and United States-Philippine relations

While the sudden end of the U.S. involvement in Indochina appears to have produced this shift in Philippine foreign policy, the fact is that the changes have been underway for a long time. In a larger perspective, they can be seen to emerge from the sense of Philippine nationalism and Asian identity which has been growing for many years. Heretofore, these inner forces were not readily perceived because of the

Footnotes at end of article.

persistence of strong elements of the prior dependent relationship with the United States. Therefore, it is more accurate, in my judgment, to state that it is not that the Filipinos are losing confidence in the United States as some have contended; but, rather that they are gaining confidence in themselves.

In a speech on May 23, 1975, President Ferdinand E. Marcos outlined these guidelines for a new foreign policy:

"First, to intensify, along a broader field, our relations with the members of ASEAN;

"Second, to pursue more vigorously the establishment of diplomatic relations with Socialist states, in particular with the People's Republic of China and with the Soviet Union;

"Third, to seek closer identification with the Third World with whom we share similar problems;

"Fourth, to continue our beneficial relationship with Japan;

"Fifth, to support the Arab countries in their struggle for a just and enduring peace in the Middle East; and

"Finally, to find a new basis, compatible with the emerging realities in Asia, for a continuing healthy relationship with the United States."

As a result of a visit to Peking by President Marcos in June, 1975, the Republic of the Philippines established diplomatic relations with China. Such ties also exist with all of the Communist nations of Eastern Europe, except Albania and the Soviet Union and formalization of relations with the latter expected to be only a matter of time.

Efforts are being made to establish relations with successor governments in Indochina. At the time of my visit, however, the new government in Cambodia had not responded to a Philippine statement of recognition. Talks have been under way in Paris on the establishment of diplomatic relations with North Vietnam but initiatives have not yet been taken on the resumption of relations with Saigon.

The Philippines is a strong supporter of ASEAN which is seen as something of a fulcrum. Through this medium, Manila is seeking greater cooperation on economic matters and the creation of a "zone of peace, freedom, and neutrality" in Southeast Asia. The Republic is also moving to establish better relations with other Third World nations. One aspect of policy bears a relationship to the Muslim problem in the south since the Middle Eastern nations are sympathetic to their co-religionists in the Philippines. They are also the source of most of the petroleum used in the Republic. In Saudi Arabia, an impression was conveyed that the Arab states were prepared to do what they could to promote a reconciliation between the Muslims and Manila.

In Philippine eyes, as well as in Thailand's the SEATO organization has outlived its usefulness. However, the question of the Manila Pact has not yet been addressed, although it adds little to Philippine security since it overlaps the bilateral Mutual Security Treaty with the United States.

President Marcos has called for a reexamination of all U.S.-Philippine security arrangements. These arrangements consist of a Military Base Agreement which dates from 1947 and runs until 1991, a Mutual Security Treaty entered into in 1952, and a 1955 Military Assistance Agreement which forms the framework for the U.S. military aid program. The stress of the President's proposal is on the base accords.³

As a Pacific nation, the United States has interests in the region which are as extensive as the ocean; retention of the mutual security treaty with the Philippines is, presently, a major element in the military protection of those interests. Conversely, Philippine security comes under the umbrella of

the same treaty. There is no desire on our part or on the part of Manila to terminate this accord. If anything, the latter's concern is that operation of the pact be more automatic. In this connection, the continued presence of U.S. forces at Clark Field and the Subic Bay Naval Base does act as something of an assurance of our immediate involvement in any attack on the islands.

The Air Force Base at Clark Field, 52 miles north of Manila, spreads over 131,000 acres, making it greater in size than the combined area of all U.S. air bases outside the continental United States. It covers such a vast area that squatters operating surreptitiously are said to have raised an estimated \$10 million worth of sugar cane on base lands last year. The Subic Bay Naval Base complex occupies 36,000 acres of land and encompasses 26,000 acres of water. Much of the land within the boundaries of both bases is not used for direct military purposes.

Fifteen thousand U.S. servicemen are stationed at the bases, and they are supplemented by 47,000 Filipino employees. The 1974 budget for Clark and Subic was \$232 million. The bases represent a major investment for the United States, a major payroll for the Philippines and the principal current issue between the two countries.

The Manila government has announced that in negotiations for a new base agreement, it will be guided by these principles: to give added impetus to Philippine self-reliance, to enhance respect for the territorial integrity and sovereignty of the Philippines and to help maintain a balance of power in the region. The United States has acknowledged Philippine sovereignty over the base area but, in fact, continues to exercise aspects of sovereignty. These carry-overs of the former colonial relationship are a major point at issue. What concerns the Philippines was clearly stated by President Marcos on July 7, 1975.

"We want to put an end to the practice of extra-territoriality in our country in keeping with our dignity as a sovereign Republic and in keeping with the developments of our times. We want to assume control of all U.S. bases and put them to a productive economic, as well as military use."

Negotiation of a new status for the bases, from the Philippine point of view, involve three main issues: (1) "Filipinization" of the bases or elimination of extra-territorial carry-overs; (2) use of portions of the bases for commercial purposes and economic development which can be on a joint basis; and (3) return of portions of the base lands.

Difficult negotiations may be ahead. It should be reiterated, however, that the Philippines government stresses that it has no desire to embarrass the United States. Nor, it should be added, do the U.S. commands at the bases fail to recognize that the old days of the dependency are over. Our forces can remain usefully in the Philippines only if their presence accords with today's realities which include a heightened sense of Philippine nationalism and a strong emphasis on self-reliance.

On the part of the Philippines, there is contemporary value in the contribution which the bases can continue to make to Philippine security, to regional stability, and to the economy. On the part of the United States the bases, as noted, are elements in the defense of the United States and its interests in the Pacific. The need is for a new relationship which will reflect these mutual interests in the light of altered circumstances. If both U.S. and Filipino officials approach the negotiations with a realistic understanding of their own and each other's needs, there is every reason to expect that a satisfactory agreement can be reached promptly.

Political and economic situation

The Philippines has been governed under martial law since 1972. President Marcos, who

was twice elected under the old U.S. sponsored Constitution, has served as chief executive since 1965. His announced goal is the formation of a New Society, described as one "founded on social justice, the equal sharing of the increments of development, and participatory democracy" with reforms in the areas of "peace and order; land reform; economic development; the enhancement of moral values; government reorganization; educational reforms, and social services." Although the President has not announced plans to create a National Assembly as called for under a new 1973 Constitution, plebiscites have been experimented with from time to time in forms adapted from old indigenous political practices. The President recently referred to the possibility of forming an appointed consultative body, a Legislative Advisory Council.

There is no indication of when martial law will end. Nor are there any indications of a broad public demand for its termination. Visible evidences of martial law are few; there are far fewer uniforms, for example, on the streets of Manila than on those of Washington. For all practical purposes, the system amounts to rule by Presidential decree, with curbs on civil liberties. While the Catholic hierarchy, as such, is not actively aligned against martial law, some opposition does come from segments of the Church, particularly those which include a number of foreign clergy. A few members of the proscribed legislature are also outspoken critics. So, too, are certain old Filipino families of great wealth whose holdings and influence have been drastically curtailed and who charge that these prerequisites have been shifted to others. In general, however, the improvements in public safety and economic well-being which are associated with martial law have won, at a minimum, general acquiescence.

There are two major insurgency problems in the Philippines. Both have roots which stretch back into pre-independence days. One is the New People's Army (NPA). It is a guerrilla organization based on Luzon which has an ideological base derived from Chinese communism. Its basic armed strength is estimated at 1,800. There is also the Muslim rebellion in the south centered in Western Mindanao and the Sulu Archipelago.

The rebellion traces back to ancient disputes between the Muslims who first occupied Mindanao in the 12th Century and the Christians who arrived centuries later. It is a controversy which has been fueled in recent years by aid to the insurgents from Libya and Sabah and by encroachments on Muslim lands from an expanding Christian population intent on economic development. Estimates indicate that there are at least 5,000 Muslims under arms. The insurgency is a sensitive issue for the government internally since Muslims make up about 7 percent of the population. There is also concern over sympathy for the rebels from abroad which might lead to endorsement of a more activist policy by Muslim nations, especially those in a position to cut off most of the petroleum supply of the islands.

The Philippine military, which takes 15 percent of the national budget, has more than doubled in size largely because of the rebellion. About 80 percent of the combat forces are tied up in the south where they are suffering substantial attrition. About 75 were killed in action monthly during the first half of this year. According to U.S. officials, no U.S. military personnel are permitted to go into the combat areas and no U.S. personnel are involved in the military situation.

In Saudi Arabia, as noted, indications were received of the possibility of a negotiated settlement of the insurrection. It was said that agreement on a cease-fire hinged on autonomous status for Muslim areas within the Republic and a government-sponsored program of extensive social improvements. As

Footnotes at end of article.

of this writing, however, the government and the rebels seem as far apart as ever on the specifics of autonomy. Nor is there much likelihood of social and economic improvements being carried out in any substantial way while fighting is in progress.

Notwithstanding these internal difficulties, the performance of the Philippines' economy reflects considerable improvement over past years. The 34 percent rate of inflation in 1974 has declined drastically. Food prices are increasing now at an annual rate of only 5.5 percent while non-food prices are going up by 8.4 percent. By conservative appraisals, it is expected that the overall rate in 1975 will be 15-20 percent.

The Philippine government takes an active role in the economy which includes the planning of development and the imposition of price controls on some commodities. The reliance on imports is still heavy in order to meet consumer needs but this is expected to change as the new stress on independence and self-reliance extends more deeply into the nation's economic life. Last year exports were \$2.7 billion and imports \$3.1 billion. Nevertheless, the year ended with a \$50 million favorable over-all balance of payments due to foreign capital inflow, foreign aid and tourism. It is estimated that the trade deficit for 1975 may reach \$700 million, due in large measure to the decline in sugar prices and depressed market conditions for coconut products and lumber and the increase in the prices of imported items.

Japan is the leading exporter to the Philippines and the United States is second with 23 percent of the market. Forty-three percent of Philippine exports go to the United States and in 1974 they produced for that nation a favorable bilateral balance of \$400 million. Private and official U.S. credits to the Philippines total nearly \$3 billion. U.S. equity investments have an estimated market value of \$2 billion.

The expiration of the Laurel-Langley Agreement in July, 1974 ended all remaining bilateral tariff preferences with the Philippines. At the same time, U.S. firms lost their exemptions from general Philippine restrictions on foreign investment. This adjustment has been brought about without major problems and U.S. firms are reported to be doing well in the new situation. Negotiations have not yet commenced on a new treaty of commerce but the way has now been cleared by the passage of the 1974 Trade Act.

The Philippines receives assistance, mostly loans, from the United States and from international institutions. U.S. economic aid totaled \$56 million in fiscal year 1975. At the same time, the World Bank provided \$209 million in loans and is expected to furnish \$250 million for FY 1976. Assistance is also provided through the Asian Development Bank which is headquartered in Manila, with some \$100 million expected from the Bank in the current fiscal year.

While foreign investment is welcomed, it is admitted on a selective basis which is designed to enhance economic self-reliance and balanced development. Except in unusual circumstances, such as in newly opened areas, foreign equity is limited to 40 percent.

There is still a great gap in living standards between urban and rural areas. However, emphasis in development is being put on the rural areas and there are indications that its share of national income is increasing.

With one of the highest birth rates in the world, the Philippine population is growing rapidly. From 20 million at the time of independence in 1946 the increase has been to 42 million today and the total could reach 100 million by the end of the century. A majority of the country's population is under 16 years of age. In practical terms, the growth rate each year means 2 million mouths to feed and a requirement for 600,000-700,000 new jobs.

Petroleum

Exploration for petroleum offers the possibility of adding a strong stimulus to the Philippines economy. Thirteen major groups, primarily Filipino-U.S. joint ventures, hold concessions both onshore and offshore notably in the sea west of the island of Palawan. No strikes have yet been reported but extensive test-drilling has not yet taken place so it is too early to estimate the prospects.

All of the country's requirements of 70 million barrels of crude per day are now imported. The Mideast is the major source but increased amounts are coming from other sources such as Sarawak, Indonesia, and the People's Republic of China. Whatever the outcome of its own petroleum exploration, the Philippines intends to achieve independence from fossil fuels through development of geo-thermal resources and nuclear power. It is expected that this goal will be reached on the main island of Luzon by 1985.

Summary

In summary, the Philippine Republic is experiencing a period of growing national assertion and economic progress. At the same time, its ties with the United States which go back three quarters of a century are in transition. What is involved in this transition of principal concern to the United States are the vestiges of the previous dependency relationship which, in my judgment, no longer accord with the enduring interests of either nation. There is a need for a reshaping of attitudes and arrangements which will reflect the changes that have taken place within the Philippines and in the Pacific and the world. The future of the Philippines is bright and so, too, can be the outlook for continued cooperation and beneficial interchange with the United States if the adjustments which are now required are made in good time and are managed with sensitivity and understanding—on both sides.

V. POSTSCRIPT

China's petroleum potential

Reference has been made throughout this study to petroleum developments in the region of Southeast Asia.⁴ Far more significant, are the developments associated with the People's Republic of China. There is widespread interest in the subject and it has prompted this postscript which is based on the latest information which was made available to me during the course of the mission. It supplements observations derived from my last visit to China in 1974 which were reported to the Committee in January 1975.⁵

Since that time, there have been additional indications that China may soon emerge as the world's next great oil producer. No one, not even the Chinese, know the country's full petroleum potential, either onshore or offshore. Outside experts agree, however, that it is vast with estimates of reserves ranging from 30 billion to 60 billion barrels. China's peak production before 1949 was slightly more than 300,000 tons annually but by 1970 it had increased to 18 million tons. In recent years production has grown by more than 20 percent annually and in 1975 is likely to exceed 80 million metric tons. This rate of increase is expected to continue for at least the next five years. If this proves to be the case, 1980 production will be about three times the 1973 level. One observer wrote recently that "Peking appears likely to reach the current production level of Saudi Arabia by 1988 or hereafter,"⁶ (i.e., some 8 million barrels a day or 400 million tons a year). As much as half of that output could be available for export, a formidable factor in relationships with the oil-hungry nations of the world.

China is expected to export 8 million tons

Footnotes at end of article.

of oil to Japan in 1975, and smaller quantities to the Philippines, Thailand, North Korea, and North Vietnam. Exports to the Philippines are continuing at a rate of 14,000 barrels per day and additional sales may be made to Thailand. Some difficulty has been encountered in refining Chinese crude to Japan, the Philippines, and Thailand where existing equipment is not designed to handle the high wax content.

New fields onshore in China are being brought in and drilling is proceeding at several offshore locations. Although there have been no announcements of offshore discoveries by the Chinese, some observers believe that the drilling now in progress is as much for the purpose of mastering techniques as it is to find oil. Drilling has been under way in the Po Hai Gulf for two years and commenced late last year in the Yellow Sea near Shanghai, with a Chinese built rig.

There has also been activity on one of the Paracel Islands, claimed by both Vietnams, and some prospecting around Hainan Island. An oil potential exists in the Senkaku Islands area which lie north of Taiwan and are claimed by China, Japan, and Taiwan. Apparently, there has been no drilling by American companies in any area disputed by Japan.

There is not only a great potential for oil along the continental shelf of Asia but also much potential for trouble in view of the many overlapping claims. Thus far, the United States has stayed out of these conflicts and, should continue to do so. In my judgment, an essential element of our policy, is to discourage private U.S. prospecting in any areas in significant international dispute.

Excerpts from my January 1975 report to the Senate Foreign Relations Committee concerning China's oil situation are reprinted below:

Petroleum

In 1973 China entered the international oil market with the sale of one million tons of crude oil to Japan and, in the following year, entered into arrangements for substantial shipments to the Philippines. The latter commitment was made in conjunction with the well-received visit of Mrs. Imelda Romualdez Marcos, the wife of the Philippine's President.

China has been self-sufficient in petroleum since 1965 and for several years prior to the 1973 sale to Japan, had been exporting petroleum products to North Vietnam, North Korea, and Albania. The Chinese are now looking to crude oil as a major earner of foreign exchange, to help finance increased imports of industrial plants and equipment. The old slogan, "oil for the lamps of China," used by Western traders to exploit China for so long, has been given an ironic twist.

The continental shelf off China's shore, particularly the areas between Taiwan and Japan and under the Yellow Sea, are considered by many petroleum experts to contain some of the richest oil reserves in the world. China's coastline extends from the Bay of Korea in the North to the Gulf of Tonkin in the South and the continental shelf slopes gently out as far as 200 miles in some places. No one really knows how great the offshore potential is since exploration began only recently. Deep sea drilling rigs have been bought from Japan and additional exploration equipment has been purchased from the United States and other countries. However, most of the petroleum technology being used to develop China's oil resources, offshore and on land, is China's own. China recently announced, for example, the bringing in of its first offshore well in the Yellow Sea, using a rig built in a Shanghai shipyard.

There will be thorny international problems in developing some of the offshore oil potential along Asia's periphery. Following

the publication of the result of a 1968 United Nations sponsored geophysical survey of the Chinese continental shelf, Taiwan, Japan and South Korea each advanced overlapping claims to parts of the region. In December 1970 the People's Republic issued its claim to the continental shelf and to ownership of the Senkaku Islands, although the latter are also claimed by Japan and Taiwan. While U.S. policy is to lend no encouragement to exploration in the disputed areas, some U.S. companies have obtained concessions from Taiwan. Specifically, these corporations are Gulf, Amoco, Conoco, Oceanic, Clinton and Texfel. Several of the concessions lie off the Senkakus. However, no U.S. drilling operations have yet been conducted in that area but Amoco, Gulf and Conoco have been involved in drilling off the west coast of Taiwan in the Taiwan straits, with the work being done by American-owned vessels of foreign registry and manned by foreign crews. There have been no U.S. Government investment guarantees issued for these drilling operations.

There is also an oil potential in the Paracel Islands, southeast of Vietnam, claimed by both South Vietnam and China but occupied solely by China. In fact, the People's Republic had a drilling rig on one of the islands at the time of a military encounter there between the two countries in 1974. There are also conflicting claims of China, South Vietnam, the Philippines and Taiwan to the Spratly Islands which also lie to the southeast of Vietnam. With oil reserves an increasingly important asset, overlapping claims off the Asian littorals contain the seeds of very serious difficulties. While the United States should not shirk participation in international efforts to deal in a rational way with these difficulties, we should not provide government incentives or otherwise lend encouragement to companies which wish to plunge ahead with exploration and development in disputed areas.

In addition to an offshore potential, China has very promising internal oil bearing basins. In fact, the main emphasis is still on land exploration. Estimates of China's total reserves have been consistently revised upwards over the last ten years. Even approximate figures on how much oil China may have are not available. The general view, however, is that the potential is very great.

I was informed that China's oil production was now "in the same range as Algeria's, perhaps a little more." Chinese output is increasing at the rate of twenty percent annually. If this rate is maintained, it would push production to over 400 million tons by 1984, compared with an estimated 80 million plus tons in 1974, making China a major factor in the world petroleum trade.

China sold 5 million tons of crude oil to Japan in 1974, earning about \$450 million, and is said to have committed 10 million tons for 1975. Smaller amounts have been sold to the Philippines and Thailand. There are also reports that China has offered to sell oil to U.S. companies. China's 1975 petroleum exports are expected to be double the 1974 level and to continue to climb as new production comes in. Output is limited only by a shortage of equipment and transport.

Some pertinent points about China's oil export potential are brought out by the following excerpt from a recent analysis:

"Peking's plans to expand oil exports substantially during the next five years are borne out by the construction of new oil-handling facilities at the ports of Chin-huang-tao and Tsingtao and the purchase of dredging equipment needed to make Chinese ports deep enough for large tankers of more than 50,000 DWT to transport oil for export. The tonnage of tankers in the Chinese international fleet has doubled in the past year and now totals almost 200,000 DWT.

"The goal of 50 million tons of crude oil for export in 1980 appears feasible. Reserves are large enough, even without production from offshore fields. If production accelerates, or even if it only continues to grow at 22 percent—the rate achieved during 1965–1972—the PRC could export 50 million tons in 1980 and still provide a generous leeway for using oil to modernize the economy."

As a developing country, China needs increasing amounts of petroleum. The potential for export, therefore, may not be as great as it seems at first glance although it should be substantial because the Chinese do not use energy or any other commodity for that matter in a wasteful or profligate manner. Indeed, if the United States followed even a part of the Chinese practices in the use of petroleum, this nation would be more than self-sufficient.

Eighty percent of China's energy is produced from coal, and coal reserves are estimated to be one-third of the world's total. Every province has some coal. Like oil, coal remains largely unexploited and could eventually become a major export earner."