

SECRET

War Department
Office of the Chief of Staff

JH

1 June 1945

MEMORANDUM FOR GENERAL HULL:

The attached paper was handed to me by the Secretary of War with a request for "the reaction of the Staff to it." I do not know the author but understand that he is an economist.

I believe that your Strategy and Policy outfit is in the best position to make the study.

(Handwritten initials)
I. I. H.

SECRET

DECLASSIFIED
ODD Dir. 5200.9, Sept. 27, 1950
Murray - *WTC* - date *1/11/72*

copy, want to see 7 June.

We should today take stock of the position of the United States and Britain.

A. Hitler, Mussolini and their allied dictators in Hungary, Bulgaria and Roumania are crushed. The British, French, Belgian and Dutch Empires are safe for a while.

B. Stalin has annexed Latvia, Estonia, Lithuania, Eastern Poland and Bessarabia. He has set up Communist governments responsible to him in Poland, Roumania, Bulgaria, Jugo-Slavia, Finland, Czechoslovakia and Austria. He will set up governments that are largely Communist and likely to become more so in Italy, Greece and Northwest Germany.

Thus Stalin's sphere of political domination has been extended over 15 non-Russian peoples in Europe as a result of this war. They embrace a population of about 200,000,000 people.

C. This expansion will have economic effects upon the United States and Britain. The economic life of these countries under Russian sphere will be socialized and there will no longer be an opportunity for American or British private enterprise therein. Their foreign trade will be conducted through government agencies and thus American and British exporters and importers will need to deal, in effect, with gigantic monopolies. These monopolies will compete with us in other markets.

D. There are only three great areas in the world where the Americans and British might have freedom and opportunity in economic life. That is, in (a) the British, French, Belgian and Dutch Empires, (b) the Western Hemisphere, and (c) Asia outside of Russia.

E. We will defeat Japan. But Russia will likely annex Manchuria.

119

North China and Korea. From this base she is likely to expand over the balance of China and over all Japan by ideological penetration. The British will be unable in this case to stop the penetration of Communism into her Asiatic possessions.

F. The likelihood of this increases every day the war with Japan continues, both because Russia will soon clarify her implied demands for Manchuria and North China and as the war goes on she spreads more Communism in those countries.

II

Despite any qualified promises that have been made Russia will not come into the Japanese war at least until the major fighting is over because:

1. She is tired.
2. It is a difficult operation at the end of a six thousand mile single-track railway.
3. She can take what she wants after we have defeated Japan.

III

If we fight out the war with Japan to the bitter end, we will need put 1,000,000 men to attack the Japanese home islands and possibly 2,000,000 on the Asiatic mainland, as Japan has armies of 3,500,000 men left. And we are likely to have won the war for Russia's benefit just as we have done in Europe.

IV

In all these lights which now shine out from Europe, Russia and Asia, a revolution in policies is needed for America and Britain. Russia, not being at war with Japan, has no direct rights in the settlement of the Japanese war.

119

Suppose Chiang Kai-shek, in order to assure the preservation of Manchuria to China and the ascendancy of his own government in the organization of China, should make peace upon the terms:

1. That Japan withdraw from all of China, including Manchuria, and hand the government of China to Chiang Kai-shek.
2. That the Chinese Government receive all of the Japanese Government railways, ports, mines and factories in Manchuria as reparations.
3. That Japan be confined in Korea and Formosa. Neither of these peoples are Chinese and China has no particular moral rights in these countries.

V

Suppose America and Britain made peace with Japan upon the terms:

1. That she be totally disarmed and a disarmament commission be established in the country to see she is kept so. By naval and air fortifications on certain Pacific islands, we can see that the disarmament commission is able to perform.
2. That we ask no reparations or other concessions from her.

VI

What are the results to the United States and Britain?

1. America will save 500,000 to 1,000,000 lives and an enormous loss of resources.
2. Another 18 months of war will prostrate the United States to a point where the Americans can spare no aid to recovery of other nations.
3. We gain everything that we can gain by carrying on the war to a finish.
4. It would stop Russian expansion in the Asian and Pacific areas. Japan, in these circumstances, would not be likely to go Communist.
5. Those areas would be kept open to free enterprise.
6. Japan could make economic recovery which is to the advantage of all free nations.

119

7. If we fight Japan to the bitter end, there will be (as in Germany) no group left who are capable of establishing government and order. We will be confronted with establishing a military government in which China, Russia and France will demand participation with all the dangers that that involves.

8. Under such terms there would be the hope that Japan would return to cooperation with Western Civilization and not agitate for revenge for another century as is likely to be the case otherwise.

Thus, China, Britain, Japan and America would be better off.

VII.

The question at once is, would Japan accept these terms? If she has military and economic sense, she would. Nobody knows how she would react. The person to find this out is Chiang Kai-shek who, no doubt, has channels to do it. And if proposals came from China, there would be no case for a charge that she had been abandoned.

119