U. S. Plans Aid Programs To Push Recovery in Asia

Series of Projects for French Indo-China, Indonesia, Philippines, Korea and Japan in Various Stages of Development

By James Reston
Special to The New York Times

WASHINGTON, Jan. 5 — The United States is planning a series of economic—aid programs for French Indo-China, Indonesia, the Philippines, Korea and Japan in an effort to expedite economic recovery and stability in the Far East and Southeast Asia.

These programs are in various stages of development, some of them being approved by the White House, while others are still at the pick-and-shovel level in the State Department. In sum, however, they are designed as the positive side of President Truman's decision against any military or naval intervention in Formosa.

The broad outlines of the plans are understood to be as follows:

1. FRENCH INDO-CHINA — De facto recognition is planned for the new state of Viet Nam soon after the French National Assembly ratifies the agreements making that portion of Indo-China an independent state within the French union. At the same time, economic aid from the United States will probably be made available to the new state through the Economic Cooperation Administration.

2. KOREA — The Administration will press Congress for approval to extend aid to that country, in line with other aid to Asia.

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London Drops Chiang Envoy In Move to Recognize Reds
RECOVERY IN ASIA
AIM OF U. S. PLANS

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of a $90,000,000 economic assistance program, and make available a limited number of arms for internal security, approval of which was given as part of last year's military assistance program.

INDONESIA—The United States will support an Export-Import Bank loan to the new United States of Indonesia, and may support a loan from the International Bank for Reconstruction and Development to assist the new Government to develop its rich resources. Meanwhile, the Indonesians are getting some military help from the Dutch to help them maintain internal order, and some additional arms may be made available from the United States.

THE PHILIPPINES—No decision has been made yet to deal with the flight of capital from the Philippines or to give new economic assistance to the islands. The problem is being studied sympathetically here, however, and a continuation of past economic programs may be arranged. If the Philippine Government can demonstrate that additional aid will be managed more effectively than in the past.

JAPAN—The economic recovery and capital expansion programs of the Government, through the occupation funds, will be continued and perhaps expanded in the coming year, with emphasis being placed on enabling the Japanese to increase the use of their own resources to earn more foreign exchange. It is emphasized in official Washington quarters that the Administration is planning an Asiatic recovery program similar to the European Recovery Program. Efforts are being made to use the $750,000,000 the Soviet government earmarked for Indonesia as a model for aid to other countries. The United States is thought to have received an agreement in principle from the U.S.S.R. to lend or sell the Philippines, Thailand, and possibly the Philippines, a total of $300,000,000. The Lapu-Lapu, an escort cruiser, is being turned over to the Philippines by the United States, and the United States is making a grant of $5,000,000 to the Philippine Government as an emergency loan.

Soviet Airs Peiping Story
Of U. S. Base on Formosa

Special to The New York Times
MOSCOW, Jun. 5—The most prominent foreign news dispatch in most Soviet newspapers today was a report from China charging the United States has entered a secret agreement with the Kuomintang for turning Formosa into a United States base for the defense of the Chinese continent and a struggle against the peoples of Asia.

The dispatch, which originated in Peiping, listed the details of the alleged agreement between the United States and the Chiang Kai-shek regime under which it was charged that if the Nationalists were unable to halt the advance of the Chinese People's Republic the United States would openly occupy Formosa with the "excuse of transferring to the United Nations the question of the establishment of a trusteeship over Formosa.

The report published in Moscow, which preceded President Truman's statement yesterday that the United States wanted no bases on Formosa and would not intervene in the Chinese civil war, was based on a Chinese Communist broadcast previously published.

supposed to be used within the next few weeks, but an effort will be made, probably with the approval of the Administration, to make some of that money available later this year.

Elsewhere, plans for assistance have not yet materialized. The projected $100,000,000 deal to exchange United States wheat for Indian strategic raw materials seems to have bogged down for the time being. The situation in Burma is so chaotic that State Department officials candidly confess they do not know how that situation can be improved by immediate economic or military aid.

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Seeks to Promote Recovery

What the Government is trying to do is to promote recovery and stability in the Far East and Southeast Asia, in the belief that economic chaos would encourage a further expansion of communism. Each country is a separate problem, however, and efforts are being made to use the limited resources that are likely to be available to help the situation as much as possible.

Assistant Secretary of State Walton Butterworth will go to Bangkok for a meeting with Ambassador at Large Philip C. Jessup and United States diplomatic representatives in Southeast Asia next month. After that meeting, some additional efforts may be made to define United States policies in Southeast Asia.

Meanwhile, various other moves are expected. The French, for example, are due to arrive in Vietnam Tuesday. It is anticipated that it will improve the independence of Viet Nam under Bao Dai. At that time, requests for economic assistance will be made as a means of blocking the desires of the majority and perhaps may be maneuvered into acting on its first veto.

Two influential delegations discussed tonight that, in hope that something could still be done to save Formosa from Communist invasion, they were studying the possibility of making the island a United Nations trusteeship. Such a move would take place in the United Nations, they pointed out, would make it possible for the United States to take part in the defense of Formosa by the United Nations without exposing it to charges that it was trying to grab a part of China.

However, all trusteeship except those for strategic areas must be approved by the Security Council, which is not scheduled to meet until September.

As Congress recognizes the need for foreign aid, it is taking a more active role in deciding upon the aid programs. The State Department is concerned that aid to China is not being increased sufficiently. There is a feeling that aid to China is not being increased sufficiently.

Mr. Acheson still needs assurance from Congress that the $75,000,000 allocated for use in the general area of China can be spent in some of the countries without violating the intent of the Military Assistance Act. The best guess is, however, that he will be reassured on this point before long, and that he will get Congressional encouragement to do what he can to develop resistance to the non-Communist nations of China, which is our first priority.

Antired Stand Is Urged

MacArthur Will Present Views On Far East to Jessup

TOKYO, Friday, Jan. 6 (UP)—Gen. Douglas MacArthur will urge the United States Government to draw a definite line in the Far East beyond which communism will not be permitted to spread, it was made known today.

General MacArthur will present his views to Dr. Jessup, who arrived here yesterday at the start of his Far Eastern tour. The Allied Commander in Chief, who is expected to emphasize the need for a clear-cut anti-Communist policy in Asia, plans to be in Washington late next month. The policy that was evoluted to halt communism in Europe.

Uninsurmountable sources said that General MacArthur would try to convince Dr. Jessup that the step that the United States is taking in the Philippines is important now. He will take the position that if the United States took a firm stand now, it would mean that less ground would have to be recovered later.

Despite the statement of President Truman that the United States would not intervene in Formosa, high officials here believe that the State Department is wrong in trying to write off that stand as virtually long dead and as of insignificant strategic value.

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However, all trusteeships except those for strategic areas must be approved by the General Assembly, which is not scheduled to meet again until September, although the Jerusalem question may require a special session this spring.

Mme. Chiang to Go to Formosa
WASHINGTON, Jan. 5 (UP)—Joseph Ku, press spokesman for the Chinese Embassy, said today that he had been informed that Mme. Chiang Kai-shek was preparing to go to Formosa. Mr. Ku said that to date for the departure had been set and that Mme. Chiang was still in New York City.

The Administration has some money at its disposal now to help it in its efforts to block the expansion of communism in Asia. It has $75,000,000 approved in the military assistance program for use in the “general area of China.” It has an additional $27,840,000 appropriated last year to give military assistance to Iran, Korea and the Philippines. It can authorize the expenditure of some Economic Cooperation Administration funds in various places, including Formosa, if it decides it is in the interest of the United States to do so.

Nearly $30,000,000 Available

There is also still nearly $30,000,000 available in ECA funds that could be used to assist the economic situation in Formosa. Various influential members of Congress, not including those who have been plumping for military intervention by the United States, are in favor of extending the time in which that money can be used.

Under present legislation, it is policy that has evolved to halt communism in Europe.

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General MacArthur was in the Philippines when World War II began. He probably will recall that the Japanese used Formosa as a staging base for drives into the Philippines and the East Indies.

Military men in Japan were amazed by the State Department’s attitude. One veteran member of General MacArthur’s staff, who talks to the Commander in Chief daily, said that it was obvious that the State Department’s views were not drawn up by anyone with military experience. He added that apparently these views were the views of somebody who had never been in this part of the world.
ternal order, and some additional arms may be made available from the United States.

4. THE PHILIPPINES—No decision has been made yet to deal with the flight of capital from the Philippines or to give new economic assistance to the islands. The problem is being studied sympathetically here; however, and a continuation of past economic programs may be arranged. If the Philippine Government can demonstrate that additional aid will be managed more effectively than in the past.

5. JAPAN—The economic recovery and capital expansion programs of the Government, through the occupation funds, will be continued and perhaps expanded in the coming year, with emphasis being placed on enabling the Japanese to increase the use of their own resources to earn more foreign exchange.

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Assistant Secretary of State and Under Secretary of State for Far Eastern Affairs, William J. Donovan, will visit the Far East next month. After that meeting, some additional effort may be made to define United States policy in Southeast Asia.

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Elsewhere, plans for assistance have not yet materialized. The projected $100,000,000 deal to export wheat to India now looks like a good bargain. The strategic raw materials seem to have bogged down for the time being. The situation in Burma is so chaotic that State Department officials candidly confess they do not know how the situation can be improved by immediate economic or military aid.

Mr. Acheson still needs assurance from Congress that the $75,000,000 allocated for use in the "general area of China" can be spent in some of these countries without violating the intent of the Military Assistance Act. The best guess is, however, that he will be reassured on this point before long, and that he will get Congressional encouragement to do what he can to develop resistance to communism through economic and military aid in both the Far East and Southeast Asia.

ANTI-RED STAND IS URGED

MacArthur Will Present Views on Far East to Jessup

TOKYO, Friday, Jan. 6—Gen. Douglas MacArthur will urge the United States Government to draw a definite line in the Far East beyond which communism will not be permitted to spread, it was made known today.

Gen. MacArthur will present this view to Dr. Jessup, who arrived here yesterday at the start of a five-week Far East tour.

Mr. Acheson also denied that there had been important differences between him and Secretary of Defense Louis Johnson on the question of aid to Formosa.

said there had been minor differences, but they were confined to the degree of weight that should be given to the political and military factors in the situation.

He insisted that he and the Defense Secretary were not at cross-purposes.

Mr. Acheson also explained why the policy statement had been revised at the last minute to put "at this time" at the end of the second sentence "the United States has no desire to obtain special rights or privileges or to establish military bases on Formosa at this time."

"That phrase," said Mr. Acheson, "does not qualify or modify or weaken the fundamental policy stated in this declaration by the President in any respect. It is recognition of the fact that in the unlikely and unhappy event that our forces might be attacked in the Far East the United States must be completely free to take whatever action in whatever area is necessary for its own security."

Possibly in anticipation of criticism that was to descend from Capitol Hill, the Secretary said that the policy statement was issued "at this particular time" to clear the air of confusion, both here and abroad, about United States intentions in Formosa.

Clarification Was Aim

Discussions that have ranged from gossip to contributions by "distinguished statesmen" have according to Mr. Acheson, "stirred up a good deal of speculation, a lot of which, if allowed to continue, would be highly prejudicial to the interest of the United States in the Orient and the Orient in the United States.

"Therefore," he continued, "was the President's desire to clarify the situation."

It was learned, meanwhile that the first statement on the Formosa situation had been asked for by Joint Chiefs of Staff by the State Department about eighteen months ago. Since that time, policy has been based on that and other appraisal.