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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#1a memo	U.A. Johnson to Bundy <i>open 3-24-95 NLJ 95-13</i> S 1 p	6/12/64	A
#2 memo	Duplicate of #1a "		
#2a memo	Rusk to President → Duplicate in NSF: Komer, Korea Dec 63-Mun 66 S 4 p <i>sanitized 2-29-96 NLJ 95-13</i> <i>Open 7/19/02 NLJ/RAC 00-394</i>	6/8/64	A
#2b rpt	"Study of Possible Redeployment..." S 15 p <i>sanitized 2-29-96 NLJ 95-13</i> <i>[duplicate = NSF: Komer; Korea 12/63-5/66, Box 38] same sanitization</i>	undated	A
#2c rpt	Attachment A to #2b S 3 p <i>open 3-24-95 NLJ 95-13</i>	undated	A
#2d rpt	Attachment B to #2b "	undated	A
#2e rpt	"Gold Drain and Budget Estimates" " S 2 p	undated	A
#3a memo	Bundy to SecState and SecDef S 1 p <i>open 1-4-93 NLJ 93-67</i>	6/9/64	A
#4 memo	U.A. Johnson to Bundy S 1 p <i>open 4-17-09</i>	6/6/64	A
#4a memo	Duplicate of #3a <i>open 1-4-93 NLJ 93-67</i>		
#5 memo	Duplicate of #4 <i>open 4-17-09</i>		
#6 memo	Bundy to Holders of NSAM 298 <i>open 1-4-93 NLJ 93-67</i> S 1 p	5/11/64	A
#6a memo	Duplicate of #6 "		
#7a memo	NSAM 298 S 2 p "	5/5/64	A

FILE LOCATION

NSF, NSAM, NSAM 298--Study of Possible Redeployment of US Div. now Stationed in Korea Box 4

RESTRICTION CODES

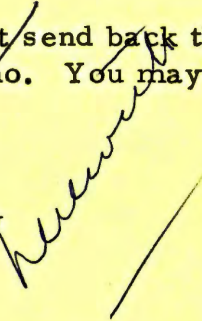
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Jeanette:

When finished with it, just send back the original of the cover memo. You may keep the attachment.

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Polly

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DEPUTY UNDER SECRETARY OF STATE
WASHINGTON

1. Komer
2. *atm*

June 12, 1964

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MEMORANDUM FOR THE HONORABLE MCGEORGE BUNDY,
THE WHITE HOUSE

SUBJECT: NSAM 298 on U.S. Forces in Korea.

In accordance with the suggestion made in your memorandum of June 9 to the Secretaries of State and Defense, there is attached a draft of the proposed response to NSAM 298, U.S. Forces in Korea. While this draft was the result of extensive staff work by the agencies concerned, it had not received the approval of the Secretaries of State and Defense and should, therefore, be considered to be solely a staff draft.

U. Alexis Johnson
U. Alexis Johnson

Enclosure:

Draft Memorandum for the President.

- Cc: W.H. - Mr. Komer (2)
- Defense/ISA (4)
- Bureau of the Budget - Mr. Clark (1)
- Amembassy Seoul (1)
- AID (4)
- E (2)
- INR (1)
- FE (4)
- S/P (1)

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E.O. 12356, Sec. 3.4
NIJ 95-13
By *ig*, NARA, Date 3-20-95

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JUN 15 1964



DEPARTMENT OF STATE

WASHINGTON

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June 12, 1964

~~SECRET~~MEMORANDUM FOR THE HONORABLE MCGEORGE BUNDY,
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7a/ U. Alexis Johnson

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Enclosure:

Draft Memorandum for the President.

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E.O. 12356, Sec. 3.4

NJ 95-13

By ig, NARA, Date 3-20-95~~SECRET~~

June 8, 1964

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D R A F T

MEMORANDUM FOR THE PRESIDENT

Subject: Study of Possible Redeployment of
U.S. Division Now Stationed in Korea

Attached pursuant to your request in NSAM No. 298 is a coordinated State-AID-Defense study of a possible redeployment of one of the two U.S. divisions now stationed in Korea. Appended to the study is a time-phased plan for carrying out the redeployment if such a decision is made.

Defense Department Views

Secretary McNamara has taken into consideration the recommendation of the Joint Chiefs of Staff that a decision on the possible withdrawal, and on the manner of accomplishing it, not be made at this time, pending completion of studies on costs, prepositioning and relocation sites which are now under way. He has considered also the view of the Joint Chiefs of Staff that the withdrawal entails specific risks, and is feasible only if combined with early use of nuclear weapons. Secretary McNamara's conclusion is that the decision to redeploy should be made now and implemented over the next 18 months. He believes that freeing a division from its static commitment in Korea would appreciably improve the U.S. defense posture not only in the Pacific area but world-wide. It is desirable to retain the division as far forward as possible on U.S. territory in the Pacific, but final determination as to the relocation site should await completion of the above-mentioned studies. In Secretary McNamara's judgment, the redeployment would not alter the U.S. strategic position in Korea or restrict the range of alternatives open to us in the event of renewed aggression there. He considers that the U.S. troops that would remain in Korea (over 40,000 at present manning levels), our ability rapidly to augment these forces, improvements in our tactical air capability, the improved flexibility of our over-all military posture in the Pacific and our other actions to counter communism in Asia would constitute convincing evidence of our purpose and will. Secretary McNamara estimates that a maximum annual savings of \$22 million in balance of payments expenditures and \$8 million in budgetary costs could be realized under the most favorable redeployment conditions. This maximum savings would be reduced to the

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By jc. NARA. Date 5-23-02

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extent that new facilities were constructed, the Forward Floating Depot augmented, or the Korean economy compensated for the U.S. withdrawal.

State Department Views

My own view is that the proposed redeployment would not be in U.S. interest at this time, as the risks are disproportionate to the relatively small balance of payments and military gains (if any). However, I do agree that the matter periodically be reviewed, possibly again this coming December.

My view may be summarized as follows:

Consequences for Our Over-all Far Eastern Position -- Our position in Asia is under heavy strain this year. A move of the sort proposed would entail the considerable danger of injecting further unsettling effects. Particularly at a time when our position in Southeast Asia is so critical, I would wish to avoid any semblance whatsoever of an implied U.S. willingness to withdraw our power from the Far Eastern area. I believe that Peiping's strategy is directed at having us tire of the frustrating problems in that area of the world, and I would not want to encourage them in the erroneous belief that they are succeeding. If it were possible to have the entire division deployed in a forward area in the Pacific such as Okinawa, Guam or the Philippines, this might have a positive political and psychological effect. However, such a deployment would entail major construction costs and other difficulties. The alternative of withdrawal to the U.S. of all or even a large portion of the forces would give exactly the wrong political signal. While I do not challenge the view of the Secretary of Defense that we may have the capacity of redeploying the forces in question to the Far East as required, the principal issue is not our capabilities but what both our allies and the Communists read as our intentions. Withdrawal of a U.S. division from the Far East, no matter what our technical capabilities may be, will be read as a U.S. intention to disengage.

Consequences in Korea -- Moreover, the redeployment would undermine Korean confidence in U.S. military capabilities and intentions just as the reorganized civil Government addresses itself with apparent determination and new promise to a settlement with Japan, economic stabilization and, largely through these means, strengthening of its own position and achievement of a measure of political stability. Realization of all these goals, in which the U.S. has so large a stake, would be seriously jeopardized. The withdrawal would

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also inevitably and undesirably focus attention throughout the Far East on the already heavy nuclear emphasis in our Korean posture. In my recent discussions with Chiang Kai-shek he sharply rejected any possibility of the use of nuclear weapons by the U.S. in Asia as being completely contrary to U.S. interests. Our other allies could be expected to take an even more vigorous stand in opposition. Since the Joint Chiefs of Staff do not endorse a reduction of U.S. forces in Korea unless a prior commitment to a nuclear strategy is accepted, the entire military rationale of the proposal gives me serious concern. In this connection, if the elements of the division which it is proposed be sent to Alaska are given responsibilities in terms of Alaskan defense, it is doubtful that they will be immediately available for rapid deployment to the Far East in case of need.

Financial Consequences -- As for the effects of such a redeployment upon the U.S. balance of payments and budget, Secretary McNamara's savings estimates specifically do not take into account construction of prestockage facilities on land and sea or the providing of necessary funds to compensate the Korean economy and stabilization program for the loss of income (estimated at \$15 million) from the redeployed division. The studies of AID and State staffs indicate that the net annual balance of payments benefit after these factors are taken into account would be very small (probably negative if a brigade were deployed to the Philippines) and that there would be a definitely adverse effect on the U.S. budget -- initial one-time budgetary costs ranging from \$92 million to \$370 million, and annual budgetary costs of from \$7 million to \$26 million.

Possible Solution

At the same time I fully share the view of the Secretary of Defense that our force posture in Korea results in inflexibilities in the use of our military resources. I have given considerable thought to this problem and am persuaded that we can find a way which is politically feasible, assuming it is also militarily feasible, to develop a more responsive force posture in the Far East. Basically, my proposal is that we transform one of the two divisions in Korea into a mobile reserve stationed in Korea but available for meeting crises elsewhere in the Far East. I do not feel that we must accept complete inflexibility in our Korean deployment, particularly when events are making clear the potential requirement for U.S. ground forces elsewhere in the Far East.

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I recognize that there may be a reluctance on the part of the Koreans to see us transform one of our divisions into a mobile Far Eastern area reserve. However, I think we can make a strong case that the most effective way to deter Communist adventurism anywhere in the Far East, including Korea, is by demonstrating our ability to deal immediately and effectively with aggression wherever it occurs throughout the region.

It seems to me time to make this adjustment in the use of our military resources which are, after all, not unlimited. I am prepared to explore the feasibility of this proposal with Secretary McNamara and, if found militarily feasible, to work out a specific plan for your approval.

Dean Rusk

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Study of Possible Redeployment of
U.S. Division Now Stationed in Korea

This memorandum sets forth the views of the Departments of State and Defense and of AID on the possible redeployment of one of the two U.S. divisions now stationed in Korea. A time-phased plan for such a redeployment, when and if decided, is at Attachment A.

I. Defense Recommendations.

1. Defense recommends that the redeployment of one U.S. division (12,000 personnel) and 3,000 support personnel from Korea be decided now and effected over the next 18 months.

a. There are several feasible relocation sites for this division. The transfer of one brigade to Fort Lewis, Washington, and the remainder of the division to Alaska is the most readily available solution and it also provides the best opportunity for budgetary and balance of payments savings, estimated respectively at \$8 million and \$22 million annually. Other options include stationing one brigade in the forward Pacific area on Guam or in the Philippines, with the remainder of the division in the U.S. (including Alaska) or in the Hawaiian Islands. In all these options the division would be available for use in the Western Pacific. Attachment C presents in tabular form the financial considerations of the redeployment, showing a broad range of costs and possible savings. Critical items in determining costs are the redeployment location selected, the extent to which equipment is prestocked, whether the Forward Floating

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Depot is enlarged for this purpose and the extent to which replacement is made to Korea for the dollar earnings there which the redeployment will terminate. Cost studies and site surveys in the Pacific area should be made, as recommended by the Joint Chiefs of Staff, prior to selecting the redeployment area. Although this would require some delay of announcement of the decision to withdraw, the advantages of announcing the redeployment area at the same time are believed to justify this delay.

b. Defense recommends that some items of heavy equipment (e.g., tanks) for the withdrawn division be prestocked in Korea or in Okinawa, and that consideration be given to adding to the Forward Floating Depot at Subic Bay in the Philippines. In conjunction with one brigade stationed in a forward area of the Pacific, equipment in the Forward Floating Depot for a division less a brigade and less heavy equipment prestocked on land would permit the rapid positioning of a full division wherever needed in the Pacific area. Operation QUICK RELEASE has demonstrated the remarkably good condition of equipment stored in the Forward Floating Depot. The final determination of the items to be prestocked on land and those to be maintained afloat should await further study, as should the location of land prestockage as between Korea and Okinawa.

c. Construction for prestockage of heavy equipment in Korea is estimated to cost \$2 million. If additional prestocking

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(for a division less a brigade) on a Forward Floating Depot is utilized, additional costs are involved: \$22 million for preparation of ships, an annual maintenance cost of \$15 million, including \$5 million of balance of payments expenditures, and the cost of any prestocked equipment which cannot be made available for this purpose from War Reserves.

2. The Defense recommendation has taken into account the recommendation of the Joint Chiefs of Staff that a decision on the possible withdrawal and the manner of accomplishing the withdrawal not be made at this time pending completion of studies under way. Consideration has also been given to the military implications of the withdrawal which the Joint Chiefs have stated as follows:

That the concept of a reduction of forces [REDACTED] 1.5(a)

[REDACTED]
[REDACTED] is feasible.

That entailed in implementing the above concept are a number of risks which they summarize as follows:

- a. [REDACTED] 1.5(a)
- b. The airlift required for rapid redeployment of the forces withdrawn could encounter interference by enemy actions.
- c. The withdrawn U.S. division, if redeployed in an emergency and equipped from prepositioned stocks, would risk having its capability reduced by equipment which has deteriorated, become obsolescent, or suffered damage from enemy action.

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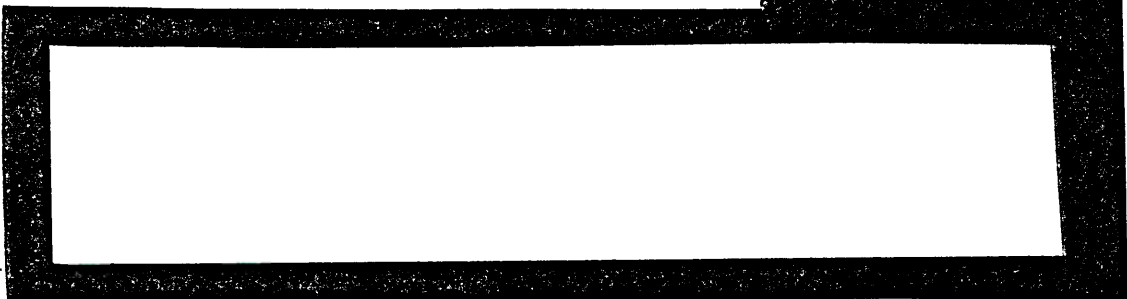
d. The reduced ground strength in Korea could permit shifting of ChiCom forces from Northeast Asia for employment elsewhere.

e. Our Allies could misinterpret the withdrawal as a lessening of U.S. interest and lose a degree of confidence in U.S. support.

f. Other UN members might withdraw their forces and/or liaison officers from Korea, thus diminishing or ending the UN nature of the command.

3. The recommendation of the Secretary of Defense is based on the following factors:

a. The present level of U.S. forces in Korea is in excess of needs to contain a North Korean attack, but is too small for defense against a sustained North Korean-ChiCom attack.



1.5(a)

b. The order of magnitude increase in our tactical air capability within the past several years has greatly increased our ability to interdict enemy lines of supply and to provide close support to ground forces. The deterioration in ChiCom air strength has further helped to improve our position.

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c. The withdrawal of a division from its static commitment in Korea would add this force to the U.S. strategic reserve. The result would be an appreciable improvement of the U.S. defense posture in the Pacific area and elsewhere throughout the world.

d. A brigade deployed forward in the Pacific area, as provided in some options under consideration, would provide a combat force of 4500 men ready to respond rapidly to emergencies anywhere in Asian area.

e. Our strategic airlift capabilities, together with the prepositioning of equipment for a division in a forward area of the Pacific, would enable us to deploy a division rapidly anywhere in the Asian area, including its timely return to Korea if necessary.

f. The approximately 41,000 U.S. troops remaining in Korea, and our ability to deploy augmenting forces, should be convincing evidence of our determination and ability to defend Korea.

g. The withdrawal would not affect U.S. operational control of Republic of Korea forces since about one-fourth of present U.S. strength in Korea would be involved in the withdrawal, and the Koreans will remain heavily dependent upon U.S. support in many forms.

h. The withdrawal is desirable from the over-all military viewpoint. It should not be delayed in anticipation of a time when all other factors will be ideal, since such a time is never likely to come.

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4. To counter possibly adverse reactions of the Republic of Korea, other allies, neutral countries, and the Communists to the redeployment, Defense recommends the following actions:

a. The proposed move should be presented to other governments and to the public for what it is: a remarshalling of U.S. forces which takes into account the realities of the present military situation in Korea and which will improve the over-all capability of the U.S. to respond to aggression in Asia and elsewhere in the world. A program should be undertaken through diplomatic channels, and subsequently in the press, that would stress the following points:

- The ability of the ROK forces to resist North Korean aggression.
- The substantial U.S. forces that would remain in Korea.
- The improvement in U.S. tactical air quickly deployable to Korea.
- The quickness with which the U.S. forces could be deployed to Korea and the measures that are being taken to insure this rapid reaction if needed.
- The stationing of a brigade (4500 men) in a forward area of the Pacific, should this option be selected, would be visible evidence of U.S. ability to respond rapidly to Communist aggression anywhere in the Asian area.

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- The prepositioning of equipment in a forward floating depot, which would facilitate the rapid deployment of the division to Korea or elsewhere in the Asian area.
- The extensive efforts that the U.S. is undertaking in meeting Communist aggression in Southeast Asia as further evidence of our purpose and will.

b. Large-scale mobility exercises should be conducted periodically to emphasize the validity of our claims to increased mobility and to demonstrate the rapidity with which U.S. forces could be deployed into the area.

c. The Military Assistance Program for Korea should be readjusted to include tanks, artillery and other equipment needed to fill deficiencies in the 18 ROK active army divisions. This equipment is not essential to the capability of these forces to contain a North Korean attack, but it would improve their sustained combat effectiveness. Of equal importance, it would tend to assuage ROK concern about the capabilities of the South Korean forces to combat renewed North Korean aggression. The FY 1965 Military Assistance Program for Korea (\$146 million) contains \$4 million for the types of equipment needed. To add to this amount would mean deferring other high priority items for Korea or taking monies from other programs. Defense believes that the best solution for funding the needed equipment would be a transfer of FY 1964 funds from AID to Defense. If this concept is approved, the details of the transfer, not to exceed \$29 million, could be worked out immediately.

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d. Consideration should be given to replacing the \$15 million foreign exchange which the troops to be withdrawn now provide the Korean economy. Possible measures include:

1. Additional Supporting Assistance
2. Program loans
3. Offshore MAP procurement in Korea
4. Increased U.S. imports from Korea - specifically a higher ceiling could be granted, as requested by the Koreans, on textile products which Korea exports to the U.S.

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II. State-AID Recommendations.

The Department of State and AID believe that the proposed redeployment would not be in U.S. interest at this time and accordingly that it should not be broached to the Korean Government. They propose to review by December 31, 1964, the advisability of the redeployment. State's objections to the DOD proposal to initiate the redeployment plan now are:

a. The U.S. position in Asia is under heavy strain this year -- in Vietnam, Laos, Indonesia and elsewhere -- and we face intensified international pressures with respect to Communist China and its admission to the UN. Fortunately we have a position of relative strength in Northeast Asia, but withdrawal of a division from Korea at this time, taken in conjunction with other developments in the Far East, would pose real risks to this position, thus adding to the unsettled situation throughout the entire Far East. The stabilizing effect of a brigade moved to another forward Far Eastern area would be outweighed by the unsettling effects of the apparent substantial reduction of U.S. overall troop strength in the Far East. The Administration has been attempting to get the message to Hanoi (which also means Peiping) that any impression that the U.S. will get tired of the Vietnam effort and withdraw is wholly wrong. Withdrawal of a division from Korea would tend to confirm in Hanoi and Peiping any judgment they might have that their policies are succeeding and that we are becoming war weary in Asia.

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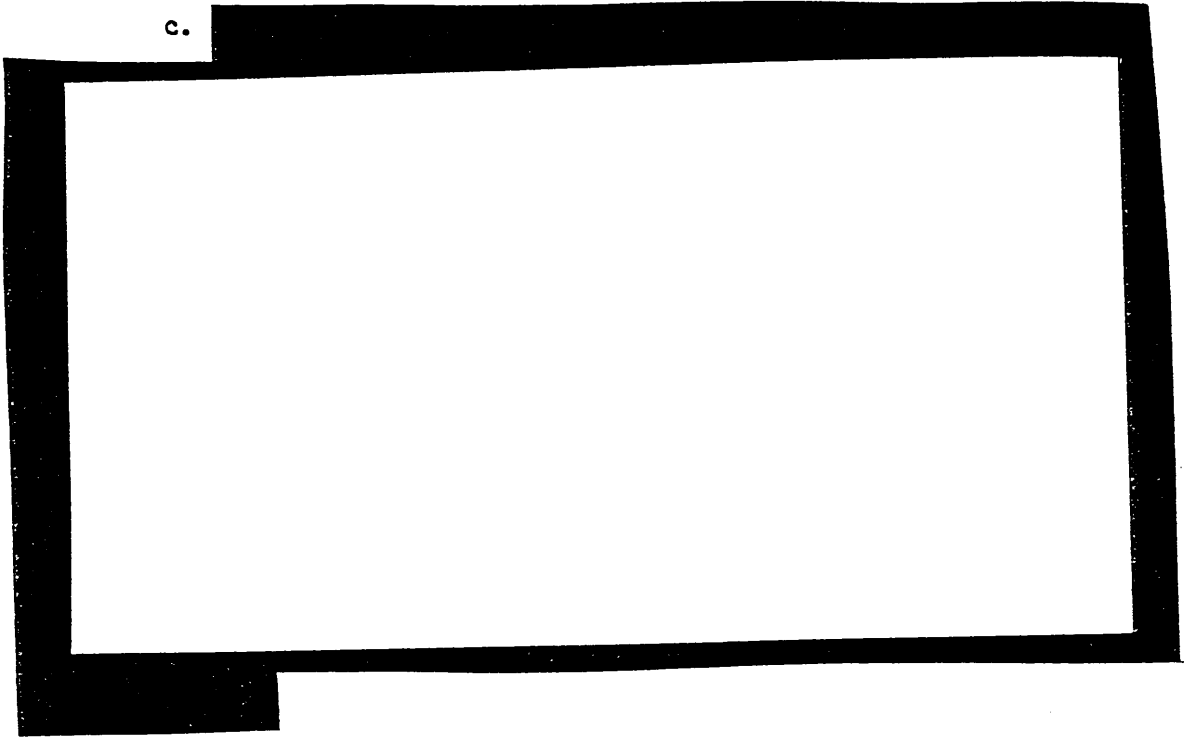
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b. The memory of the U.S. force pull-out in 1949 is still fresh in Korea, although there is an obvious difference between the current proposal to withdraw one of the two divisions and the complete pull-out in 1949. Sizeable U.S. force reductions now would undermine confidence in our abilities and intentions just as the reorganized civil government addresses itself with apparent determination and new promise to a settlement with Japan, economic stabilization (following the May 3 won devaluation) and, largely through these means, strengthening of its own position and achievement of political stability. Announcement now of the withdrawal of a U.S. division, even if the dollar income loss to the Korean economy were fully compensated, could jeopardize all these important objectives. The plan, understood to be favored by Defense, to place the remaining U.S. division in ready reserve position, taking it off the front line, and to place much of the equipment of the division removed from Korea in a floating depot, instead of prestocking it on the ground in Korea, would magnify the adverse psychological effects there. Even if the Koreans did not challenge continued U.S. control within the UN Command following the withdrawals, the effectiveness of that control would be reduced and U.S. influence exercised through our military presence would be weakened. Possibilities of the Turkish and Thai companies being withdrawn would be significantly increased, leaving only U.S. and Korean forces in the UN Command. This would give

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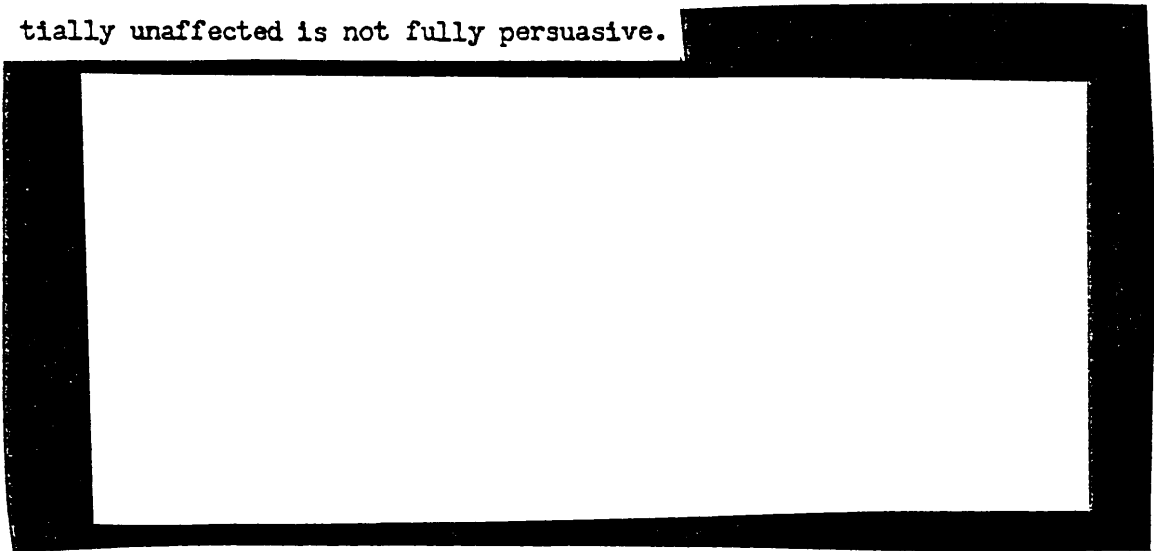
ammunition to the Communists in their efforts to portray the UN Command as a purely U.S. force, and to press for its dissolution.

c.



1.5(a)

d. The military case that our posture in Korea would be essentially unaffected is not fully persuasive.



1.5(a)



e. Coming on top of the recently announced U.S. redeployments from Japan, the withdrawal might weaken Japanese confidence in the U.S. military commitment and posture in Northeast Asia and might fortify neutralist-pacifist sentiment, thus adding to the Japanese Government's difficulties in securing necessary public and Diet support for the limited but gradually growing Japanese defense effort. No decision should be taken to withdraw a division from Korea without prior discussion with the Government of Japan.

f. It appears possible that elements of the division redeployed from Korea to Alaska would be assigned Alaskan responsibilities. In such case those elements might not actually be available for rapid deployment to the Far East. The net effect of the Defense proposal could be to remove from the Far East all or the greater part of the division and to raise serious questions about the availability of these troops for any rapid redeployment.

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g. State and AID do not believe that U.S. forces should be retained overseas for the purpose of supporting the economies of host countries. Nevertheless, the reduction of \$15 million per year in Korean foreign exchange earnings resulting from withdrawal of one division (Defense foreign expenditures, less the amount spent outside Korea) would have to be fully made up by increased U.S. economic assistance or other compensation to the Korean economy. Unless so compensated, this foreign exchange loss would jeopardize the stabilization program, a major U.S. objective in Korea, by necessitating curtailment of essential imports or reduction of Korean foreign exchange reserves already at rock-bottom. Alternatively, it might cause the Korean Government to use Japanese funds provided under a Korea-Japan normalization settlement, if achieved, to meet minimum maintenance of economy requirements -- resulting in charges that the U.S. had forced Korea to solve a U.S.-created problem with Japanese money.

PL 480 is not a feasible offsetting device because its use is already maximized. Korea does not yet qualify under the statutory criteria for program lending. Continued decline in Supporting Assistance is a cardinal point in our relations with both the Koreans and the Congress. Thus, minimum, one-for-one compensation would probably have to be in the form of increased Defense procurement in Korea for U.S. forces remaining there, especially of POL, and reversal of plans to include POL in the MAP transfer program. A more generous plan, seeking to compensate for the psychological impact in Korea of

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the withdrawal, would include the minimum program to compensate for the dollar loss, plus a commitment to provide additional U.S. project loans (if not already promised to facilitate a Japanese settlement), concessions in the volume of permitted Korean textile exports to the U.S., or provision of increased MAP hardware to the Korean forces to replace lost U.S. firepower. (See Attachment B for fuller discussion of the compensation question.)

h. U.S. balance of payments savings from the proposed move will vary with the redeployment option chosen by Defense. It is not likely under any circumstances to be substantial, and with forward redeployment in the Western Pacific may well be negative. Assuming complete redeployment to Alaska/Ft. Lewis and adoption of the Defense prestockage proposals, and excluding the increased U.S. assistance or other compensation that would have to be given to Korea, the reduction in U.S. foreign expenditures once the move has been carried out would be no more than \$17 million annually. Movement of one brigade to the Philippines would reduce this figure to below \$10 million. The real balance of payments saving in both cases -- still excluding the compensation to Korea -- would be less whatever part of these dollars would have been spent in the U.S. either by Korea or third countries. Compensating Korea for its \$15 million foreign exchange loss would further reduce the balance of payments savings depending upon the form compensation takes. It could result in a net outflow if one brigade

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were redeployed in the Philippines. (See Attachment C for more details on the balance of payments effects under the various options.)

i. According to Defense estimates, the initial budgetary cost of the recommended actions, including construction and prestockage, would range from \$92 million to \$370 million depending upon the redeployment option selected. The annual burden on the U.S. budget, without taking into consideration the compensation to Korea, would be increased by from \$7 to \$11 million. Minimum compensation in the form of Defense procurement in Korea, including MAP procurement, to make up the \$15 million foreign exchange loss to Korea would not result in increased budgetary costs, but other forms of compensation suggested by Defense would. None of these figures include any additions for military assistance to Korea; Defense has recommended a \$29 million increment. The budgetary effects of a more generous compensation program cannot be quantified until its composition and magnitude have been decided. (See Attachment C for the budgetary impact of the various options.)

j. Our view, in light of the above, is that the proposed redeployment would not be in U.S. interest at this time, as the risks are disproportionate to the relatively small balance of payments and military gains (if any). However, I do agree that the matter periodically be reviewed, possibly again this coming December.

Attachments:

- Tab A - Time-phased Redeployment Plan
- Tab B - Effects on the Korean Economy
- Tab C - Gold Drain and Budget Estimates

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Attachment A

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E.O. 12356, Sec. 3.4
NJ 95-13
By 18, NARA, Date 3-20-95

TIME-PHASED PLAN FOR ACCOMPLISHING REDEPLOYMENT

(With Alternate Schedules Based on June 1, 1964, and December 1, 1964, Decision Dates)

Until the decision is made to withdraw the division, any rumor of such action should be categorically denied, because of the extreme sensitivity of the matter in Korea. There should be no preparatory information activity.

1. Decision by U.S. Government: June 1 or December 1, 1964

Any decision to move a brigade to the Philippines should be discussed with the Philippine Government and its agreement sought, at the same time the ROK Government is consulted.

2. Notification to the ROK Government: June 8 or December 8, 1964

(By Presidential emissary)

Talking Points: 1) Reaffirmation of the Declaration of the Sixteen of July 27, 1953, guaranteeing the Korean Armistice, and U.S. commitments under the U.S.-ROK Mutual Defense Treaty, 2) description of advances in mobility of forces, 3) discussion of the action plan in detail, emphasizing the quickness with which U.S. forces could be returned and the pre-positioning of tanks and other heavy equipment, and 4) compensatory actions (paragraph II g).

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3. Consultation with the Sixteen and Japan: June 10 or December 10, 1964

The other fifteen countries who contributed military forces to the UN Command in the Korean hostilities, with the possible exception of Ethiopia, should be consulted, using the same talking points as with the ROK Government. In the case of Turkey and Thailand, an appeal should be made to maintain their military units in Korea, to preserve the international character of the UN Command. If they prove unwilling, an appeal should be made to others of the Sixteen to supply units in rotation. With Japan, in addition to the talking points used with the ROK Government, steps should be taken to ensure continuance of the UN Status of Forces Agreement, governing the use of Japanese facilities in case of renewed aggression in Korea.

4. Congressional Briefings: latter half of June or December 1964

Defense and State have already briefed Congressional committees in executive session on the possibility of a withdrawal. This additional briefing would cover much the same points as the discussion with the ROK Government, and would include mention of our talks with third governments.

5. White House Announcement: July 1, 1964 or January 1, 1965

Emphasis should be on a reaffirmation of U.S. guarantees of ROK security, and on the strategic rather than the economic purposes of the withdrawal.

5. Begin construction of relocation site:

August 1, 1964 or February 1, 1965

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7. Begin construction on equipment prepositioning facilities:
August 1, 1964 or February 1, 1965
8. Begin transfer out of KATUSAs from U.S. division to be withdrawn:
May 1, 1965 or November 1, 1965
9. Conduct mobility exercise in Pacific area:
August 1 - September 30, 1965
10. Complete delivery of available equipment to relocation site:
September 30, 1965 or March 31, 1966
11. Begin assignment of personnel new site in lieu of Korea:
October 1, 1965 or April 1, 1966
12. Complete phase-out of KATUSAs from division being withdrawn:
October 31, 1965 or April 30, 1966
13. Complete withdrawal:
November 30, 1965 or May 31, 1966

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Attachment B

Effects on the Korean Economy (State - AID)

Withdrawal of one division from Korea will have several effects:

1. Korean foreign exchange earnings from the UNC will be decreased by approximately \$15 million per year (the DOD estimate of current gold drain, less the amount now spent outside Korea). Even without the troop cut, Korean official earnings from this source fell from \$86 million in 1962 to \$59 million in 1963, and are estimated to be \$45 million in 1964 and \$40 million in 1965; a further cut of \$15 million cannot be sustained by the Koreans without compensation.

Unless compensated by U.S.G. actions, one or more of the following will occur:

- (a) Decrease in Korean imports. With extremely tight programming we expect that 1964 "maintenance of economy" imports will drop from \$297 million in 1963 to \$241 and \$259 in 1964 and 1965, respectively. Further reduction appears both economically and politically undesirable. Moreover, any substantial reduction would violate the jointly agreed Korean stabilization targets.
- (b) Decrease in Korean Foreign Exchange Reserves or Increase in Short-term Credit Outstanding. Reserves are already very low, and the 1964 stabilization program floor of \$100 million

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is virtually rock-bottom. To increase short-term credits and repayments would increase the demand for future aid and would be inconsistent with the 1964 stabilization program which permits no increase of such credits in 1964.

- (c) Use of funds from a Japanese settlement to support current imports. The Korean government might be forced to use Japanese grant funds (assuming a settlement) for maintenance-of-economy imports rather than capital projects, as we have been urging, to make up for the lost earnings from U.S. forces. They could then accuse us of forcing them to solve a U.S.-created problem with Japanese money.

We believe the first two of these alternatives are unacceptable and the third is undesirable.

2. In principle Korean GNP will be reduced by \$15 million per year, or more than one-half of 1%, without counting any multiplier effect. It is doubtful that the Korean economy can effectively absorb much of the released resources into alternative employment. The major effect will be the loss of jobs by 7,000 Koreans employed by the U.S. military in a country already ridden with unemployment; this could have adverse local political consequences in the present area of divisional deployment.

3. The reduction in foreign exchange earnings could have an important immediate psychological effect on Korean performance of the jointly-agreed 1964 stabilization program. The achievement of

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agreement on and performance of this program has been the major U.S. objective for over a year. We have been building painstakingly the morale and position of those Koreans who have supported this program, and 1964 has been billed as the year of decision in testing Korean courage to take hard steps to support it and to lay the foundation for development. Our efforts are meeting with growing success, particularly in the recent ROKG devaluation decision. A decision now to withdraw a U.S. division, even if accompanied by action to compensate for the foreign exchange loss, would cast doubt upon the dependability of U.S. support, and thus weaken the position of those in the Korean government willing to work with us in the stabilization effort. Failure of the Korean government to carry out this effort could lead to aid demands for additional tens of millions to preserve Korea from economic and political chaos.

Delay of any troop withdrawal until the stabilization effort has taken hold would be helpful. With luck and strong Korean action, this could occur before the end of 1964. With sufficient advance notice of the decision, moreover, and with sufficient dollar compensation, at least the adverse psychological effects could be mitigated in the preparation of the 1965 stabilization program.

Compensatory Measures

1. Minimum Plan.

Our policy has been to cover Korea's essential foreign exchange gap by grant aid, while limiting the gap under an austere stabilization

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program. This policy is based on the high priority given to the maintenance of South Korea's existence. Unless this policy is altered, the loss of \$15 million in Korean earnings would require replacement on a one-for-one basis. Thus, no "minimum" plan of compensation short of full offset of the \$15 million is appropriate. If the calculations in the present stabilization program are accurate, and we believe they provide a bare bones program, a \$15 million reduction or any substantial reduction in foreign exchange earnings would undermine this absolutely crucial stabilization effort, now well under way. Imports for the maintenance of Korea's economy cannot be reduced significantly from the present targets without going below economically or politically acceptable limits, threatening the stability of the Korean government.

The full offset could theoretically take one or more of several forms:

- (a) Increased Supporting Assistance. This would be the Korean preference and would use the tool currently used in Korea for balance of payments support. Use of additional Supporting Assistance is, however, not acceptable to A.I.D. Against Supporting Assistance increases are the doubtful availability of funds in this category, our commitments to Congress to decrease grant aid to Korea on a reasonably regular basis, and our strategy, now working increasingly well, under

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which we have told the Koreans to expect annual decreases designed to put heat on them to maximize self-help efforts, particularly in stabilization and promotion, would indicate both to Congress and to the Korean government a softening of our position and in Korea would invite other excuses for departure from our announced plan.

- (b) PL 480, Title I. Not appropriate for an offset because of absence of further need for the commodities available and because greater food imports would defeat our efforts to promote development of Korean agriculture.
- (c) Increased DOD Procurement in Korea for Remaining U.S. Forces. Total receipts from U.S. forces contracts from appropriated funds for goods and services have fallen rapidly since 1962, in part in response to gold-drain actions taken by DOD. It appears possible that \$6-8 million in additional business could be given to Koreans from this source, admittedly at the expense of gold drain. This action would have the advantage of increasing Korean employment and

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production, as well as offsetting losses in Korean foreign exchange. Further compensation for Korea could come from DOD procurement in Korea of petroleum for its own use, giving Korea foreign exchange earnings of an additional \$3-4 million annually without adding to the U.S. gold drain.

- (d) MAP Purchase in Korea of ROK Military Petroleum Requirements. The source of petroleum for the Korean military is tentatively scheduled for transfer very shortly from the Middle East to a refinery in Korea, and the financing shifted from MAP to the Korean budget gradually over 30 months. If MAP were to continue to pay for these products and procure in Korea, the net gain to the Korean foreign exchange budget would be almost \$5 million in 1965 and \$9 million in 1966, as compared with the tentative schedule.

Choice between Alternatives. The above alternatives provide ways of offsetting the anticipated \$15 million annual foreign exchange loss. We believe that if the decision is made to pull a division out of Korea, alternatives (c) and (d) provide the best method of offsetting the foreign exchange impact. In combination they are adequate

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to the task; they require only U.S.G. decisions plus relatively minor negotiations with the Koreans and others; and neither commits us to programs that cannot be changed when appropriate without complicated foreign negotiations.

2. More Generous Plan.

The tools to supply a more generous plan include those listed above, plus others which do not deal directly with the loss in Korean foreign exchange earnings:

(e) Development Loans. A possible commitment to provide a total of \$100 million in development loan funds over two or more years. State/AID are now exploring the feasibility of offering such a commitment to facilitate public acceptance in Korea of a Japanese settlement. If used in this manner, the same horse cannot be sold again. It will also be difficult to find sufficient economically sound projects and programs meeting development loan criteria, particularly if \$50 million per year of Japanese Government funds become available for similar purposes. These could lead to Korean frustration with U.S. inability to fulfill the pledge in a rapid manner.

(f) Increased Textile Exports to the U.S. Korean

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foreign exchange earnings could be increased by permitting additional textile imports into the U.S. Negotiations on textile restraints with Korea are now blocked with the U.S. offering to permit imports of \$5 million and the Koreans requesting almost \$10 million. Although some textiles not exported to the U.S. may be sold to third countries, relief from the restraint levels now being offered by the U.S. would increase Korean net dollar earnings by perhaps \$3 million annually.

- (g) Increase in MAP Hardware. This could enable the Korean army to increase its firepower to replace lost U.S. firepower.

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DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 95-13
By ing, NARA, Date 3-20-95

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GOLD DRAIN AND BUDGET ESTIMATES

REFLECTING REDEPLOYMENT AND MINIMUM ONE-FOR-ONE COMPENSATION

(Millions of dollars)

	<u>Redeployment to Ft. Lewis/Alaska</u>	<u>Redeployment of one brigade to the Western Pacific, and the remainder to Hawaii, Alaska, or the continental U.S.</u>
<u>Effect on Annual Gold Budget Expenditures</u> ^{a/}		
Gross Savings	22	14 to 22
Savings after Prestockage, Including Forward Floating Depot	17	9 to 17 ^{b/}
Net Savings, assuming compensation of \$15 million in form of aid tied 100% to procurement in the U.S.	17	9 to 17
Net Savings, after prestockage and assuming compensation of \$15 million in form of either adjustment in petroleum MAP transfer or other shifting of Defense procurement to Korea	2 to 12 ^{c/}	- 6 to 12 ^{c/}
<u>Effect on Annual U.S. Budget</u>		
Gross Savings	8	4 to 7
Savings after Prestockage, Including Forward Floating Depot	- 7	- 11 to - 8
Net Savings, after prestockage and assuming compensation of \$15 million in form of aid tied 100% to procurement in U.S.	- 22	- 26 to - 23
Net Savings, after prestockage and assuming compensation of \$15 million in form of either adjustment in petroleum MAP transfer or other shifting of Defense procurement to Korea	- 7	- 11 to - 8

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<u>Initial Non-Recurring Budget Costs</u> ^{d/}	<u>Redeployment to Ft. Lewis/Alaska</u>	<u>Redeployment of one brigade to the Western Pacific, and the remainder to Hawaii, Alaska, or the continental U.S.</u>
Construction	1	62 to 279 ^{e/}
Prestockage Facilities, both land and sea	24	24
Relocation	10	10
Replacement Prestocked Equipment (if War Reserves are not used)	<u>57</u>	<u>57</u>
	92	153 to 370

^{a/} The impact on the U.S. gold budget as shown in this table tends to overstate the real balance-of-payments benefits in at least two respects. It does not reflect the reduction in U.S. exports which might result from a loss of free dollars earned by Japan either directly or via reduced exports to Korea or earned directly by Korea itself. Nor does it take account of the possibility that Korea would use increased tied assistance to make purchases in the U.S. that it would otherwise have made here in any event with its own foreign exchange.

^{b/} Includes also \$900,000 drain on balance of payments for dependents in the Western Pacific area.

^{c/} Depending upon whether the Defense procurement, including MAP, which is shifted to Korea, was originally of foreign origin (such as POL) or of U.S. origin.

^{d/} Excludes \$29 million in increased military assistance for FY 1964 recommended by Defense.

^{e/} Includes dependent housing, estimated at \$24 to \$100 million.

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Ruth:

Distribute to the addressees and Bell of AID,
DCI, (Komer, Bator, C. Johnson, NSC Files.)
Distribution should show on the copies I have
put in parentheses, plus a couple extra copies
for our files.

done
~~to go ready~~
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*Ready to go out ¹³
Thurs. AM*

THE WHITE HOUSE
WASHINGTON

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June 9, 1964

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE

SUBJECT: NSAM 298 on US Forces in Korea

Confirming our oral understanding, the President has agreed to hold in abeyance the exercise called for by NSAM 298. Therefore, no formal reply is necessary at this time. I suggest, however, that we circulate the draft response which has been prepared, so that it can be available for study.

McG. B.
McGeorge Bundy

- DISTRIBUTION:
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E.O. 12356, Sec. 3.4
NJ 93-67
By 1-8, NARA, Date 11-19-92

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DEPUTY UNDER SECRETARY OF STATE
WASHINGTON

June 6, 1964

1. Komer
2. Ketur

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MEMORANDUM FOR THE HONORABLE MCGEORGE BUNDY

SUBJECT: NSAM 298 - US Forces in Korea

It is my understanding that Secretary of Defense McNamara has discussed with you holding in abeyance response to the foregoing NSAM. Secretary Rusk also feels that this is not an opportune time to seek to deal with the subject. Therefore, although the staff work for the two Secretaries has been completed a formal reply will not go forward at this time.

In order to clear the record I suggest that if you concur with the foregoing that you will desire to issue a new NSAM or an amendment indefinitely postponing the request for a response to NSAM 298.


U. Alexis Johnson

DECLASSIFIED
E.O. 13292, Sec. 3.4
By ebm/jc NARA, Date 2-5-09

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McGeorge Bundy

DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 93-67
By ijg, NARA, Date 11-15-92

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7s/ U. Alexis Johnson

U. Alexis Johnson

DECLASSIFIED
E.O. 13292, Sec. 3.4
By cdm/jc, NARA, Date 2-5-09

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THE WHITE HOUSE
WASHINGTON

May 11, 1964

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MEMORANDUM TO

HOLDERS OF NSAM NO. 298, MAY 5, 1964

The President has instructed that the study of a possible re-deployment of one of the U.S. Divisions stationed in Korea, as ordered in NSAM No. 298, is not to be confined to a redeployment to Hawaii. It should explore the advantages and disadvantages of basing the Division, or units thereof, elsewhere, and make recommendations accordingly.

The following specific changes in NSAM No. 298 are called for:

Page 1, para. 1, line 4 - Strike "--to Hawaii--".

Page 2, para. 2, line 2 - Strike "to Hawaii".

McGeorge Bundy

McGeorge Bundy

DECLASSIFIED
E.O. 12356, Sec. 3.4
NJ 93-67
By sig, NARA, Date 11-19-92

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McGeorge Bundy

- Distribution:
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 E.O. 12356, Sec. 3.4
 NIJ 93-67
 By ijg, NARA, Date 11-19-92

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THE WHITE HOUSE
WASHINGTON

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May 5, 1964

MR. PRESIDENT:

In the ordinary way, I would have signed this memorandum myself, but since people seem slow to get it through their heads that you yourself would like a plan of action in this field, we have drafted this one for your signature.

McG. B.

McG. B.

THE WHITE HOUSE

WASHINGTON

May 5, 1964

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DECLASSIFIED
E.O. 12356, Sec. 3.4
NIJ 93-67
By ijg, NARA, Date 11-19-92

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NATIONAL SECURITY ACTION MEMORANDUM NO. 298

TO: The Secretary of State
The Secretary of Defense
The Administrator, Agency for International
Development

SUBJECT: Study of Possible Redeployment of U. S.
Division now Stationed in Korea

This is to request that the Secretary of State coordinate a joint State-AID-Defense study which will enable me to weigh and resolve the choices facing us with respect to the possible re-deployment--to Hawaii--of one of the U. S. Divisions now stationed in Korea. The study should explore what sequence of U. S. actions, involving economic assistance, military assistance, diplomatic communications, and public statements, would minimize the negative effects and maximize the benefit of such a redeployment, taking into account

- Korea's military security
- Korea's short-term political stability
- the long-term U. S. objective of stimulating sustainable economic expansion and strengthening Korea's social and political institutions.

Specific requirements follow:

1. In considering changes in the level and composition of U. S. assistance, the study should offer both a bare-bones minimum program and a more generous variant which would fully compensate the Korean Government for the loss of a U. S. Division. In connection with the latter, attention should be given to the internal economic and military measures by the ROK which we might bargain for--measures that might

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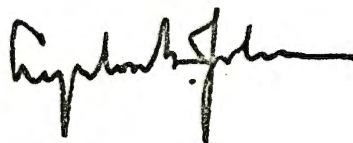
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appreciably shorten the period of Korea's dependence on extraordinary economic assistance.

2. The study should assess the value of such a redeployment to Hawaii for the balance and flexibility of the U.S. military posture.
3. The study should contain estimates of the budgetary gains and costs.
4. As regards the U.S. balance of payments, the study should estimate both the gross gain of withdrawing a U.S. Division, and the net gain that will result, after account is taken of the recommended changes in U.S. assistance.
5. The study should include recommendations as to the steps we should take, in the event of a redeployment, (a) to avoid any misreading of our intentions in Japan, Southeast Asia, Europe--and in Russia and Communist China, and (b) to explain the good sense of the move to the Congress and the U.S. public.
6. As regards timing, I should like two alternatives to be explored: one with a decision date of June 1, 1964; the other with a decision date of December 1, 1964. With respect to each alternative, the study should elaborate a detailed plan of action, giving announcement dates and implementation dates for all major actions.

The study should be completed in time for NSC consideration on May 26.

The White House staff officer assigned to follow the study will be Mr. Robert Komer. Mr. Francis Bator will act in his stead until Mr. Komer's return.



cc: Director of Central Intelligence

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cc: Mr. Bundy ✓
Mr. Komer
Mr. Bator
Mr. Johnson
NSC Files