

**The U.S. Policy Toward Taiwan in 1949
and
The Mission of Livingston T. Merchant**

By Tai Wan-chin*

The “hands-off” attitude characterized the policy of the Truman Administration toward the Nationalist China in 1949. But the Truman Administration hoped to detach Taiwan as a separate entity from the China mainland. On the instruction of the Department of State, Livingston T. Merchant from U.S. Embassy in Nanking made a series of visits to Taiwan to survey the situation from late February to mid-May. One studies mainly five questions: 1. Did Merchant’s recommendations reverse the policy regarding the need for immediate extension of substantive economic aids to Taiwan? 2. Did Merchant reinforce the guideline which opposed the use of U.S. military forces to help defend Taiwan? 3. Did Merchant reconfirm the observation that the strength of indigenous movement for the independence of Taiwan was not powerful? 4. Did Merchant support the idea of making Taiwan a trusteeship under the United Nations? 5. Did Merchant convince the Truman Administration to

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strive for the removal of Chen Cheng as the governor of Taiwan? The study based on U.S. archives finds that Merchant failed to convince Dean Acheson to push for the removal of Chen Cheng in favor of Sun Li-jen. Acheson was found to be less “suspicious” than Merchant toward the survivability of the Nationalist Government in Taiwan.

**Key words: Livingston Merchant, Dean Acheson, Chen Cheng, Sun Li-jen
T. V. Soong, China Aid Act, Taiwan Independence Movement
U.N.Trusteeship, Truman Administration**

The "Hands-off" attitude characterized the policy of the United States toward the Nationalist China in 1949. However, the Truman Administration, while believing the inevitability of the collapse of the Nationalist Government on the China mainland, hoped to detach Taiwan as a separate entity from the China mainland.

On February 3, 1949, President Harry S. Truman approved of the report made by the Department of State to the National Security Council known as NSC 37/2.

Later on February 28, the Department of State at the request of the National Security Council submitted a memorandum about the immediate actions that must be taken regarding Taiwan. The memorandum, also known as NSC 37/4, specified the concrete actions as follows: 1. The

Department of State should increase its manpower in Taiwan and should soon send a high-ranking official to Taipei in order to conduct a special mission. 2. During his visits in Taipei, the assigned official should approach Chen Cheng, the governor of Taiwan, in accordance with the principle set in the second paragraph of NSC 37/2. 3. After securing a guarantee from Chen Cheng to fulfill the expectations of the United States, the official should inform Chen Cheng that the Truman Administration will provide economic aid to Taiwan in accordance with the Congressional legislations. 4. The mission of the Economic Cooperation Administration in Taiwan should then evaluate the program for the industrial development in Taiwan and proceed with its purchase task. 5. At the initial stage, it was necessary to minimize the exposure of the United States activities in Taiwan.¹

To make preparations for the implementation of the guidelines set in NSC 37/2, NSC 37/4 and NSC 37/5, the Department of State sent Livingston T. Merchant to visit Taiwan. Merchant was authorized to directly make reports to the Secretary of State Dean Acheson.

Merchant's series of visits to Taiwan took place from late February to mid-May 1949. During this time, Merchant was able to exert strong influence on the policy of the Truman Administration toward Taiwan. When he was recalled, Merchant was assigned to the Bureau of the Far Eastern Affairs at the Department of State. His influence on the U.S. policy toward Taiwan only increased.

In order to have focused review, five major questions in the form of

¹ Dean Acheson, Memorandum for the Executive Secretary of the National Security Council, "The Current Position of the United States with Respect to Formosa," 1-2, February 18, 1949, Box 205, President's Secretary's Files, Papers of Harry S. Truman, Harry S. Truman Library.

hypotheses will be studied in this paper. The hypotheses are as below:

Hypothesis I: Merchant's recommendations made during his trips to Taiwan reversed the policy set in NSC 37/2 regarding the need for immediate extension of substantive economic aids to Taiwan.

Hypothesis II: Merchant reinforced the guideline set in NSC 37/5, which opposed the use of the U.S. military forces to help defend Taiwan.

Hypothesis III: Merchant reconfirmed the observation of the Truman Administration that the strength of indigenous movement for the independence of Taiwan was not powerful.

Hypothesis IV: Merchant supported the Truman Administration's idea of making Taiwan a trusteeship under the United Nations.

Hypothesis V: Merchant convinced the Truman Administration to strive for the removal of Chen Cheng as the governor of Taiwan.

ECONOMIC AID

As stated earlier, one of the most important purposes which the Department of State sent Livingston T. Merchant to Taiwan was for the preparation of extending substantive economic aid although the United States wanted to keep its exposure to the minimum. We will first test the hypothesis that Merchant reversed the decision of major economic aid to Taiwan.

Then Secretary of State Dean Acheson was enthusiastic in quickly providing economic aid to Taiwan. On March 9, 1949, Acheson instructed Merchant to quickly make concrete recommendations on the program drafted by the Economic Cooperation Commission about the economic aid to Taiwan. In a telegram, Acheson stated that "initiation program Formosa this stage while ECA program mainland still under way would

probably draw less attention Formosa program than would be the case at later date." Acheson was worried about that "furthermore, continued delay might result further deterioration Formosan situation."² On the next day, Acheson met with the Chief of the Economic Cooperation Commission, reaching the consensus that the United States government would design programs to give economic support to Taiwan, including the required capital for its industrial development and reconstruction. However, they agreed that it was not yet time to extend full-scale economic aid to Taiwan.³

On March 24, Acheson explained in a telegram to Merchant that the funds for economic aid to Taiwan would come from the remaining budget under the China Aid Act. Acheson instructed that it would be inappropriate to "separately" extend economic aid to Taiwan. Acheson stated that "public justification of separate appropriation for Formosa would in present circumstances produce variety of complications including supplying Russian and Chinese Communists with irredentist issue directly attributable to US imperialism."⁴

Nevertheless, in the same telegram, Acheson instructed Merchant that the United States should at least give "US\$17 million capital reconstruction plus certain amount commodities particularly fertilizer." In addition, he asked Merchant to encourage Taiwan to expand its trade with Japan.⁵

² Acheson, Telegram to Merchant, March 9, 1949, *Foreign Relations of the United States, Vol. IX, The Far East: China* (Washington, D.C.: Government Printing Office, 1974): 298 (hereafter cited as FRUS, followed by the appropriate year and volume).

³ Acheson, Memorandum to Sidney W. Souers, April 8, 1949, "Implementation of NSC 37/2 and NSC 37/5," 1-2.

⁴ Acheson, Telegram to Stuart for Merchant, March 24, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 304.

⁵ *Ibid.*

On April 18, the Department of State instructed Merchant to inform Premier T. V. Soong that the Economic Cooperation Council was ready to provide economic aid to Taiwan.

In the meanwhile, the Economic Cooperation Council continued to ship to Taiwan 50,000 tons of fertilizer and some medical materials, flour, as well as cotton yarns. By the end of April, the fertilizer provided by the Economic Cooperation Council reached Taiwan. In May wheat and cotton yarns of about US\$500,000 either reached Taiwan or are on the way. The amount was enough to pay off the Taiwan local currency needs for several months by the Mission in Taiwan of the Economic Cooperation Council, by the United States Engineering Survey Group in Taiwan, and by the Joint Commission on Rural Reconstruction.

As stated earlier, the mission of Merchant of several trips was designed by the Department of State to approach Governor Chen Cheng so as to "quickly" help determine the scale of economic aid to Taiwan. However, Merchant decided to postpone his meeting with Chen Cheng largely because of his mistrust and distaste of Chen Cheng. As early as on March 6, Merchant reported in a telegram to the Secretary of State:

Crux present situation is governorship. Chen Cheng lacks qualities provide liberal efficient administration needed. Moreover, as Gimo man he cannot be relied on to prevent or discourage continued influx least desirable mainlanders although mass migration now checked. Substitution Sun Li-jen by Acting President seems on balance solution best suited our interests.⁶

⁶ Merchant, Telegram to Secretary of State, March 6, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 297.

On March 9, Merchant reiterated in his telegram sent from Taipei to Acheson that "to me prime need is for governor who is honest, liberal, effective and not so bound to Generalissimo as to permit move by latter to Formosa for last ditch fight if Li negotiates mainland peace....."⁷ Apparently, Chen Cheng's close association with Chiang Kai-shek prejudiced Merchant against the extension of substantive economic aids to Taiwan.

Merchant's distaste for Chen Cheng led him to recommend in essence not only the delay of his direct meeting with Chen Cheng but also the delay in extending substantive economic aid to Taiwan. In the subsequent telegram he sent to Acheson after he returned to Shanghai on March 11, Merchant recommended:

It would clearly be desirable (to) defer any ECA action beyond pre-project stage now nearly completed Formosan reconstruction, until Chen has been replaced or his tenure confirmed by Acting President and such Government has given assurances we desire. I recognize, however, pressure April 3 deadline and advantage camouflage lumping Formosan with selected South China projects approval when ECA given green light. Still regard Chen unreliable, hence reluctant recommend start talks which implicitly will encourage him and strengthen his position on island.⁸

On April 6, Merchant briefly modified his attitude toward Chen

⁷ Merchant, Telegram from Taipei to Secretary of State, March 9, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 298-299.

⁸ Merchant, Telegram from Shanghai to Secretary of State, March 11, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 299.

Cheng by stating in his telegram from Taipei to Acheson that "I reluctantly conclude Chen meets description paragraph 1, section 37/2..... I believe we must deal with him."⁹ Merchant indicated in that telegram his readiness to conduct negotiation with Chen Cheng about economic aids from the United States to Taiwan. However, Merchant emphasized the need for obtaining maximum related assurances "but giving no hint any aid beyond 17,000,000 JCRR and fertilizer already scheduled."¹⁰ In late March, R. Alien Griffin, the Acting Chief of the China Mission of the Economic Cooperation Commission, already met with Chen Cheng.

The assessment that the determination of the ruling group in Taiwan to resist any authority from the Chinese Communists would not be subject to major economic aid from the United States rekindled Merchant's insistence of delaying any commitment of major economic aid. In his telegram to Acheson on April 13, Merchant not only said that any public announcement by the United States to give considerable economic aid to the ruling regime on Taiwan would disappoint the Taiwanese people but affirmed that it was quite useless to make any commitments to Chen Cheng about an increase of economic aid from the United States.¹¹ Merchant's attitude toward Chen Cheng in particular will be discussed later.

The stockpile of gold and foreign exchange in Taiwan also led Merchant to preclude the need of Taiwan for big economic aid program. On May 4, Merchant sent two telegrams from Taipei to Acheson. In the first of these two telegrams, Merchant said that "control of exchange and

⁹ Merchant, Telegram to Secretary of State, April 6, 1949, *FRUS*, 1949, Vol. IX: The Far East: China: 308.

¹⁰ *Ibid.*

¹¹ Office of the Secretary, Department of State, "Summary of Telegrams," April 13, 1949, Box 21, Naval Aide Files, Harry S. Truman Library.

gold pot should enable Island to finance its needs out of capital for 1 or 2 years or possibly longer. Viewed in concept of Formosa's total resources as aid would really amount to subsidy of military on Island."¹² In other words, Merchant tried to convince the Department of State that Taiwan's finance could survive for at least one year even without major economic aid from the United States.

Merchant rejected any argument stating that the rapid unfavorable developments on the China mainland necessitated the facilitation of major economic aid from the United States to Taiwan. Contrarily, Merchant recommended the opposite that "the rapid development of events on mainland necessitates reappraisal situation Formosa" in his aforesaid telegram to Acheson on May 4. Merchant subsequently said that "I now believe revision of US policy as laid down in NSC 37 series is indicated rather than mere delay in its execution." In this very telegram, Merchant admitted that "since March I have recommended delay in committing US economic aid to present (Taiwan) government based on timing considerations."¹³

Additionally, Merchant emphasized the importance to avoid the accusation from the Chinese Communists by not extending major economic aid to Taiwan. In the first of his two telegrams to Acheson on May 4, Merchant argued that major economic aid to Taiwan would bring considerable liabilities to either Taiwan's or the United States' own

¹² Merchant, Telegram from Taipei to Secretary of State, May 4, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 325. In his telegram to Acheson on April 6, Merchant noted that there were about 2,000,000 ounces of gold in Taiwan. See *FRUS*, 1949, Vol. IX, The Far East: China: 309. In his memorandum to W. Walton Butterworth on May 24, Merchant estimated that the Bank of Taiwan had in its vaults US\$90,000,000 in gold. See *FRUS*, 1949, Vol. IX, The Far East: China: 339.

¹³ *FRUS*, 1949, Vol. IX, The Far East: China: 324.

interests. Merchant said that major economic aids to Taiwan would, first, "give Communists resounding irredentist tub to thump on mainland and throughout southeast Asia.....would embarrass any effort our part to hammer on Soviet steals from China." Merchant went ahead to say that "second, if having given aid we fail and Island is lost to Communists, we have strengthened it for latter's benefit."¹⁴ Aside from giving emphasis to slight hope of strategic return to the United States, Merchant cited the possibility of Taiwan's falling into the hands of the Chinese Communists as support for his position of not giving major economic aid to Taiwan.

In the second telegram he sent from Taipei to Acheson on May 4, Merchant listed an alternative to the policy of "relative inaction" by the Truman Administration toward Taiwan. The alternative outlined in this telegram included: to proceed with reconstruction program with the estimated cost of US\$20 million submitted by an engineer J. G. White; and to give grants for "purchase munitions and military supplies to remedy probable shortages and misfits in present stockpile" with an estimated cost of US\$20 million. Merchant estimated that the total cost for this alternative would be above US\$60 million.¹⁵

Although Merchant outlined such an alternative to the policy of "relative inaction," Merchant did not genuinely and steadfastly argued for it. Merchant expressed his worry subsequently in this telegram that such aids would reverse the basic position of "relative inaction."¹⁶

In early May, the daily "Summary of Telegrams" made by the Office

¹⁴ *Ibid.*: 325.

¹⁵ Merchant, Telegram to Secretary of State, May 4, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 326. In this telegram, Merchant added that such economic aids, if with proper management, "could support military establishment of size necessary for efficient service and lift standard living average Formosan, say 10 to 20 percent." See *Ibid.*: 327.

¹⁶ *Ibid.*

of the Secretary of State noted that Merchant made recommendations that the Truman Administration should abandon its plan for the program of reconstruction in Taiwan and should adopt the plan for the moderate commodity imports as a substitute. It illustrated the opposition by Merchant for major economic aid to Taiwan."¹⁷

After the transfer of his duty back to Washington, D.C., Merchant's memorandum on May 24 to Butterworth, the Director of the Office of Far Eastern Affairs at the Department of State, also supported the hypothesis that his policy recommendations reversed the set decision by the Truman Administration to give major economic aid to Taiwan. In this memorandum, Merchant stated:

.....We would, however, see the reservoir of Formosan goodwill to America drop sharply and we would hand the Mainland Communists a ready-made irredentist weapon for their propaganda. We would increase, rather than reduce the vulnerability of many Chinese on the Island as well as the Formosans themselves to Communist agitation.¹⁸

In the meanwhile, Merchant defended the decision by the Department of State to act on his recommendation to "delay in committing to Chen Cheng full support through the ECA program originally envisaged."¹⁹ Merchant reaffirmed the merit of the policy of "providing some economic aid of a character designed to reach and directly affect the little men of Formosa, particularly the farmers."

¹⁷ Office of the Secretary, Department of State, "Summary of Telegrams," Undated, May 1949, Box 21, Naval Aide Files, Harry S. Truman Library.

¹⁸ Merchant, Memorandum to Butterworth, May 24, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 340.

¹⁹ *Ibid.*: 338.

Merchant admitted that such an economic aid policy was "a policy of calculated inaction colored with opportunism."²⁰

NO USE OF U.S. FORCES

In the following, one will test the validity of the Hypothesis Two, that is, Merchant's recommendations reinforced the basic policy set in NSC 37/5, which opposed the use of the force on the part of the United States in helping defend Taiwan.

Before Merchant was assigned to the mission in Taiwan, a consensus not to use military force of the United States to defend Taiwan had already emerged in the Truman Administration. It was not a major task of Merchant's mission to reconfirm the appropriateness of the basic policy not to use American forces for the defense of Taiwan. However, during Merchant's mission, several major U.S. government agencies, including the Joint Chiefs of Staff, the Department of Defense, the Central Intelligence Agency (CIA) and the Department of State, conducted a review on the established policy of not to use military forces to defend Taiwan.

As early as November 24, 1948, the Joint Chiefs of Staff already presented a memorandum on the possible impact on the strategic interests of the United States if the Communists controlled Taiwan. It stated that if an "unfriendly" force controlled Taiwan then the strategic interests of the United States would be damaged in view of the capability of the enemy to dominate the sea lanes linking Japan and Malaya in the event of a war. However, its conclusion was that to employ appropriate diplomatic and

²⁰ *Ibid.*: 340.

economic measures to prevent the Chinese Communists from controlling Taiwan was in the best interest of the United States. As noted in NSC 37/3, this memorandum "tacitly" precluded any military intervention by the United States.²¹

Later at the 33rd meeting of the National Security Council on February 3, 1949, a decision was made to require the Joint Chiefs of Staff to submit to the council a report which must evaluate what sort of military measures was needed to be taken to prevent Taiwan from falling into the hands of the Chinese Communists in case both the diplomatic and economic measures by the United States failed.²²

Subsequently on February 11, the Department of Defense tendered a policy report which was written by Admiral Louis Denfeld, the Chairman of the Joint Chiefs of Staff, to the National Security Council. This policy report entitled "Strategic Importance of Formosa" was approved by President Truman as NSC 37/3 on February 11. While stating that some form of military support would be needed, NSC 37/3 rejected any involvement of the use of forces to defend Taiwan. It emphasized: the military support must be limited to deployment of small fleet units at the appropriate ports in Taiwan, and their activities on shores must be limited to supplies, air liaison and personnel leaves. NSC 37/3 concluded that it was unwise to use U.S. forces in Taiwan as there was a wide gap between the United States military strength and its global security obligations. It specifically noted that the strategic importance of Taiwan was not

²¹ NSC 37/3, "The Strategic Importance of Taiwan," pp. 1-2, Box 205, President's Secretary's Files, Papers of Harry S. Truman, Harry S. Truman Library.

²² The Department of Defense thereafter on February 7 ordered the Joint Chiefs of Staff to tender a report in fulfillment of the requirement made by the National Security Council.

comparable to that of Iceland to the United States.²³

NSC 34/2 adopted by the National Security Council later did not challenge the position of NSC 37/3 about not committing U.S. forces in defense of Taiwan. NSC 34/2 was in essence a policy report made by the Department of State to the National Security Council on February 28. It argued that "in the foreseeable future," any further military aid by the United States to the Nationalist Government would not only be futile but even eventually strengthen the military capability of the Chinese Communists. As said in NSC 34/2, the Department of State opposed to the employment of any military means to support any anti-Communist regime in China.²⁴

On March 4, Admiral Sidney W. Souers, the Executive Secretary of the National Security Council, made a query to the Department of Defense about the interpretation made by the council believing that the position of the Joint Chiefs of Staff was against any use of U.S. forces in defense of Taiwan. In reply to this query, Louis Johnson, the Secretary of Defense, confirmed in a memorandum to Souers on April 2 that such an interpretation was correct. Johnson reiterated that the United States was against any overt military action and confirmed the position of the Joint Chiefs of Staff.

When T. V. Soong visited Taiwan in mid-April, the Department of State specifically instructed Merchant to tell Soong that the United States would not employ military force to influence the destiny of Taiwan. In the view of the Department of State, it was important to let the Nationalist Government clearly understand that their own efforts were the key to the

²³ NSC 37/3: 2.

²⁴ NSC 34/2, "U.S. Policy toward China," 3-5, Box 205, President's Personal File, Papers of Harry S. Truman, Harry S. Truman Library.

destiny of Taiwan.²⁵ There was no record that Merchant had any reservations to implement such an instruction.

Actually, Merchant supported the consensus of the foreign policy and security establishment of the United States about not using American forces in defense of Taiwan. In his telegram from Taipei to Acheson on May 4, Merchant reaffirmed the policy "not to provide military forces for defense of Formosa." Furthermore, Merchant specifically went to cite the H.M.S. "Amethyst" incident to augment the guideline of no-use of U.S. forces in the case of Taiwan. Merchant said:

.....Incidentally Amethyst incident suggests that show of force against Communists would prove futile unless backed up by presence overwhelming forces and willingness to use it if challenged.²⁶

After Merchant's return to Washington, D.C., the Department of State continued to reject the policy option of making the commitment to the security of Taiwan. On June 9, Butterworth, the Director of the Office of Far Eastern Affairs, opposed the assumption by the United States of military responsibility for the security of Taiwan in a draft memorandum to Souers, the Executive Secretary of the National Security Council. The draft memorandum stated that the cost for a reversal of the position in NSC 37/3 was extremely high politically, financially and militarily.²⁷

²⁵ Office of the Secretary of State, "Summary of Telegrams," April 18, 1949, Box 21, Naval Aide Files, Harry S. Truman Library.

²⁶ Merchant, Telegram to Acheson, May 4, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 325-326. At time of the fall of Nanking to the Chinese Communists in April, a British naval ship H.M.S. Amethyst was fired upon and disabled by the Chinese Communists in the Yangtze River.

²⁷ Butterworth, Draft memorandum for Souers, the Executive Secretary of the National Security Council, June 9, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 347-348.

On June 16, the CIA opposed the extension of military aid to Taiwan in a research report entitled "Probable Developments in China." According to the report, any extension of military aid by the United States to Taiwan would constitute a barrier to the development of relations between the United States and the Chinese Communists. It specified that military aid to Taiwan would add difficulties to the establishment of normal diplomatic and consular relations between the United States and the Chinese Communists.²⁸

Furthermore, NSC 37/7, which was largely a memorandum done by the Joint Chiefs of Staff on August 17, not only reaffirmed the persistent position of no-use of U.S. military forces for the defense of Taiwan but precluded any joint military action even within the framework of the United Nations.²⁹ In other words, the position of the Truman Administration was rather persistent and firm in this matter.

All the above indicates that Merchant's observation during his mission to Taiwan did not bring much change to the position of no-use of American forces by the Truman Administration. The Hypothesis II was tested to be valid as Merchant actually gave support to the established policy of no military action for Taiwan on the part of the United States.

TAIWAN INDEPENDENCE MOVEMENT

Next, we will test the Hypothesis III that Merchant reconfirmed the

²⁸ Central Intelligence Agency, "Probable Developments in China," June 16, 1949: 4, Box 256, President's Secretary's File, Papers of Harry S. Truman, Harry S. Truman Library.

²⁹ NSC 37/7, "The Position of the United States with Respect to Formosa," August 17, 1949: 1, Box 205, President's Secretary's File, Papers of Harry S. Truman, Harry S. Truman Library.

observation of the Truman Administration that the strength of indigenous movement for the independence of Taiwan was not powerful.

NSC 37/1, which was drafted by the Department of State, estimated that although Taiwanese refugee groups in Hong Kong were rather vocal, they were so small in size as to be unable to successfully wage revolution in Taiwan.³⁰ On March 14, the CIA shared the view that the strength of the indigenous population in Taiwan was not so powerful to succeed in waging revolution even though they longed for getting off the control by the China mainland. The CIA expressed this estimate in an evaluation report entitled "Probable Developments in Taiwan."³¹

Particularly, the CIA said in this report that even though a non-Communist local regime could be established, it would be too fragile to resist the pressure from a Communist-dominated regime on the mainland. It attributed this to the lack of administrative experience by the potential local leaders in Taiwan and to the financial difficulties such a regime would face. In addition, this report forecasted that even if some violent or sabotage actions arose in Taiwan in protest of the influx of the mainlanders, the motives would be mainly to attract the attention of the world media instead of pinning too much hope on the success of a revolt.³²

Basically, Merchant sympathized with the political aspirations of the local people in Taiwan. That was partly due to his displeasure over Chiang Kai-shek and his close followers, including Chen Cheng. However,

³⁰ NSC 37/1, "The Position of the United States' with Respect to Formosa," 2.

³¹ The Central Intelligence Agency, "Probable Developments in Taiwan," ORE 39-49, March 14, 1949, p. 1. This report noted that the increasing quietness of the Taiwanese people was attributable to the influx of the mainland officials and troops into Taiwan. See *Ibid.*

³² *Ibid.*: 2-3.

Merchant's displeasure stopped short of exaggerating the strength of the independence movement in Taiwan. This argument can be supported by a telegram he sent from Taipei to Acheson on May 4. In that telegram, Merchant said:

Despite encouragement mainland disintegration might be expected to provide, there is no new evidence that local independence groups are sufficiently numerous, well organized, well armed and well led to knock out garrison and successfully establish anti-Communist pro-US native Formosan government although general deterioration may soon result widespread unrest and isolated flareups.³³

Merchant's evaluation of the strength of the independence movement of Taiwan remained unchanged even after he was transferred back to the Department of State. In a memorandum to his direct superior Butterworth on May 24, Merchant said the following about it:

The Formosan population is restless and deeply resentful of their Chinese rulers. They do not appear, however, to possess a revolutionary organization, leadership or the arms to produce more than a futile uprising which it would be within the means and purpose of the Government quickly and bloodily to suppress. The Formosans yearn for independence as children yearn for candy. They have a child-like faith in the United States.....³⁴

³³ Merchant, Telegram to Acheson, May 4, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 324.

³⁴ Merchant, Memorandum to Butterworth, May 24, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 339.

It may look a little bit strange now to read that the CIA predicted in a research report on June 16 that some leaders of the native groups in Taiwan might support the propaganda of the Chinese Communists and tried to help them occupy Taiwan.³⁵ However, some incidents of this sort did indeed occur and were unearthed by the authorities in Taiwan. No record is available that indicates Merchant carefully looked into this. But he did recognize the existence of pro-Communist elements and activities then in Taiwan. Merchant was not against the actions taken by the Nationalist Government on Taiwan to wipe out them. On May 24, Merchant wrote to Butterworth and said:

It is the firm resolution of the present Government of Formosa to defend the Island..... to seek out and suppress any Communist internal activity. The United States does not need to say or do anything to support or reinforce this resolution since it is based on the strongest of all instincts, personal self- preservation.³⁶

It was clear that Merchant did not have any misperception about the strength of the independence movement of Taiwan during his mission. Merchant even realized the threat to the security of Taiwan by the existence of pro-Communist elements. This above upholds the validity of

³⁵ The Central Intelligence Agency, "Probable Developments in China," 4. This report predicted as well that the Chinese Communists might not intend to occupy Taiwan by direct military attack. It went on to say that instead the Chinese Communists might seek to do it by expanding their influence among the Taiwanese population through infiltration and other political means. It concluded that unless they were given the military support from the United States, the Nationalist Government in Taiwan would be eventually overthrown by the indigenous movement led by the Chinese Communists. See *Ibid.*

³⁶ Merchant, Memorandum to Butterworth, May 24, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 339.

the Hypothesis III that Merchant truly reconfirmed the perception of the Truman Administration that the strength of the indigenous movement for the independence of Taiwan was then not powerful.

A U.N. TRUSTEESHIP

Below the focus will move to study the Hypothesis IV that Merchant did support the position adopted by the Truman Administration to make Taiwan a "trusteeship" under the United Nations.

As early as January 11, 1949, NSC 37/1 touched on the question of the relevance between the aspiration for autonomy by the native Taiwanese people and the United Nations. In stating that the native Taiwanese people are both anti-Chinese and anti-Japanese, NSC 37/1 said that they would welcome independence under either American or the United Nations protection.³⁷

The reappraisal of this by the CIA on March 14 was largely done along the same line. It agreed that the native Taiwanese people had a preference for autonomy. But it pointed out that they might not have a strong desire for "immediate independence." Instead, as the analysis went, the native Taiwanese people might prefer to a "trusteeship status" under the United Nations or a United States "protectorate" in some form.³⁸

The Department of State then had a preference to help safeguard the security of Taiwan through the mechanism of the United Nations. In a telegram to Merchant on March 30, Acheson reiterated no intention to

³⁷ NSC 37/1, "The Position of the United States with Respect to Formosa," 2, January 11, 1949, Box 205, President's Secretary's Files, Papers of Harry S. Truman, Harry S. Truman Library.

³⁸ The Central Intelligence Agency, "Probable Developments in Taiwan," 3.

unilaterally employ force so as to separate Taiwan from the China mainland. Acheson went on to say that the "only recourse would be action through UN." Furthermore, Acheson said:

Request for such action should come from Chinese governing authorities Formosa or possibly from Formosan independence groups or from both. Initiation such action in UN could most appropriately be taken by Philippines.....

As you aware we have made known confidentially to Philippine authorities our general interest in Formosa without, however, any indication action we might be prepared to take.³⁹

Merchant was largely in support of the potential utility of the United Nations for the well-being of the native Taiwanese people. On May 4, Merchant listed in a telegram to Acheson certain actions which he believed that the United States could and should take. Among them, Merchant said that the United States should "extendconsultations with other nations concerned with view to place case before UN on short notice if need be." In addition to that, Merchant suggested that the United States must make "continued discreet contact" with Taiwan's leaders of independence movement as a "long shot."⁴⁰

Merchant maintained such a position after he returned to the Department of State. Merchant emphasized in his memorandum to Butterworth on May 24 that the United States should vigorously conduct

³⁹ Acheson, Telegram to Merchant, March 30, 1949, *FRUS*, 1949, Vol. IX, The Far East China: 305.

⁴⁰ Merchant, Telegram to Acheson, March 31, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 326.

"secret spadework with those friendly governments which, like ourselves, are concerned with the strategic importance of Formosa." Merchant went ahead to specify the goal of the spadework was to be "directed to the ultimate raising of the issue of Formosa in the UN, preferably as a result of an appeal by the native population, supported, if such can be encouraged or arranged, by Mainland elements on the Island."⁴¹

Later on June 8, in order to discuss how to urge the United Nations to help Taiwan, Butterworth had a meeting with Durward V. Sandifer, Acting Director of the Office of United Nations Affairs, and O. Benjamin Gerig, Chief of the Division of Dependent Area Affairs, at the Department of State. They tentatively agreed that to request a special meeting of the General Assembly of the United Nations early that summer to deal with the urgent problem of Taiwan should be the most promising United Nations' action. They concurred that the request would be accompanied by a full statement of the United States position to make it plain that "the United Nations' action envisioned was to call for and supervise an election on the Island in which the people of Formosa could vote on a return to the Mainland or some alternative trusteeship arrangement pending their qualification for independence."⁴² On June 9, Butterworth tendered this conclusion along with a draft memorandum to the National Security Council to his superior Dean Rusk, then the Deputy Undersecretary of State. The next day, Merchant was invited by Rusk to discuss the aforesaid draft memorandum, which Butterworth recommended it to be submitted to the Secretariat of the National Security

⁴¹ Merchant, Memorandum to Butterworth, May 24, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 340-341.

⁴² Butterworth, Memorandum to Rusk, June 9, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 346.

Council in the form of a working paper.

Attached to the draft memorandum to the National Security Council was a proposed statement to be issued by the Secretary of State Acheson at the time when the United States government was to request a special session of the General Assembly of the United Nations. The proposed statement specifically mentioned a motion about to hold in Taiwan a plebiscite which would include the option of a trusteeship under the United Nations. It said:

At the special session of the General Assembly, the United States Government will propose that a free and secret plebiscite be held on the Island under the supervision of a United Nations Commission, in order to enable the people of Formosa to express their wishes with respect to a return to China or some alternative under which they would assume independence either immediately or after some preparatory period of United Nations trusteeship.⁴³

Apparently, Merchant was involved in the completion of the draft memorandum to the Secretariat of the National Security Council. The draft memorandum advocated the policy alternative of an immediate committal of the problem of Taiwan to the United Nations. It even went into listing methods by which this might be accomplished. The first method, according to the draft memorandum, would be to persuade a friendly and interested power, such as India or the Philippines, to "place on the agenda of the United Nations Trusteeship Council which meets on

⁴³ The Department of State, Memorandum, "Proposed Statement To Be Issued by the Secretary of State at Time United States Government Requests Special Session of the General Assembly," June 9, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 350.

June 15, a request that a temporary trusteeship be established by the United Nations over Taiwan." The second method, which was described as more appealing, was to request a special session of the General Assembly to consider the question of Taiwan, "with the recommendation that a plebiscite be held on Formosa under the supervision of the United Nations."⁴⁴ Basically, the proposal specified in this draft memorandum tendered by Butterworth to Rusk was a follow-up design on the basis of the line of action advocated by Merchant in his memorandum to Butterworth on May 24.⁴⁵

No matter how this draft memorandum eventually evolved, it clearly illustrated the role and influence of Merchant himself on the attitude by the Department of State toward the option of making Taiwan a trusteeship under the United Nations.

Later in a memorandum entitled "Current Position of the U.S. With Respect to Formosa" to Souers, the Executive Secretary of the National Security Council on August 4, Acheson still stated that the denial of Taiwan to Communist control called for "maintaining discreet contact with potential native Formosan leaders in the event that some future use of a Formosan autonomous movement should be in the United States national interest." Particularly, Acheson mentioned in the memorandum that a further assessment of the position of the Department of State toward the Taiwan question had been made following the return of Merchant to

⁴⁴ The Department of State, Draft Memorandum for Souers, the Executive Secretary of the National Security Council, "Formosa," June 9, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 348- 349.

⁴⁵ See Merchant, Memorandum to Butterworth, May 24, 1949. *FRUS*, 1949, Vol. IX, The Far East: China: 340.

Washington.⁴⁶

Throughout 1949, the Department of State did not drop the option of making Taiwan a trusteeship under the United Nations. In an important meeting Acheson chaired with the participation of the officials of the Office of Far Eastern Affairs and a group of advisers specializing in Far Eastern studies on October 26-27, a consensus touching on the relevance between Taiwan and the United Nations was reached. This consensus precluded the United States from seeking to administer Taiwan through a trusteeship arrangement, but it agreed that the United States might join other members of the United Nations in supporting any resolution of ceasefire or applying the principle of self-determination if a military conflict over Taiwan was raised as an issue of threatening peace in front of the United Nations.⁴⁷ Apparently, the Department of State considered the United Nations as a very important mechanism to preserve the security of Taiwan.

All in all, the evidence adduced above proved the validity of the Hypothesis IV that Merchant's recommendation strengthened the inclination of the Truman Administration toward making Taiwan a trusteeship under the United Nations.

PROPOSAL FOR REMOVAL OF CHEN CHENG

The following focus will be on the Hypothesis V that Merchant

⁴⁶ Acheson, Memorandum to Souers, the Executive Secretary of the "National Security Council, "Current Position of the U.S. With Respect to Formosa," August 4, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 369-370.

⁴⁷ Charlton Ogburn, Jr., of the Bureau of Far Eastern Affairs, "Decisions Reached by Consensus at the Meeting with the Secretary and the Consultants on the Far East," November 2, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 160-161.

convinced the Truman Administration that Chen Cheng must be removed as the governor of Taiwan.

In January, NSC 37/1 already paid the heed to the intention of Chiang Kai-shek to turn Taiwan into his last base. While it held that the situation in Taiwan would be very uncertain, NSC 37/1 was of the opinion that Chen Cheng, the Governor of Taiwan might be capable of evolving Taiwan into a stable non-Communist government.⁴⁸ While the Department of State clearly recognized that Chen Cheng had been appointed as the governor of Taiwan mainly because of his "primary" loyalty to Chiang Kai-shek, it was still worried about the possibility that Chen Cheng would yield to the would-be coalition government as soon as the groundwork was being laid for peace negotiations between the Chinese Communists and the Acting President Li Tsung-jen.⁴⁹ The attitude by the Department of State toward Chen Cheng prior to Merchant's mission could be characterized as "ambivalent." As indicated in NSC 37/1, the Department of State regarded the intention of Chiang Kai-shek to turn Taiwan into his last base as adding to the difficulties to making the future of Taiwan certain or predictable.⁵⁰

Immediately after his first arrival in Taiwan, Merchant indicated his deep-seated misgivings about Chen Cheng. Merchant had no reservations to tell the Department of State his unfavorable opinions about Chen Cheng in the capacity of the Governor of Taiwan. Chen Cheng's close association with Chiang was partly the reason why Merchant thought unfavorably of him. Although Li Tsung-jen had the title as the Acting

⁴⁸ NSC 37/1, "The Position of the United States with Respect to Formosa": 2.

⁴⁹ Merchant, Memorandum to Butterworth, May 24, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 337-338.

⁵⁰ NSC 37/1: 2.

President, Chiang still kept the position as the Chairman of the Kuomintang. By his firm grip of the party power, Chiang actually exercised much greater power than Li Tsung-jen in the state affairs. But Li Tsung-jen then still had the power to replace Chen Cheng if he wanted and insisted.

In the telegram he sent from Taipei to Acheson on March 6, Merchant unhesitatingly said that the crux of the problem facing Taiwan was the governorship. He went on to criticize Chen Cheng as lacking qualities to provide liberal efficient administration needed. Merchant even eagerly recommended that the Department of State approached Li Tsung-jen to replace Chen Cheng with Sun Li-jen. Merchant unequivocally suggested to Acheson:

..... Substitution Sun Li-jen by Acting President seems on balance solution best suited our interests..... recommend Department instruct Ambassador encourage Acting President replace Chen Cheng soonest with Sun Li-jen.....⁵¹

Such a recommendation was not readily accepted by Acheson. Two days later, Acheson gave a reply by telegram, saying that there were no grounds to have optimism about the performance of Sun Li-jen as a governor in view of the fact that his record did not include "wide administrative experience." Acheson indicated his worry that an even less qualified person than Chen Cheng might be appointed by Li Tsung-jen as the replacement.

Acheson was also concerned with the possibility of Chen Cheng's

⁵¹ Merchant, Telegram to Acheson, March 6, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 297.

resentment and backlash. In concrete terms, Acheson replied:

.....Believe we must keep in mind effort encourage Act Pres replace Chen Cheng this stage might result in appointment person less suitable Chen or Sun since no assurance he would appoint latter.....In any event, possibility exists Chen would become disgruntled over efforts remove him and he and his and Gimo followers would sabotage Sun or any other successor.⁵²

However, Acheson's reply was not final as Acheson flexibly left Merchant an opportunity to strengthen his recommendation. At the end of his telegram, Acheson told Merchant "your views regarding the foregoing are requested." Therefore, Merchant on the next day continued to argue in favor of Sun Li-jen. While concurring Acheson's doubts about the administrative qualities of Sun Li-jen, Merchant stated that Sun Li-jen was understood to be willing to supplement his qualities by qualified advisers. Merchant even went ahead to emphasize that Sun Li-jen then was in command of troops and that was an advantage. Merchant said that "Sun personally controls troops and probably risks less sabotage than any other Chen successor" by the reason of his established position on Taiwan. Merchant went on to recommend again that discrete encouragement must be made by Ambassador John Leighton Stuart to Li Tsung-jen to choose Sun Li-jen as the substitute to Chen Cheng. Additionally, Merchant proposed that he would make no approach to Chen Cheng unless it developed that the United States must deal with him.⁵³

⁵² Acheson, Telegram to Merchant, March 8, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 297-298.

⁵³ Merchant, Telegram to Acheson, March 9, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 298-299.

Two days later on March 11, Merchant sent another telegram from Shanghai, saying that he would reluctantly recommend to start talks with Chen Cheng. He added that he still regarded Chen Cheng as "unreliable" and he considered that his talks with Chen Cheng would encourage Chen Cheng and even strengthen Chen's position on Taiwan.⁵⁴ In his reply on the same day, Acheson acceded to Merchant's doubts about Chen Cheng. Acheson told in his telegram that the Department of State believed that Merchant "must have certain latitude dealing with" the problem. According to Acheson's instruction, if Ambassador Stuart concurred with Merchant's views regarding the desirability of the appointment of Sun Li-jen as the governor of Taiwan, Merchant could proceed to suggest Stuart to approach the Acting President Li Tsung-jen over that matter. Acheson told Merchant that it was preferable that Merchant would not be directly involved in approaching Li Tsung-jen. In Acheson's view, this could help free Merchant from prejudice against his position if Chen Cheng was not replaced.⁵⁵

On March 14, Merchant reported from Nanking to Acheson, saying that Stuart concurred with his views about Sun Li-jen and would take the earliest opportunity to indicate to Li Tsung-jen about the confidence in Sun Li-jen's qualifications. Then on March 31, Stuart reported to Acheson about Chen Cheng's visit to Nanking for a week. Stuart analyzed that the purpose of Chen Cheng's visit was for the reconciliation with his "old enemy" Ho Ying-chin, as the new Premier could theoretically remove him from the governorship of Taiwan. Noting that Chen Cheng reportedly had

⁵⁴ Merchant, Telegram from Shanghai to Acheson, March 11, *FRUS*, 1949, Vol. IX, The Far East: China: 299.

⁵⁵ Merchant, Telegram to Acheson, March 11, *FRUS*, 1949, Vol. IX, The Far East China: 299.

no faith in the ongoing peace negotiations, Stuart said in the telegram that contrary to his earlier impressions, Chen Cheng "believes he is performing ably as Governor and has no desire to relinquish it."⁵⁶ In this telegram, Stuart had no indication of any underestimation of Chen Cheng.

Merchant changed his mind on April 6, telling Acheson that "we must deal with him." Merchant estimated that Chen Cheng would refuse to accept as applicable to Taiwan the authority of any Communist-dominated coalition government on the China mainland. But Merchant repeated his doubts over the ability of Chen Cheng to provide "sufficiently enlightened government to satisfy the aspirations of the Taiwanese people and the popular native base "for effective resistance" to the Communists. Merchant still expressed his belief that Li Tsung-jen did not change his expressed intention to replace Chen Cheng with Sun Li-jen. Merchant said that Li Tsung-jen might only have deferred his action.⁵⁷

Yet, Merchant's earlier position on not to approach Chen Cheng already had some influence on the thinking at the Department of State. In a memorandum entitled "Implementation of NSC 37/2 and NSC 37/5" to Souers, the Executive Secretary of the National Security Council, on April 8, Acheson still said that Merchant did not think that it was time to approach Chen Cheng as Sun Li-jen might replace Chen Cheng.⁵⁸ This

⁵⁶ Stuart, Telegram to Acheson, March 31, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 306.

⁵⁷ Merchant, Telegram from Taipei to Acheson, April 6, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 308-309.

⁵⁸ Acheson, Memorandum to Sidney W. Souers, "Implementation of NSC 37/2 and NSC 37/5," April 8, 1949: 1, Box 205, President's Secretary's Files, Papers of Harry S. Truman, Harry S. Truman Library. On May 4, Merchant made a suggestion to Acheson that the Nationalist government must appoint Sun Li-jen to be in command of all the troops in Taiwan and must authorize him to screen all the Nationalist troops in Taiwan so as to send about one half to two thirds of them back to the China mainland if the United States would decide to give economic aids of about US\$60 million to Taiwan. See Merchant, Telegram to Secretary of State, May 4, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 327.

was indicative of Merchant's influence.

Acheson continued to support Merchant's recommendation that it would have been unwise for him to have direct contacts with Chen Cheng as late as May 18 in another memorandum to Souers under the same title as "Implementation of NSC 37/2 and NSC 37/5." But Merchant changed his rationale for inaction. It was cited in the memorandum that Merchant was worried that any exposure of the United States intent could be construed as intervention by the United States in China's civil conflict.⁵⁹

But on the very same day, Acheson completely dropped the idea of encouraging Li Tsung-jen to replace Chen Cheng with Sun Li-jen. In his telegram on May 18 to Clark, the Minister-Counselor of the United States Embassy in China at Canton, Acheson concluded that the replacement of the governorship of Taiwan did not "fall within US competence," and he went on to instruct Clark to so inform Li Tsung-jen or Li's colleagues. Believing that Chiang Kai-shek would insist on the retention of Chen Cheng as the governor of Taiwan, Acheson said that the likelihood of the replacement "would appear slight" unless force was to be employed. Acheson was worried about that any involvement by the United States in a plan to remove Chen Cheng might backfire.⁶⁰ In other words, Acheson's attitude toward the recommendation about the removal of Chen Cheng

⁵⁹ Acheson, Memorandum to Souers, "Implementation of NSC 37/2 and NSC 37/5," May 18, 1949, p. 1, President's Secretary's Files, Papers of Harry S. Truman, Harry S. Truman Library.

⁶⁰ Acheson, Telegram to Clark, May 18, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 337-338. On June 3, the Consulate General of the United States in Taipei reported to the Department of State, saying that the military people in Taiwan saw Peng Meng-chi become in the dominant position. The report noted that Sun Li-jen must therefore take the back seat. The report was based on the observation done by the Assistant Military Attache of the United States in Taiwan. See Edgar, Telegram to Acheson, June 3, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 344-345.

changed.

It was Merchant who initiated the idea of replacing Chen Cheng with Sun Li-jen. Acheson did not out of his own accord advocate it, and his role in this matter was largely responsive. Merchant defended his recommendation in his memorandum to Butterworth on May 24. Merchant emphasized that it was flawless to postpone talks with Chen Cheng. Merchant also explained that the primary reason why the Department of State deferred talks with Chen Cheng was that the United States learned of the desire by Li Tsung-jen to replace Chen Cheng with Sun Li-jen.⁶¹

Based on a deep-going review of the historical data, it was correct to say that Merchant was more eager than Acheson to remove Chen Cheng as the Governor of Taiwan. But the Hypothesis V was only partially valid. Acheson's complete change of his attitude toward removing Chen Cheng as indicated in his telegram to Clark on May 18 invalidated the Hypothesis V. Eventually, Merchant failed. Acheson changed his attitude. He came to emphasize that it was not "within the competence" of the United States to do so.

Even so, Merchant's role in the decision-making process of the Truman Administration over the Taiwan question was by no means negligible. His influence on the policy by the United States toward Taiwan was rather great. Although he was not widely taken as a specialist in the China question, Merchant was critical of and not confident in the Nationalist Government in Taiwan. The discussion above brought to light that Acheson might be less "suspicious" than Merchant toward the survivability of the Nationalist Government in Taiwan. The Third World

⁶¹ Merchant, Memorandum to Butterworth, May 24, 1949, *FRUS*, 1949, Vol. IX, The Far East: China: 338.

War did not occur as Chiang Kai-shek predicted. But the Korean War did soon break out in 1950. The Korean War, however undesirable as it was to the United States, truly changed the fate of Taiwan. The status and the developments in Taiwan today are definitely beyond the imagination of Merchant and many others.

