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Volume I

KOREA PROGRAM MEMORANDUM  
(Draft)

Inter-Agency Program Analysis

NSSM - 27

1 July 1969

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Forward

A complete version of the Korea Program Memorandum (Draft) and Inter-Agency Program Analysis (NSSM-27) is contained in this volume. (A summary version is being distributed separately.) Supporting annexes are included in Volume Two. This edition takes cognizance of comments made by members of the Steering and the Study Group in rounds of review. However, the comments made, changes proposed, or agreements arrived at by members of the various agencies during this review process do not necessarily represent the institutional views of their agencies or commit those agencies in any way; formal agency judgments on the Study will be sought through the further process specified in NSSM-27.

I deeply appreciate the excellent cooperation of the Services, the JCS, various field commands, and all participating agencies in placing capable members of their staffs on the Study Group, performing special studies, making data available, and reviewing drafts. The following members of the Study Group made major contributions within their fields of competence: M. Abramowitz (State), Lt. M. Austin (USN), Dr. T. Brown (State and RAND), Dr. G. Feketekuty (BoB), J. Lynch (USAF), D. MacDonald (State), Col. E. Nacey (JCS), R. Norton (AID), Col. W. Pantajja, Col. J. Uttinger (USA), Maj. L. Webb (USAF), W. White (OSD), and Maj. S. Kanarowski who served as Project Coordinator.

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Project Director

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KOREAN PROGRAM MEMORANDUM (DRAFT)

CHAPTER ONE

FORCE AND PROGRAM ALTERNATIVES

Contents: Decisions, p. 1; The setting for US policy, p. 3; US goals with respect to Korea, p. 4; Alternative program packages, p. 5; Preliminary program evaluation, p. 17; Variants on the program alternatives, p. 23; Observations on implementation, p. 45.

SECTION 1: KEY DECISIONS

The United States is at a turning point with respect to Korea. A number of major policy decisions are in the offing which could alter fundamentally the US-Korea relationship. These decisions could be made individually, as circumstances demand, with a view toward stabilizing our current policy, which centers on direct employment of US forces. Alternatively, taking cognizance of the growing strength of Korea and other Asian countries, our actions vis-a-vis Korea could indicate a policy of increased Asian self-reliance, at least for lesser-power conflicts. Either way, the high cost implications and the strong interactions between various programs -- US deployments, military assistance, economic aid, and other US expenditures -- argue for viewing them in the broadest perspective and in relation to each other.

The more immediate actions and decisions concern:

(1) North Korean Infiltration and DMZ Incidents -- Should the US endorse and support the Korean plan to meet NK provocative incidents, including arming a two million man militia (costing about \$26 million) and developing an integrated counter-infiltration system for the DMZ and coast line (costs ranging from \$20 to \$158 million)?

(2) US Land Force Deployments and Readiness -- Should the US move toward stabilizing current deployments by improving the readiness of our two divisions in Korea, increasing their strength by 8,500 to 13,100 (costing another \$140-\$220 million annually)?

(3) US Tactical Air Force Deployments to Korea -- Should the US continue to maintain the present temporary air augmentation to Korea -- 151 aircraft -- at an added marginal cost of approximately \$20 million annually?

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(5) Economic Aid to Korea -- Should the current US aid phase-out schedule be maintained or interrupted (this schedule entails phase-out of supporting assistance in 1969 and development loans in 1972; PL 480 and technical assistance would continued)? Should the preferential position of Korea with respect to US textile purchases be altered, as has been suggested informally?

In addition to these more immediate decisions, others, larger and more far reaching, also bear consideration in the near future. They concern:

(1) ROK Land Force Improvement -- Should the US endorse and assist in modernizing the current level of ROK forces (costing up to \$950 million in new equipment and entailing about \$135 million annually in foreign exchange for operating expenses after 1974)?

(2) ROK Air Force Developments -- Should the US assist the ROK to develop an air force capable of contending with the North Korean air threat (costing from \$375-\$875 million for modernization and entailing \$74-\$176 million annually in foreign exchange for operating costs)?

(3) ROK Regional Security Forces -- Should the ROK divisions in Vietnam be repatriated in a manner facilitating further use of them in regional contingency roles?

(4) ROK Presidential Succession -- Should the US attempt to influence the course of the ROK 1971 presidential election?

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SECTION 2: THE SETTING FOR US POLICY

There are reasons for viewing Korea with optimism. Since 1963, when the Park government was ratified by a close vote, Korea has seen steady improvements in economic performance, military strength, political effectiveness, and international stature. The economy has grown by some ten percent per year, inflation has been controlled, and exports have surged. Improvements in military capabilities have been confirmed by the strong performance of the two ROK divisions in Vietnam; the country's first expeditionary force provides evidence that ROK forces might well assume a larger defense role at home, at least against North Korean attacks. The growing confidence of the regime was also demonstrated in 1965 by the "normalization" of Korean relations with Japan. ROK contributions to the SVN conflict, combined with Korea's progress on a broad front, have served to shift Korea's relationship with the US from dependence toward partnership.

Despite these developments, for some observers Park's handling of his 1967 re-election suggests that Korea had not matured politically. Though assured of victory over a weak opposition, the Park regime discredited itself by visible election irregularities. Moreover, with victory in hand, the regime took repressive measures against the opposition leadership. If this tendency continues, the 1971 presidential election may become a major test of the South Korean political system: It could result in a constitutional amendment permitting a third-term bid by President Park, an orderly transfer of power to a successor, or abandonment of the constitutional process.

Another factor of concern is the stance of North Korea. The stated political objective of the North is to reunify the Korean peninsula under a Communist regime. To achieve this objective, North Korean Premier Kim-Il Sung appears committed to a strategy of "revolutionary struggle" in South Korea, and his campaign will probably continue to include harassment of the DMZ area and armed infiltration of rear areas. However, because of the strength of the ROKG, the consensus is that North Korea is unlikely to establish guerrilla bases in South Korea or to develop significant political support among the people. Nevertheless, the self-confidence of the Korean government and the confidence it gains from the people will depend substantially upon success in coping with incursions from the North.

Perhaps the most important element affecting US/Korea programs is the evolving US role in Asia. Neo-isolationist sentiment in the US has given rise to doubts about the long-run US commitment to Asian security. The US response to the EC-121 incident failed to reassure the Koreans on the firmness of future US reactions to North Korean affronts. The impending renegotiation of the US security treaty with Japan and its possible implications for the US military posture in Okinawa add to the uncertainty. Korea may also feel uncomfortable with its dependence upon US decisions in Vietnam for the vindication of its first regional security undertaking. This line of questioning assumes increased importance when it is recognized that the ROKG will remain heavily dependent on the US for the severest contingencies and will probably continue to judge US reliability not only by US actions in Korea but in the rest of Asia as well.

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SECTION 3: US GOALS IN KOREA

The US goals set forth in the original terms of reference for this study taken from the study "US Policy Toward Korea" served as a guide for the alternative programs. The goals are: (1) To prevent large-scale North-South hostilities; (2) To maintain a stable compromise among the great powers with interests in Korea; (3) To keep South Korea out of hostile hands; (4) To increase ROK ability to defend itself; (5) To promote South Korea's economic development and political stability; (6) To encourage Japan to make a greater contribution to the security and prosperity of the ROK. The first four, which have direct program implications, can be met without jeopardizing economic development, political stability, or an increased Japanese role in Korea.

There are many ways to meet these goals. In this analysis program alternatives have been developed for US deployments, ROK land and air force improvement, US air forces, ROK naval forces, US/ROK logistic supplies, ROK combat service support, counter-infiltration and economic aid. Two policy perspectives are useful in providing a conceptual framework and giving coherence to program decisions. We have called these alternative program packages "policy continuity" and "accelerated self-reliance." Both are based on the same evidence, but the emphasis given to certain factors has been changed. Each is a way of viewing the current situation in all its complexity. Each has been presented in its most favorable aspect with a tone of advocacy.

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SECTION 4: ALTERNATIVE PROGRAM PACKAGES

4.1 Program Package One: Policy Continuity

Policy and Strategy. The present US national policy and recent US statements of interest toward Korea and other countries of the region form the basis for the current policy of containment. Uncertainties surrounding the future course of events in Asia and the effect they may have on US interests and policy preclude any major changes to the present policy. These uncertainties include: (a) Where North Korea's increasing irresponsibility and aggressiveness may lead; (b) What support, tacit or otherwise, the USSR and Communist China will continue to provide to NK in view of NK's belligerency; (c) How the South Koreans will view a settlement of the Vietnam war as an indicator of the credibility of the US commitment; (d) What base rights in Asia the US will need to support its future regional security posture (in the aftermath of base rights renegotiation with Japan); (e) How ROK domestic political developments will affect ROKG stability and effectiveness.

In this context, US statements and actions relating to Korea should create no confusion about our willingness to continue supporting the ROK. The present US force deployments and military assistance levels are essential for communicating this support. This does not rule out US recognition of Korea's progress or its aspiration toward self-reliance. However, the Koreans should be assured that no substantial changes in US policy or strategy will be made, at least in the foreseeable future.

US Force Deployments, Grant Assistance and Diplomacy

Unless there is a fundamental, considered, and explicit change in US policy and strategy, our military presence in Korea and our military assistance planning levels should remain unchanged. The two US Army divisions in Korea should remain in essentially their present deployment. Periodic CONUS based troop training airlifts would be conducted. US air strength would also remain at about present levels, at least until the North Koreans become more predictable. FRD

FRD However, the appropriateness of the present weapons mix and the vulnerability of present dispositions to North Korean border raids might be reviewed. US use of ROK bases would be oriented primarily toward Korean defense, though the US might seek to increase the utility of the bases for the regional security role through training exercises and routine operations.

In the present domestic political climate, substantial increases in US military assistance for Korea do not appear realistic. Therefore, the best that could be expected is maintaining present MAP levels for the next 3-5 years: this would include some modernization. Additional modernization would depend on supplemental appropriations to improve conventional warfare

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and counter-infiltration capabilities. With respect to economic assistance, in order to further the disengagement of US advisors from internal ROK affairs the US would continue the planned phase-down of economic assistance. We would continue to urge the ROKG to use the ample foreign exchange earnings from invisible and growing exports to improve the long-run competitive strength of its export sector. Other issues, over which military and economic assistance might furnish leverage, would be treated discreetly (such as President Park's third term).

Program Implications

a. US Land Forces. US land forces totalling 52,300 are now deployed to Korea: The deployments consist of: (1) 2nd Division on the DMZ, (2) 7th Division in reserve; (3) separate air defense units; ~~FRD~~ ~~FRD~~. The units have been largely at 80% strength since 1965, the remainder of the personnel coming from Korean augmentations (KATUSA). These forces would be maintained in Korea during the program period, FY 70-74, at an annual cost of \$876 million. It has been proposed at times that the manning level be brought to 90%, the Koreans being replaced by US troops. This would entail increasing US forces by 8-12,000, raising costs by \$140-\$220 million per year. (Total US costs are indicated in Table 4-2 on page 10)

b. ROK Ground Forces. ROK land forces consist of 19 1/3 Army and 1 1/3 Marine Divisions: 1/3 Marine and 2 Army divisions are currently in SVN, the remainder are deployed to defend along the DMZ against either an NK or an NK/CPR attack. Another three ready reserve divisions and seven rear area security divisions exist in the reserve forces. The current MAP program would make available \$467 million in FY 70-74 for ROK land forces; however, only about \$93 million (about 20%) of this total could be used for modernization -- the remainder is needed for spare parts to keep current equipment operating. ROK budget costs for the CY 70-74 period would be US \$1,120 million.

c. US Air Posture. The presence of US aircraft in Korea can help to deter North Korean belligerence while providing a greater range of response options to incidents such as the PUEBLO crisis. The present 151 aircraft deployment would cost about \$98.0 million extra to maintain in Korea rather than CONUS through 1974, though a lesser force (36-48 aircraft costing \$27-35 million) appears preferable. Priority should be placed on providing additional hardened airfields sufficient to accommodate the large-scale US air augmentation that would be needed to counter an all-out North Korean attack. \* No funds are available for such construction yet.

\* See Section 3, Chapter III, for airbase requirements.

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d. ROKAF Air Posture. The present MAP FY 70-74 plan incorporates modest improvements to the ROKAF aircraft inventory at a cost of about \$146 million. This force will remain inferior to the NKAF and reliant upon the US for assistance to counter a major attack. The ROKAF has experienced difficulties retaining qualified technical personnel, and new tactical aircraft should be easily maintainable types such as F-5s and A-37s. Provision of a squadron of complex F-4Ds, scheduled to commence in August, 1969, is inconsistent with this experience. ROK budget costs for the CY 70-74 period would be about \$170 million.

The most pressing problem is the insufficient airbase infrastructure. The present program also includes \$59.9 million (DoD funds) for airbase hardening. One program for constructing new bases and upgrading existing facilities would cost \$104 million above the current program (see Alt. C, Sections 1 and 5, Chapter III) to accommodate both the ROK and a modest US air augmentation. Additional hardening for POL, aircraft and munitions would cost another \$10-12 million. Inadequate existing point air defense might be improved by providing fourteen batteries of 40mm and caliber .50 anti-aircraft guns at a cost of \$38 million.

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f. Infiltration. US military aid can increase the Korean capability to defend against North Korean infiltration. The most cost-effective form such aid might take is to provide simple small arms for the entire Homeland Reserve Force (which would probably cost something in the neighborhood of \$26 million, but would cost less or more depending on the availability of used but serviceable rifles and carbines). If further improvement is desired, \$20 million could be spent on communications, mobility, and modern small arms for the ROKA counter-infiltration battalions. If the situation shows signs of deteriorating, another \$40 million could be spent strengthening the infiltration barrier along the coasts and DMZ. Decisions for these higher levels of counter-infiltration expenditures (which total \$184 million) need not be made in the present situation, but such decisions may be necessitated by future events.

g. Naval Programs. The ROK Naval force would be maintained at its present size and expenditures would be limited to normal operations and up-keep. This would provide the ROK with a force of 105 ships and major patrol vessels. While this would avoid costly expenditures for investment in new equipment, operating expenses would continue to rise. Major deficiencies in electronics equipment, communications and armament would limit the effectiveness of the force and would provide a questionable capability to meet the North Korean threat. Current on-going programs for force improvement

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which include replacement of obsolete patrol craft and the MSC(O)s would be halted. This would entail no MAP investment funds, \$23 million per year in ROK defense budget costs (FY 70-74 costs - \$115 million) and about \$12-\$14 million (FY 70-74 total - \$64.2 million) in operating parts (foreign exchange) provided through MAP.

h. Economic Aid. The aid termination schedule is feasible in the sense that the Korean economy will continue to grow at a satisfactory pace after the termination. The loss of foreign exchange sales to Vietnam as the conflict there subsides will slow the growth rate, but probably not below 7-8% per year, other things being constant. The current termination schedule is summarized in Table 4-2.

Given Korea's relative lack of natural resources, exports of manufactured products will continue to be more vital than in most countries. This is a case where the US trade and aid policies are inescapably linked. Imposition of textile import quotas against Korea, for example, could alter optimistic forecasts and extend significantly the period of Korea's dependence on concessional foreign assistance.

In the 1970's, the Korean budget can sustain military expenditures on the order of 5.0% to 6.0% of GNP, if necessary, without reducing the economy's growth rate to unacceptable levels. By both Korean and international standards, the tax burden could also be increased. These budgetary levels imply that some of the foreign exchange costs of the military can be shifted to the Korean budget: up to approximately \$125 per year in 1974. These assessments are made purely in terms of revenue availability and the impact on GNP of additional foreign exchange expenditures; political considerations may temper these judgments (see Table 4-1 below).

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TABLE 4-1

ROK DEFENSE BUDGET CAPABILITIES 1/  
(Million \$, 1968 prices)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Capabilities</u>					
Total Defense Budget Capability	472	487	492	497	528
Maximum For. Exchange for military imports	20	40	75	100	125
<u>Requirements for Present Defense Budget</u>					
Local Currency	257	303	329	362	399
ROK For. Exch <u>2/</u>	11	16	24	33	38
<u>Potential add'l ROK For. Exchange</u>	(9)	(24)	(51)	(67)	(87)

1/ See Section 1, Chapter VI for detailed explanation of force costs.

2/ Assumes reinstatement of MAP transfer in FY 70.

1. Total Program. The total US Korean oriented programs are summarized in Table 4-2 on the next page. For reasons to be discussed in Sections 5 and 6 below, it may be desirable to modify certain aspects of this program. Two such variations, "Increased Readiness" and "Reduced U.S. Presence" are formulated in paragraph 6-8 below (see tables 4-2A and 4-2B on pages 40 and 41, respectively).

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TABLE 4-2

**US KOREA PROGRAM PACKAGE ONE - POLICY CONTINUITY<sup>1/</sup>**  
 (Major Program Costs in \$ US Millions at 1968 Prices)

	Personnel (FY 73)	FY 70	FY 71	FY 72	FY 73	FY 74	One-Time Costs	FY70-74 Total	Major Budget Category	
									AID/MAP	DCD
<b>Defense Support</b>										
<b>ROK Support<sup>2/</sup></b>										
Land		102.0	100.3	98.8	83.9	80.0		467.0	467.0	
Air		28.8	16.4	29.8	28.2	34.4		145.8	145.8	
Naval		10.7	13.1	14.2	12.2	14.0		64.2	64.2	
Logistic Supplies							787.0	787.0		787.0
Counterinsurgency							56.9	56.9	56.9	
Other MAP/CIG Prog.		18.5	20.2	17.2	13.7	11.4		80.0	80.0	
Subtotal		160.0	160.0	160.0	148.0	140.0	843.9	1,403.9	816.9	787.0
<b>US Forces</b>										
Land <sup>3/</sup>	52,370	875.6	875.6	875.6	875.6	875.6		4,378.0		4,378.0
Air <sup>4/</sup>	5,700	33.1	33.1	18.8	18.8	18.8		122.6		122.6
Naval <sup>4/</sup>	215	3.6	3.6	3.6	3.6	3.6		18.0		18.0
MAAG	1,275	21.4	21.4	21.4	21.4	21.4		107.0		107.0
Logistic Supplies							60.3	60.3		60.3
Construction							60.5	60.5		60.5
Subtotal		933.7	933.7	919.4	919.4	919.4	120.8	4,688.1		4,688.1
<b>TOTAL DEFENSE SUPPORT</b>	<b>59,560</b>	<b>1,092.7</b>	<b>1,092.7</b>	<b>1,079.4</b>	<b>1,059.4</b>	<b>1,059.4</b>	<b>201.6</b>	<b>6,492.0</b>	<b>816.9</b>	<b>5,675.1</b>
<b>Economic/Political Support</b>										
<b>Budget/ROR Support</b>										
Supporting Assistance		15.0	-	-	-	-		15.0	15.0	
Development Loans		30.0	25.0	20.0	-	-		75.0	75.0	
PL 480, Title I & II		34.0	58.0	53.0	38.0	27.0		250.0	250.0	
Other (TC, etc.)		6.0	6.0	3.0	3.0	3.0		18.0	18.0	
Subtotal	50	105.0	89.0	76.0	41.0	29.0		358.0	358.0	
<b>Political Development</b>										
OSIA	20	.9	1.0	1.1	1.1	1.2		5.3	5.3	
Peace Corps	320	.8	.9	.9	.9	.9		4.4	4.4	
Other		( )	( )	( )	( )	( )		( )	( )	
Subtotal	340	1.7	1.9	2.0	2.0	2.1		9.7	9.7	
<b>TOTAL R/P SUPPORT</b>		<b>106.7</b>	<b>90.9</b>	<b>78.0</b>	<b>43.0</b>	<b>31.1</b>		<b>367.7</b>	<b>367.7</b>	
<b>US Operations Support</b>										
Department of State		2.3	2.7	2.9	3.0	3.1		14.2	14.2	
CIA		( )	( )	( )	( )	( )		( )	( )	
Other		( )	( )	( )	( )	( )		( )	( )	
<b>TOTAL US OPS Support</b>		<b>2.3</b>	<b>2.7</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>		<b>14.2</b>	<b>14.2</b>	
<b>TOTAL US PROGRAMS</b>		<b>1,200.2</b>	<b>1,183.3</b>	<b>1,157.4</b>	<b>1,102.4</b>	<b>1,090.5</b>	<b>201.6</b>	<b>6,859.7</b>	<b>1,174.8</b>	<b>5,684.9</b>

1/ Cost estimates are treated in much greater detail in Chapters 11 - 91 below. Many variations are possible -- see Section 6, this chapter.

2/ These MAP estimates assume no increase in ROK military purchases: As a minimum, the MAP transfer program set aside when ROK troops deployed to SVN could be reinstated.

3/ Includes direct and indirect costs associated with US troops. Phase-out begins in FY 72 and is concluded in FY 73; All cost reductions have been set forward into FY 73. Units could be maintained as reserves for \$ million p.a. more.

4/ Includes only direct costs, above those needed to maintain the same forces in COMUS.

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#### 4.2 Program Package Two: Accelerated Self-Reliance

Policy and Strategy. South Korea's growing strength, military, political and economic, is forming the basis for fundamental changes in US-ROK bilateral relations. The Koreans desire and can assume a larger role in their own internal affairs and in defense planning directed against the current NK threat. These developments, coupled with a need to increase US flexibility in meeting security commitments in Northeast Asia, point toward establishing a new US/ROK posture. This posture would be designed to accelerate ROK self-reliance: The Koreans would be assisted in developing both the capability and the confidence to assume responsibility for all contingencies, except a CPR-supported invasion. This posture would evolve over approximately 3-5 years and be keyed to: (1) modernization of ROK forces and (2) return of ROK forces in Vietnam, followed by (3) a redeployment of some US forces from Korea. The ROK would continue to rely on US logistic support and perhaps air power.

The US commitment to South Korea would remain unchanged. Our public statements would emphasize that the most effective way to deter Asian aggression is to encourage an Asian answer, e.g., to see the ROK meeting the threats of North Korea in their way. We would make clear that US involvement in Korean defense would continue because of the pivotal position of the ROK in Northeast Asia regional security; however, to permit ROK responses to these threats, the US-ROK bilateral relationship on defense problems would be made more flexible. This posture would be evolved over a period of years so that none might misconstrue the new relationship. Accordingly, any mutually agreed-to timetable for this evolution should permit adjustment to unforeseen developments, such as increased NK aggressiveness, ROK political instability and US base posture after Vietnam and the negotiations about Okinawa.

US Force Deployments, Grant Assistance and Diplomacy. Ultimately, the only US forces in Korea would be those needed to maintain the readiness of Korean bases, to support routine operations into and out of these bases, FRD  
FRD This would require a gradual dissolution of the present UN Command arrangements, e.g., the UN Command might be transformed into an Armistice Supervisory Commission. ROK forces would revert to full ROK command and US and ROK roles and missions would be differentiated: The ROK would meet NK threats; the US would stand ready to support the ROK logistically and to furnish FRD against an NK/CPR attack or to meet the unexpected. US air and ground force units would be deployed to Korea frequently with a token combat strength remaining in-country on a temporary basis at all times to make clear our FRD  
FRD Substantial stocks of unit equipment and consumables would also be maintained at Korean bases.

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The sequence in the evolution of the US ground force posture might be: (a) replace US on the DMZ with ROK units; (b) begin rotating US units (while still stationed at Korean bases) in at least brigade strength to other US base areas in the Pacific or to CONUS; (c) remove one US division from Korea when ROK units have reached a pre-determined level of modernization (the division remaining may require augmentation); (d) upon return of one ROK division from Vietnam, reduce remaining US combat forces in Korea to one brigade; (e) upon return of second ROK division, remove remaining US combat forces, FRD [redacted] support group, and MAAG. A comparable sequence would be pursued in the evolution of the air force posture. Moreover, with the change in UN Command responsibilities, explicit US base rights may have to be negotiated, in order to permit free movement of US forces through, into and out of specified Korean bases and to provide for the stationing of substantial permanent US maintenance and caretaker forces.

Currently, a disproportionate share of our Korea oriented funds go for maintaining the US presence -- present US Korea deployments, if maintained, would cost \$4,515 million in FY 70-74, whereas existing MAP plans involve only \$760 million. Clearly, by reducing the size and cost of this US force, more than enough funds could be generated in the next five years to accomplish a ROK land and air force modernization program costing an additional \$600 million (above the present \$760 million program -- total \$1,360 million). Such a program would furnish the ROK with modernization forces adequate for defense against NK land, air, and naval attacks and an initial land force defense capability against a combined CPR/NKA attack. Of this \$600 million, the US share could be reduced by \$240 million and funded by the ROKG during 1970-74, without jeopardy to the growth of the Korean economy or its balance of payments, on the basis of current economic projections. This conclusion would hold even if the US continues with the planned phase down of economic assistance.

#### Program Implications

a. US Land Forces. As the ROK forces are modernized and redeployed, both US divisions would be withdrawn from Korea. Only a small residual force consisting of FRD [redacted] an enlarged MAAG (2000), and perhaps cadre for prepositioned equipment would remain. For illustrative purposes, we projected completion of this withdrawal before FY 73; however, it is conceivable that only one division could be withdrawn in the program years (FY 70-74). The annual cost of the residual force would be \$46 million; if one division also remains, at 90% manning level, another \$436 million per year would be entailed.

b. ROK Land Forces. The ROK land forces would be modernized beginning in FY 70. The object of the modernization would be ROK self-defense against an NKA attack, even if the NKA is reinforced by up to 380,000 CPR combat forces. Sixteen modernized ROK divisions would suffice for this objective. The land force modernization and improvement program for the ROK would include: (a) firepower modernization for sixteen elite divisions; (b) increases in support

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capabilities by filling equipment shortages in the existing support units; and possibly, (c) increases in the support structure so that ten ROK divisions could be fully engaged at any one time. The first two components of this program would entail MAP or (FMS) investment of about \$904.4 million. After FY 74, the ROK needs for spare parts and other operating expenses would come to about \$77 million per year, as compared with \$84 million per year for the current program — the reduction being accounted for by newer equipment.

c. US Air Posture. The 151 USAF aircraft remaining in the ROK from the PUEBLO crisis deployment would be reduced to two squadrons (36 airplanes) in FY 70-72. Air Force MAAG personnel would remain at present levels to assist ROKAF modernization, while support forces could be reduced 80% by FY 73. Maintaining a 36 aircraft deployment in Korea would cost about \$5.3 million per year over CONUS basing, or \$25.4 million for the FY 70-72 period. MAAG and USAF support personnel would cost about \$28 million for the five years. Since it appears infeasible to build up the ROKAF to full parity with the North Korean air force within the time frame considered, a hardened airbase infrastructure would be created and maintained sufficient to accommodate a rapid US augmentation of 575-1600 aircraft, depending on the scale of conflict (see Chapter III, Section 7). Construction of new airbases with hardened shelters for aircraft, POL and munitions would cost at least another \$160 million. Total USAF (DoD) costs would be about \$230 million.\*

d. ROKAF Air Posture. Attempting to build-up the ROKAF to full parity with the North Korean Air Force by FY 72 appears impractical for several reasons: (1) the US costs could be a prohibitive: up to \$1.1 billion; (2) implied expansion would be so rapid as to degrade seriously interim ROKAF effectiveness; (3) a build-up of this magnitude might prompt the Soviets to strengthen further the NKAF beyond present projections.

Continuation of the present MAP aircraft modernization program will cost about \$197 million by FY 74. Accelerated improvements emphasizing mission diversity and ground attack capability (Alt C) would add \$244 million to MAP aircraft acquisition and operating costs. Under the modernization alternative, the ROKAF remains somewhat dependent upon US air support to cope with an all-out North Korean attack. In addition to the airbase infrastructure improvements already mentioned, ROKAF point air defenses would be improved by providing 224 40mm and 112 caliber 50 guns for airbases and ACSW sites at a cost of \$34.8 million (ROKA). Total ROK costs for the CY 70-74 period would be about \$260 million.

\* Alt. C for basing infrastructure and Alt. II for US air posture.

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f. Infiltration. The land and air force modernization program called for under this policy would in itself increase ROK capability to resist infiltration. An additional \$26 million to provide simple small arms for the Homeland Reserve Force and \$20 million to provide better communications, mobility, and arms for counter-infiltration battalions would still be worthwhile. Counter-infiltration expenditures in excess of this should probably be left to the ROKG.

g. Naval Programs. The ROK Navy would keep its present ships, but improvements would be made in electronics and communications equipment and in armament. Although there would not be a significant rise in the number of personnel required or a change in operating costs, the efficiency of the present force would be greatly improved. Normal scheduled improvements in the CINCPAC MAP Plan would be included.

The communications improvements envisioned would include single side band equipment as well as UHF, FM and teletype equipment. The major electronics improvements include replacement radar, sonar and IFF and fathometer equipment. ECM equipment would be provided for the three destroyer escorts. The major armament improvement would be gunfire control systems for the present armament on the major ROKN ships. The actual cost totals \$4,737,789. The expenditures are almost equally divided between communications, electronics and armament improvements.

The primary advantage of this alternative lies in improved coordination capabilities of the ROKN fleet and more effective employment of existing units. The alternative would include \$10.3 million investment and \$66.0 million operating FY 70-74 MAP funds and \$23.0 million per year in ROK budget costs (FY 70-74 total: \$121.6 million).

h. Economic Aid. The aid termination schedule would be accelerated, if possible, to underscore growing Korean self reliance. Withdrawal of one division to bases outside Korea would also have little effect on the growth rate, and if exports perform as expected, removal of two divisions would still not reduce the growth rate below 7%. Since each division accounts for roughly \$40-60 million in foreign exchange earnings per year, removal of one (two) divisions would reduce GNP by about W10 billion (W25 billion), which would imply a reduction of one-half (one) percentage point in the annual growth rate. However, these projections depend very much on the rate of expansion of commercial exports. Imposition of textile import quotas against Korea, for example, could extend the period of Korea's need for foreign assistance.

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As mentioned above, Korea can sustain 5%-6% of the GNP for military expenditures without reducing the economy's growth rate to unacceptable levels. These levels imply that some of the foreign exchange costs of the military can be shifted to the Korean budget -- up to approximately \$125 per year in 1974. See Table 4-3 below:

TABLE 4-3

ACCELERATED SELF-RELIANCE  
ROK DEFENSE BUDGET CAPABILITIES AND NEEDS 1/  
(Million dollars, 1968 prices)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Capabilities</u>					
Total Defense Budget Capability	472	487	492	497	528
Maximum For. Exchange for military imports	20	40	74	100	125
<u>Requirements</u>					
Local currency	283	338	395	424	453
ROK For. Exch. 2/	10	16	24	33	38
<u>Potential add'l ROK For. Exchange</u>	(10)	(24)	(51)	(42)	(37)

1/ See Section 1, Chapter VI. Projections still under review. They are made purely on the basis of revenue availability and the impact on GNP of additional foreign exchange expenditures.

2/ Assumes reintroduction of MAP transfer program (as discussed in CINCPAC MAP plan, Jul 68).

i. Total Program. The total US Korean oriented programs are summarized in Table 4-4 on the next page. On the basis of the factors discussed in Sections 5 and 6, modification of this program may be desirable. In paragraph 6-8 below, we discuss three variations: (1) "US Regional Force;" (2) "US-ROK Comparative Advantage;" and (3) "Political" program (see tables 4-4A, 4-4B, and 4-4C on pages 42, 43 and 44 respectively.)

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TABLE 4-4

**US KOREA PROGRAM PACKAGE TWO - ACCELERATED BRIF RELIANCE<sup>1/</sup>**  
 (Major Program Costs in \$ US Millions at 1968 Prices)

	Personnel (FY 73)	FY 70	FY 71	FY 72	FY 73	FY 74	One-Time Costs	FY70-74 Total	Major Budget Category	
									AID/MAP	DOO
<b>Defense Support</b>										
<b>ROK Support<sup>2/</sup></b>										
Land		123.9	262.4	190.5	137.5	120.4		834.3	834.3	
Air		33.5	61.4	111.6	91.6	61.3		379.4	379.4	
Naval		22.7	12.8	13.2	13.6	14.0		76.3	76.3	
Logistic Supplies							868.0 <sup>3/</sup>	868.0		868.0
Counterinsurgency							66.0	66.0		66.0
Other MAP/CIC Prog.		18.1	32.8	32.6	24.3	21.6		129.4	129.4	
Subtotal		198.2	369.4	347.9	267.0	237.3	934.0	2,333.4	1,465.4	868.0
<b>US Forces</b>										
Land <sup>4/</sup>	5,300	875.6	875.6	875.6	89.8	89.8		2,806.4		2,806.4
Air <sup>4/</sup>	1,600	20.6	20.6	18.8	18.8	18.8		97.2		97.2
Naval <sup>4/</sup>	215	3.6	3.6	3.6	3.6	3.6		18.0		18.0
MAAG	2,000	21.4	21.4	21.4	32.8	32.8		129.8		129.8
Logistic Supplies							(-589.0) <sup>5/</sup>	(-589.0)		(-589.0)
Construction							116.9	116.9		116.9
Subtotal		921.0	921.0	919.4	145.0	145.0	(-472.1)	2,579.3		2,579.3
<b>TOTAL DEFENSE SUPPORT</b>	<b>9,115</b>	<b>1,118.3</b>	<b>1,290.4</b>	<b>1,267.3</b>	<b>412.8</b>	<b>382.3</b>	<b>441.9</b>	<b>4,912.7</b>	<b>1,465.4</b>	<b>3,447.3</b>
<b>Economic/Political Support</b>										
<b>Budget/ROP Support</b>										
Supporting Assistance		15.0	-	-	-	-		15.0	15.0	
Development Loans		30.0	25.0	20.0	-	-		75.0	75.0	
PL 480, Title I & II		65.5	38.0	33.0	-	-		136.5	136.5	
Other (TC, etc.)		4.8	3.2	2.7	1.3	1.0		13.7	13.7	
Subtotal	50	115.3	66.7	55.7	1.3	1.0		240.2	240.2	
<b>Political Development</b>										
USIA	20	.9	1.0	1.1	1.1	1.2		5.3	5.3	
Peace Corps	370	.8	.9	.9	.9	.9		4.4	4.4	
Other		( )	( )	( )	( )	( )				
Subtotal	340	1.7	1.9	2.0	2.0	2.1		9.7	9.7	
<b>TOTAL E/P SUPPORT</b>		<b>117.0</b>	<b>68.6</b>	<b>57.7</b>	<b>3.3</b>	<b>3.1</b>		<b>269.9</b>	<b>249.9</b>	
<b>US Operations Support</b>										
Department of State		2.5	2.7	2.9	3.0	3.1		14.2	14.2	
CIA		( )	( )	( )	( )	( )		( )	( )	
Other		( )	( )	( )	( )	( )		( )	( )	
<b>TOTAL US OPS Support</b>		<b>2.5</b>	<b>2.7</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>		<b>14.2</b>	<b>14.2</b>	
<b>TOTAL US PROGRAMS</b>		<b>1,236.7</b>	<b>1,361.7</b>	<b>1,329.9</b>	<b>418.5</b>	<b>388.5</b>	<b>441.9</b>	<b>5,176.8</b>	<b>1,729.5</b>	<b>3,447.3</b>

1/ Cost estimates are treated in much greater detail in Chapters II - VI below. Many variations are possible -- see Section 6, this chapter.

2/ These MAP estimates are based on the assumption that the CIRC/PAC MAP transfer program is reinstated in 1970. Further ROKG expenditures on military imports are feasible and will be discussed in Section 6.

3/ Includes direct and indirect costs associated with US troops. Phase-out begins in FY 72 and is concluded in FY 73; All cost reductions have been set forward into FY 73. Units could be maintained as reserves for \$ million p.a. more.

4/ Includes only direct costs, above those needed to maintain the same forces in CONUS.

5/ Theoretically, these estimates are sound. Reducing the need for Korea supplies would release current Korea oriented stocks for use in RVN provided that such diversions have not taken place already (and are unapproved).