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OVERSIGHT OF THE TAIWAN RELATIONS ACT

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON  
EAST ASIAN AND PACIFIC AFFAIRS  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
NINETY-SIXTH CONGRESS

SECOND SESSION

MAY 14, 1980

Printed for the use of the Committee on Foreign Relations

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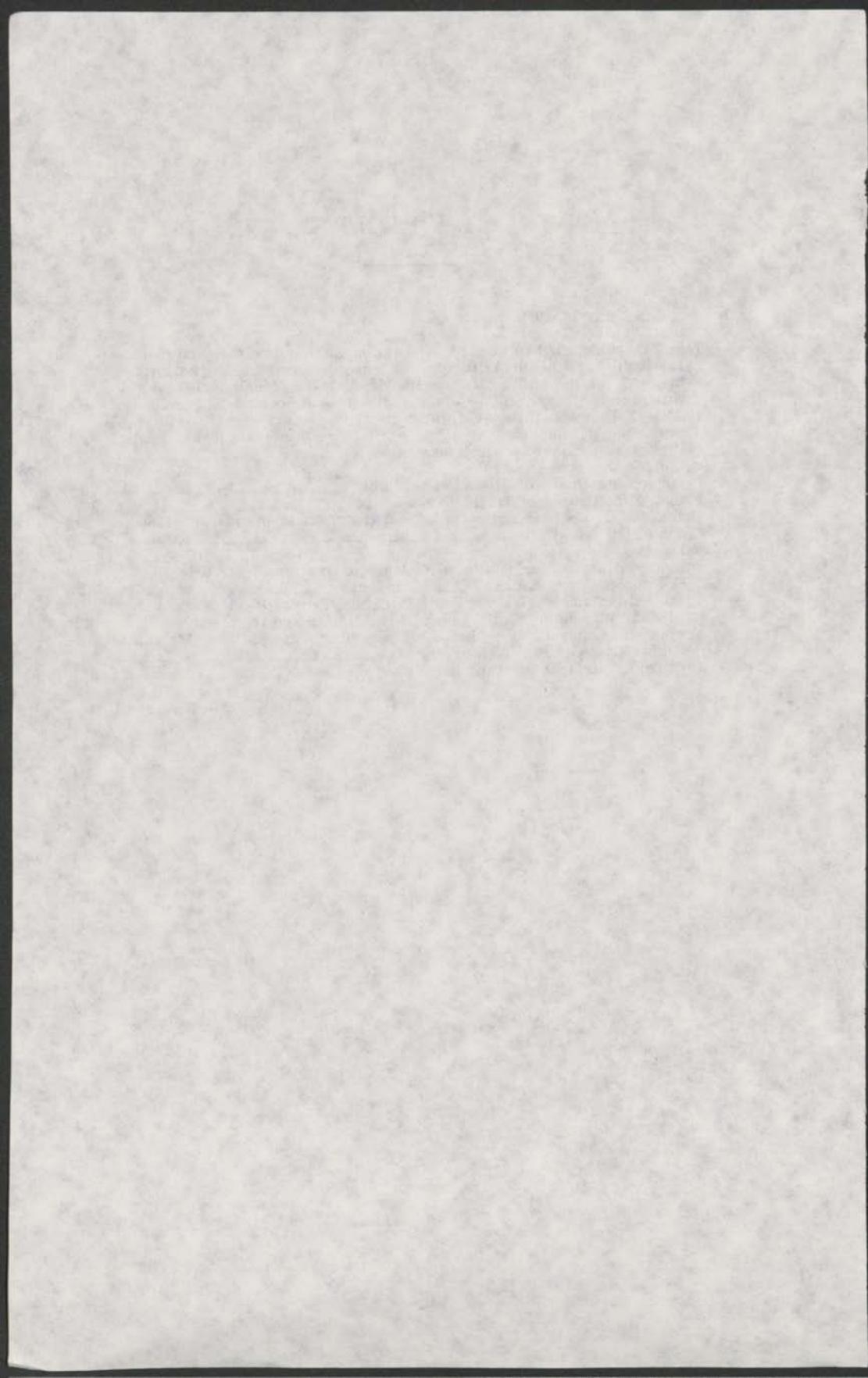
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## CONTENTS

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	Page
Hearing day : May 14, 1980.....	1
Statements by :	
Dean, David, chairman of the board and managing director, American Institute in Taiwan, Arlington, Va., accompanied by Mark Pratt, head of the general affairs section in Taipei; Joseph Kyle, institute secretary; and John Connolly, institute treasurer.....	9
Fasick, J. Kenneth, director, International Division, General Accounting Office, accompanied by Maurice Blais, project team leader, and Walter S. Ochinko, project team member.....	3
Insertions for the record :	
Prepared statement of Hon. Frank Church.....	2
Prepared statement of David Dean.....	13
Economic trends and indicators for Taiwan: first quarter of 1980, submitted by Mr. Kyle.....	22
Appendix :	
Prepared statement of William N. Morrell, Jr., president, USA-ROC Economic Council.....	31
Prepared statement of Prof. Peter P. Cheng, University of Nebraska-Lincoln, on human rights under Chiang Ching-kuo regime.....	33
Prepared statement of Stephen Dial, associate, International Human Rights Law Group, Washington, D.C.....	36
Prepared statement of Prof. Richard Kagan.....	38



# OVERSIGHT OF THE TAIWAN RELATIONS ACT

WEDNESDAY, MAY 14, 1980

UNITED STATES SENATE,  
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The subcommittee met at 10 a.m., pursuant to notice, in room 4221, Dirksen Senate Office Building, Hon. John Glenn (chairman of the subcommittee) presiding.

Present: Senators Glenn, Tsongas, Javits, and Hayakawa.  
The CHAIRMAN. The hearing will be in order.

## OPENING STATEMENT

This is one of a continuing series of hearings and investigations, both public and by staff, on the relationship between the United States and the People's Republic of China [PRC] and the Republic of China [ROC] on Taiwan.

We took some of these items up last November, when we considered the treaties and agreements issue and we had another set of hearings on arms sales in March. Committee staff visited Taiwan in April. Today's and tomorrow's hearing will examine specifically the implementation of the Taiwan Relations Act [TRA].

Late last fall we asked the General Accounting Office [GAO] to do a study of how the whole act had worked. Mr. Fasick and Mr. Dean are here today, Mr. Dean representing the American Institute in Taiwan and Mr. Fasick representing GAO, to give their testimony. Their report is classified secret. After their opening statements we will have to close the hearing and ask all those not cleared to leave.

Mr. Fasick and Mr. Dean, on behalf of the Foreign Relations Committee I want to welcome you to our oversight hearing.

Mr. Fasick, we are glad to have you and your investigators this morning, as our leadoff witnesses in this, the committee's first general oversight hearing on the Taiwan Relations Act. April 10 was the first anniversary of the act and now is an appropriate time to look back and see how our handiwork has fared.

Last November I asked GAO to undertake a study of the implementation of the TRA during its first year. I have read your study and believe you have done an outstanding job. Your report appears well researched; it is balanced. I believe it is fair. There is also much new information for me to digest.

On first reading it seems to support my view that our new unofficial relations with Taiwan are on the right track. Although I support the

President's decision to recognize the PRC and change our relationship with the ROC to an unofficial one, it was extremely important to me and other members of the committee and the Senate that we be able to maintain our close and friendly relationship with our allies of long standing on Taiwan.

I must admit I had some doubts originally whether this would truly prove to be possible. I was also unsatisfied with the draft legislation that the administration presented to the Congress. I was particularly concerned that this committee and our Subcommittee on East Asian and Pacific Affairs, of which I am chairman, were not consulted and there were no specific provisions for arms sales to Taiwan.

I also thought we needed to make more explicit assurances concerning Taiwan's security and that it was important that United States-Taiwan economic and commercial ties be protected and encouraged.

I think that we are all somewhat relieved at the end of this first year to find that the act that finally passed Congress and was signed by the President, has worked very well. I am confident that over the next year, now that many of the startup problems have been ironed out, the relationship can be improved even more.

Your study, Mr. Fasick, notes a number of problems that remain, and those are things that I want to get into today. I would note that I still am not satisfied with the degree to which the administration consults on a continuing basis with the Congress on implementation of the TRA, arms sales, treaties, agreements, et cetera, and seems sometimes to be influenced too much in its decisions by the PRC.

To me it is important because I believe that it is essential the United States find an appropriate balance in our dealings with the PRC and Taiwan. Thus far the administration has quite often appeared to lean a little too much toward the PRC, which aggravates our relations with Taiwan. I hope we can fine tune this balance so that all concerned will be comfortable with it in the future.

This is important because it is clear to me that unless the Taiwan part of the equation works—unless we can maintain the proper balance—U.S. policy toward the PRC has, over time, not much chance of succeeding. Moreover, a stable and prosperous Taiwan is important to the stability of East Asia and to the national interest of the United States.

The chairman of the full committee, Senator Church, has sent word that he will be unable to attend the hearing this morning and has requested that his statement be included in the record. Without objection, we will include it at this point.

[Senator Church's prepared statement follows:]

#### PREPARED STATEMENT OF HON. FRANK CHURCH

April 10 was the first anniversary of the Taiwan Relations Act. The hearings being held this week by the Foreign Relations Committee are intended to examine the implementation of the Act and what steps are necessary to fulfill the mandate of the Congress that the United States maintain "extensive, close and friendly" relations with the people of Taiwan.

As I have stated on several occasions, I believe the Taiwan Relations Act has been a remarkable success. This has been most evident in our economic relations. Trade between the United States and Taiwan increased by 23 percent in 1979. Predictions are that trade will continue to increase by at least

20 percent a year. U.S. investment in Taiwan increased by 15 percent in 1979. I believe a recent New York Times article best summarized Taiwan's current economic position: "Taiwan's Prosperity Unmatched in Asia". It is fair to say that Taiwan's prosperity rebounds to the benefit of the United States.

Another success story of the Taiwan Relations Act has been the mechanism established to coordinate our unofficial relations. That mechanism—the American Institute in Taiwan—has worked better than anyone expected. Together with its counterpart—Taiwan's CCNAA—AIT has effectively handled the entire range of our relations with Taiwan.

Despite these successes, our relations have not been trouble-free. And, in this regard, Congress—and the Foreign Relations Committee—continues to play a key role in overseeing this relationship, as it did during the formulation of the Taiwan implementing legislation over a year ago.

Of particular concern to Taiwan has been the sale of defensive arms by the United States, as called for in the Taiwan Relations Act. It is clear that Taiwan's stability—economic, political and social—depends to a large extent on its military security. To deny Taiwan its legitimate defensive arms requests could well lead to a crisis of confidence on the island that might undermine its economic progress and its stated intention to proceed with political reform and elections this year. For these reasons I recently joined with six other Members of the Foreign Relations Committee in a letter to President Carter requesting him to authorize preliminary discussions between Taiwan and U.S. contractors interested in developing the FX fighter, which is Taiwan's highest military requirement.

Other actions have been taken by the Foreign Relations Committee to ensure continued "close and friendly" relations between the United States and Taiwan. Yesterday the Committee restored cuts proposed by the Administration to AIT's budget. Given the fact that our commercial and trade relations will continue to increase, it would be counterproductive to further reduce the size of our staff in Taipei whose responsibility it is to coordinate these relations. The Committee has also placed the Administration on notice that, pursuant to the Taiwan Relations Act, Taiwan should be allowed the same number of offices in the United States that it had prior to the termination of formal relations.

As I mentioned at the beginning of my statement, I believe the Taiwan Relations Act has been a success. And, based on one year's experience, I believe that U.S.-Taiwan relations will continue to grow and prosper in the years ahead.

The CHAIRMAN. Mr. Fasick, we welcome your testimony. I understand that your testimony is unclassified in your opening statement. Is that correct?

Mr. FASICK. Yes, sir.

The CHAIRMAN. Fine. We will have your opening statement. After that we will close the hearing.

**STATEMENT OF J. KENNETH FASICK, DIRECTOR, INTERNATIONAL DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY MAURICE BLAIS, PROJECT TEAM LEADER, AND WALTER S. OCHINKO, PROJECT TEAM MEMBER**

Mr. FASICK. Very well. I would like to introduce my two associates. On my left is Maurice Blais, project team leader on this study, Far Eastern Office in Honolulu; and, on my right, Walter Ochinko, Washington member of the team.

We appreciate the opportunity to testify today on our review of the implementation of the Taiwan Relations Act which was undertaken as you noted earlier, Mr. Chairman. Although the act has been in effect only about 1 year, enough experience has been gained for an assessment of successes and problems.

In our review, we looked at how the Taiwan Relations Act is being implemented. We focused on the operations of the American Insti-

tute in Taiwan [AIT]; the status of treaties and agreements; how Taiwan's military equipment needs will be determined; and how foreign military sales [FMS] to Taiwan are handled.

In summary, we found that the Taiwan Relations Act is working. Although the form of U.S. relations with the people of Taiwan has changed, the substance has remained basically the same. After an uneasy start, including a brief interruption in some aspects of relations, the mechanism for unofficial contacts is functioning fairly smoothly.

#### BACKGROUND ON THE TAIWAN RELATIONS ACT

After years of negotiations, the President announced on December 15, 1978, that the United States and the People's Republic of China [PRC] had agreed to establish full diplomatic relations. At the same time the executive branch announced that the United States would break diplomatic relations with Taiwan but would continue commercial, cultural, and other relations through nongovernmental means.

To facilitate maintaining those relations with diplomatic representation, the President issued a memorandum on December 30, 1978, directing all U.S. Government departments and agencies to continue to conduct programs, transactions, and other relations with Taiwan.

One month after derecognition, on January 26, 1979, the President transmitted a draft bill to the Congress to provide a legal basis for continuing relations. The Congress believed that the bill did not clearly spell out the way in which Taiwan relations should be maintained. After significant revision by the Congress, the President signed the Taiwan Relations Act, Public Law 96-8, on April 10, 1979. About 2 months later the President issued Executive Order No. 12143.

Since passage of the act, there have been many positive signs: Trade and investment are up; the United States recently announced a \$280 million arms sale after a 1-year moratorium; AIT has negotiated a number of agreements important to maintaining and expanding relations; and U.S. relations with the PRC are improving. The dire predictions of U.S. abandonment of Taiwan and economic disaster have not materialized.

Despite these positive signs, two congressional concerns expressed during consideration of the Taiwan Relations Act remain valid: the degree to which PRC reaction influences U.S. decisions and the degree of executive branch consultation with appropriate Members of Congress.

#### PRC INFLUENCE ON TAIWAN POLICY

Although the PRC has repeatedly asked that the U.S. Government keep its relations with Taiwan on a strictly unofficial basis, there has not been a serious formal PRC complaint about the substance of United States-Taiwan relations since derecognition. Nevertheless the State Department approaches decisions about Taiwan very cautiously. The State Department views even the smallest issue involving the form of our relations with Taiwan as having a potentially negative impact on U.S.-PRC relations. State Department officials told us that, although the PRC might not protest every individual decision involving the form of U.S. relations, cumulatively these decisions could have a serious impact on U.S. relations with the PRC.

The goal of improving U.S.-PRC relations has also affected more important areas of the continuing U.S. relationship with Taiwan. For example, State did not allow top management officials of the National Science Foundation to perform onsite evaluations in Taiwan. These evaluations are essential in continuing the United States-Taiwan Science Cooperation Agreement. Similarly the State Department's decision that it would be inappropriate for AIT to use the computer facilities at the Regional Finance Center in Bangkok led to the use of a manual payroll and accounting system operated by untrained personnel. A year later the AIT accounting system still has serious problems and the search for a workable alternative is continuing. U.S. officials quickly point out that there was no material harm to Taiwan in any of these types of decisions. However, this may represent an overreaction on the part of the State Department in order to appear to adhere to the agreement to have no official relations with Taiwan.

Although the United States has scrupulously avoided any officiality in its relations with Taiwan pursuant to the U.S. commitment to the PRC, the PRC has on at least one occasion made formal relations an issue in negotiations with the United States. Just as the PRC made termination of the Mutual Defense Treaty a precondition for diplomatic relations, similarly they told U.S. negotiators during 1979 that there would be no air transport agreement with the PRC until termination of the 1946 United States-Taiwan Air Transport Agreement.

Accordingly the existing Taiwan Air Transport Agreement was terminated and a new agreement established between AIT and its Taiwan counterpart, the CCNAA [Coordination Council for North American Affairs]. The State Department emphasized that simply amending the old outmoded agreement would have made a political statement for Taiwan at the expense of the new U.S. relationship with the PRC.

Other than pre-1979 treaties with Taiwan, the only major issue in the U.S.-PRC relationship is the continued sale of U.S. military equipment to Taiwan. For several years the PRC had insisted on termination of U.S. military equipment sales to Taiwan as a precondition for formal relations. Although this demand was never dropped, diplomatic relations became possible when the United States and the PRC agreed to disagree about future U.S. arms sales to Taiwan. The PRC, however, made it clear that it remained opposed to continued sales. It is this opposition and the potentially disruptive impact on improving PRC relations that make this a delicate problem for the United States.

The noncontroversial and self-defensive character of the equipment announced for sale in January and the deferral so far of any decision either on Taiwan's other priorities or even on the remaining non-controversial items underscore the cautious approach the executive branch is taking.

Whether the executive branch is giving too much weight to the possible reaction from the PRC and the impact on future U.S.-PRC relations is a matter of judgment. The executive branch obviously has a valid concern that future sales to Taiwan not destabilize the regional military balance or be perceived as providing an offensive threat to the PRC as opposed to maintenance of a viable Taiwan defensive

capability. The reaction of the PRC is an integral factor in any decision. As executive branch officials have pointed out, Taiwan would not benefit from the sale of weapons which increased hostility between the two parties. The PRC views the sale of some weapons to Taiwan as unacceptable. A PRC official told a U.S. congressional delegation in 1979 that there was a level of tolerance in arms sales to Taiwan and that the United States should be prudent.

Uncertainty about the limits of PRC toleration contributes to the deliberateness of executive branch decisionmaking. We believe that the stretching out of Taiwan sales is designed to insure that these limits are not exceeded.

The executive branch to date has made little effort to explain what specific plans there may be for future Taiwan arms sales. The legislative history of the act implies that the Congress expected to be closely consulted about Taiwan's defense needs and U.S. plans to meet them.

Appropriate consultation on arms sales plans would go a long way toward assuring the Congress that the PRC, while influencing, is not dictating what will or will not be sold to Taiwan.

#### LACK OF CONSULTATION

The Senate Foreign Relations Committee report on the Taiwan Relations Act noted that, although many Members of Congress were in favor of extending diplomatic relations to the PRC, they were concerned about the failure to consult with the Congress prior to the action. There was additional concern because a provision in the International Security Assistance Act of 1978 specifically states that the President should consult with the Congress before making policy changes which might affect the Mutual Defense Treaty with Taiwan.

Also, during the consideration of the Taiwan Relations Act, members of the Senate Foreign Relations and the House Foreign Affairs Committees indicated that they wanted to be consulted during the decisionmaking process and believed that the Congress should play an active role in maintaining the security and well-being of Taiwan through the unofficial relationship. Although the Congress was assured many times by the State Department that close contacts with the Congress would be maintained, the "what" and "when" aspects of consultation regarding treaties, agreements, and military sales could be improved. For example, the Congress was not consulted prior to the termination of the Air Transport Agreement with Taiwan.

Furthermore, no information was provided to the Congress on what items would be recommended or on what the executive branch's future arms strategy would be even though the Congress was briefed on Taiwan's request for military equipment.

During oversight hearings before this subcommittee on November 14, 1979, the Deputy Secretary of State said that, in the future, close contact would be maintained on agreements.

One of the reasons for absent or inadequate consultation is that the executive branch's decisions on treaties, agreements, and military sales are made and closely held by a small group of top-level U.S. officials. This is due to the importance attached to improving relations with the PRC and the sensitivity of the issues.

## THE AMERICAN INSTITUTE IN TAIWAN

A number of administrative problems that confronted AIT during the early stages of its existence have been resolved. For the most part, these problems were the result of the uniqueness of AIT and the need within the State Department to invent procedures for using a privately incorporated, nonprofit institute to administer and conduct informal relations overseas. These administrative problems which had a negative impact on employee morale, include: Late salary checks, confusion over reemployment rights, limited funds for travel and for storing household goods, and structural deficiencies affecting the security of the AIT facility in Taipei.

The way in which a number of these and additional problems were resolved reflects the higher cost and inefficiency of the new procedures for conducting unofficial as contrasted with formal diplomatic relations. Some Government officials view these procedures, which were chosen in part to maintain the appearance of unofficial relations, as an overreaction. Although everyone agreed that the procedures are cumbersome and inconvenient, State Department officials believe they are essential if the United States is to live up to the spirit of its commitment to the PRC.

## PHYSICAL CONDITION OF FACILITY

After derecognition, State Department officials did not consider it appropriate, for symbolic reasons, for AIT to occupy the former U.S. Embassy in Taipei. Consequently, AIT is housed in a building previously used by the U.S. military. This facility had a number of structural deficiencies affecting security, safety, and sanitation. AIT personnel have taken action to bring the security of the building to an acceptable level, but any further improvements will depend on additional funding for this purpose.

## COMMERCIAL AND CULTURAL RELATIONS WITH TAIWAN

The breaking of diplomatic relations with Taiwan has had no measurable adverse effect on commercial and cultural relations between the United States and the people of Taiwan. In fact, the Taiwan Relations Act may have actually removed much of the uncertainty that existed prior to normalization, resulting in an improved business environment and resumption of close and friendly cultural ties.

The Taiwan Relations Act requires the Secretary of State to report to the Congress biannually for a 2-year period on United States and Taiwan economic relations, highlighting any interferences with normal commercial relations. According to the March 1980 report:

\* \* \* there is no evidence that the severance of official ties between the United States and Taiwan has in any way interfered with commercial relations with Taiwan. On the contrary, United States-Taiwan bilateral trade and U.S. investment in Taiwan increased by 23 percent and 15 percent, respectively.

The report further states that—

Taiwan's robust economic performance in 1979 underlines the continuing foreign and domestic confidence in the stability of the island.

Our analysis of domestic and external economic indicators also demonstrates that Taiwan is showing positive economic progress both when compared to other developing areas and considering its heavy reliance on trade. In conclusion, Taiwan has not suffered economically from U.S. derecognition.

#### TRADE AND INVESTMENT

Taiwan is the eighth largest trading partner of the United States. Total two-way trade was \$9.1 billion in 1979, an increase of more than \$1.6 billion over 1978. U.S. exports were up approximately 40 percent and strong export sales growth to Taiwan is also forecast for 1980. Equally bright is the outlook for U.S. investment, which increased more than 15 percent during 1979 over 1978. Taiwan has demonstrated amazing progress in the aftermath of normalization.

Parties on both sides are optimistic about future trade and investment. Prospects are that, for the foreseeable future, Taiwan will continue to rank second only to Japan as a U.S. trading partner in Asia.

During our discussions with Taiwan and AIT officials and with business representatives in both the United States and Taiwan, all generally agreed that the current and future business climate between the two countries was "business as usual."

Mr. Chairman, this concludes our prepared testimony. We would be pleased to answer any questions from you or other members of your subcommittee at this time.

The CHAIRMAN. The subcommittee will go into executive session now. I regret that we have to do this and I hate to have everybody clear the room, but it is necessary.

I might say that, after we conclude the classified part of this—Mr. Dean, I understand that your testimony will not be classified. Is that correct?

Mr. DEAN. That is right, sir; it is not classified.

The CHAIRMAN. Good. We will go back into open session for Mr. Dean's testimony.

[Whereupon, at 10:30 a.m. the subcommittee proceeded in executive session.]

[The subcommittee resumed in open session at 11:30 a.m.]

The CHAIRMAN. The hearing will resume. Mr. Dean, we appreciate your being with us today. I will not only welcome you but congratulate you because I think you and your staff have done an exceptionally fine job in starting a new, nondiplomatic post, or however we term it, under very difficult circumstances.

The unofficial relations we have established with Taiwan are unprecedented. You and Mr. Chuck Cross in Taiwan have been forced to improvise on numerous occasions to make this Taiwan Relations Act work. I think it is to your credit that Taipei, Washington, and even Peking are satisfied with what you have accomplished; most objections have been minor ones. This is a major accomplishment in itself.

We welcome your testimony this morning and any additional comments that the gentlemen with you may want to make. Then we will get on to questions.

Senator HAYAKAWA. Mr. Chairman, if I may interrupt for a moment to apologize to those who are testifying and those in the audience here. I am needed on the floor right away, so if you will excuse me.

Mr. DEAN. Thank you.

The CHAIRMAN. Mr. Dean, we welcome your statement.

**STATEMENT OF DAVID DEAN, CHAIRMAN OF THE BOARD AND MANAGING DIRECTOR, AMERICAN INSTITUTE IN TAIWAN, ARLINGTON, VA., ACCOMPANIED BY MARK PRATT, HEAD OF THE GENERAL AFFAIRS SECTION IN TAIPEI; JOSEPH KYLE, INSTITUTE SECRETARY; AND JOHN CONNOLLY, INSTITUTE TREASURER**

Mr. DEAN. If I may, Mr. Chairman, I will first introduce my colleagues. You have met, I believe, Mr. Mark Pratt, who is the head of our general affairs section in the Institute office in Taipei. On my right is Mr. Joseph Kyle, Institute secretary, and Mr. John Connolly, who is the Institute treasurer.

Mr. Chairman, I appreciate the opportunity to appear before you today. The American Institute in Taiwan (AIT) has been in existence for over 1 year. It has been a year of challenge and change. Operating under the guidelines of the Taiwan Relations Act, the Institute has sought to preserve and promote close and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan on a nongovernmental basis. AIT has also carried out a wide variety of negotiations, agreements, programs, and other transactions with Taiwan.

The General Accounting Office study on the American Institute in Taiwan operations concludes that after an uneasy start the mechanism for unofficial contacts is functioning fairly smoothly. What is more important, however, is the fact that trade between Taiwan and the United States is increasing; so is U.S. investment in Taiwan.

Cultural exchanges are growing, more tourists from Taiwan are visiting the United States, defensive arms sales are continuing, and various relationships such as air transportation, shipping, scientific exchange, and others are also increasing. Depending in part on future economic conditions, the trend in these relationships is encouraging.

At this point I would like to mention that two of the Institute trustees, retired Ambassadors L. Dean Brown and Edwin M. Martin, deserve special mention for their counsel and advice. They have helped to solve many of AIT's startup problems and have provided many thoughtful suggestions about our operations during the past year.

Certainly establishing a private corporation with unique responsibilities and requirements has not been an easy task. In both management and substantive areas we are continually seeking creative solutions to unexpected problems. Initially we had difficulty, as the GAO report indicated, with our payroll system, but these problems have in the main been overcome.

As you know, AIT receives most of its funding through a contract with the Department of State, and the Department receives these funds

through a line item in its appropriation from Congress. Our contract with the Department has been extended until June 30, but both sides are working on a contract revision, which should be ready in the near future.

Over the past year, AIT has entered into several arrangements—

The CHAIRMAN. If I may interrupt, that will not change your basic mission; it will be an extension with the same authority and the same functions as you have had in the past year; is that correct?

Mr. DEAN. The new contract?

The CHAIRMAN. Yes.

Mr. DEAN. I presume that it will be along similar lines. We have not yet seen the Department's version of the contract, but I presume it will be the same.

Over the past year AIT has entered into several arrangements with various departments and agencies, and these include an agreement with the Department of Energy whereby AIT performs functions necessary to implement uranium enrichment services contracts with Taiwan; an agreement with the Department of Defense whereby AIT signs letters of offer and acceptance for approved foreign military sales to Taiwan; a memorandum of understanding between AIT and the Department of Agriculture; and an agreement between AIT and the Export-Import Bank delineating the actions AIT will take on behalf of the Bank in connection with transactions to be financed by the Bank which involve the export of goods and services to Taiwan.

We anticipate that arrangements will also be concluded in the near future with the National Science Foundation and the Federal Aviation Administration, and we are studying the desirability of similar arrangements with other departments and agencies.

Now, since we were established, we have negotiated several agreements with our counterpart organization, the Coordination Council for North American Affairs, including an air transport agreement, amendments and modifications to the textile agreement, orderly marketing arrangements on footwear and TV receivers, and an agreement on transferring defense property relating to the termination of the Mutual Defense Treaty.

In addition, AIT and CCNAA have initiated negotiations on an agreement concerning scientific cooperation, safety of life at sea, nuclear cooperation, and privileges and immunities. The latter spells out the functional privileges and immunities to which employees of AIT and CCNAA are entitled.

AIT's primary effort in both Washington and Taiwan has been to promote U.S. business interests. Our principal commercial goals are first to increase sales of American goods and services to Taiwan, to enlarge the U.S. share of the Taiwan market, to provide information and services to U.S. firms interested in trading with and investing in Taiwan, and to encourage the removal by Taiwan of restrictions which discourage imports from the United States.

AIT has sponsored a number of trade promotional campaigns and we have supported exhibits at our trade center in Taipei and we have also sponsored specialized trade missions. Our Washington staff, in speeches to many business groups, has tried to stimulate more interest in selling U.S. goods to Taiwan. Last year the trade center had six

exhibits in Taipei. The 120 American firms which participated reported substantial immediate sales and excellent future prospects.

In March of this year our trade center staged a major offsite exhibition in Kaohsiung. This was the first of its kind in that major industrial center, which is in the southern part of Taiwan. This exhibit was called AMPRO 80. It featured products of 86 U.S. firms. Nearly 15,000 Taiwan businessmen attended. Almost \$8.5 million in off-the-floor sales were recorded and the forecast is for an additional \$50 million within this year.

The Institute has worked very closely with the USA-ROC Economic Council, chaired by former Secretary of the Treasury David Kennedy. The Council includes as members many firms and financial institutions which have important trading and investment relations with Taiwan.

AIT officials have participated in the Council's annual conferences and in special programs sponsored by the Council. I will be leaving next Monday to participate in the annual conference sponsored by the USA-ROC Economic Council in Taipei and, on my way to Taipei, I will speak about business prospects in Taiwan at the annual American Valve Manufacturers' Association conference in San Francisco.

That is illustrative of the type of thing we are trying to do to stimulate trade. I think the business community seems to find AIT useful to it. In a recent symposium on doing business with Taiwan in our headquarters here, William Morell, president of the USA-ROC Economic Council, and Robert Parker, president of the American Chamber of Commerce in Taiwan, both said the Institute was doing a good job of helping American businessmen.

Of course, even more important to business is the Taiwan Relations Act, which has alleviated concerns that derecognition would harm U.S. business interests. Thanks to the act, this has not been the case. As I have mentioned and as you have heard from the GAO report, U.S. trade and investment have increased substantially.

Termination of U.S. diplomatic relations with Taiwan has not resulted in any diminution of our cultural relations. On the contrary, we have over 500 students from the United States studying in Taiwan and we have about 100 American professors teaching in Taiwan universities. The number of Taiwan students studying in the United States is now up to approximately 25,000.

American universities are supporting several language study programs in Taiwan and more than 20 universities and associations have exchange agreements with counterpart organizations there.

American films are very popular as are television programs in Taiwan. The American Institute supports cultural interchange with Taiwan through a whole series of organizations and events—through participation in the East-West Center activities, grants to foundations and universities and with speakers on various facets of the American society. Journalists, academics, and technicians visit the United States under AIT sponsorship.

In carrying out its responsibilities to preserve and promote cultural relations between the people of the United States and the people on Taiwan, AIT relies on the Institute of International Education, the visitor program service of Meridian House International, the Board

of Foreign Scholarships and the International Communications Agency for program support.

The cultural section of AIT's Taipei office works closely with the Foundation for Scholarship Exchange, an exchange dedicated to improving understanding through educational and cultural exchange.

The Institute processes foreign military sale cases for Taiwan but does not handle purchases of military-related items on a commercial basis, which are processed routinely through the Munitions Control Office of the Department of State.

A major problem which faced AIT when its Taipei office was opened on April 15 last year was the large backlog of visa applicants. AIT was able to eliminate this backlog and to reduce considerably the time required to process applications. Businessmen now receive their visas 1 or 2 days after their applications are received.

The travel services section of the AIT office in Taipei also performs other services. I believe the Institute is the only private U.S. corporation which has the authority to appoint special notaries. These special notaries are AIT employees who have been specifically dedicated and commissioned by the Institute to perform notarial services in Taiwan.

Another responsibility contained in the Taiwan Relations Act has been section 2(c), which states in part that "The preservation and enhancement of the human rights of all the people on Taiwan are hereby reaffirmed as objectives of the United States."

We have responded to many calls, visits and letters concerning the human rights issues. Last week, for example, we received 812 letters or cards opposing the Kaohsiung trials verdicts and 334 letters supporting the verdicts and human rights conditions in Taiwan.

At the request of several Senators and Congressmen, the Department of State, many church groups and private citizens, the Institute has made known their concerns to representatives of CCNAA. The Institute has done its best to faithfully observe the provisions of section 2 of the act.

The Institute's management, I think, has improved steadily over the past year but some improvements are still required. Our working relationships with Taiwan's Coordination Council for North American Affairs has been characterized by a shared desire to achieve substantive progress in many different areas of mutual interest.

AIT has been able to carry out its responsibilities under the Taiwan Relations Act because of its dedication, hard work, and creative thinking of its staff in Washington and Taipei. We have received much needed and much-appreciated support from public and private organizations, staffs, and individuals.

With the experience gained during our first year of operations, I am confident that the American Institute in Taiwan is better prepared to pursue its many responsibilities under the Taiwan Relations Act with even more prospects of success in the future. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Dean. You summarized your statement to some extent. Your entire statement will be included in the record.

Mr. DEAN. Thank you, sir.

[Mr. Dean's prepared statement follows:]

PREPARED STATEMENT OF DAVID DEAN

Mr. Chairman, Members of the Committee: I appreciate the opportunity to appear before you today.

The American Institute in Taiwan (AIT) has been in existence for over one year. It has been a year of challenge and change. Operating under the guidelines of the Taiwan Relations Act the Institute has sought to preserve and promote close and friendly commercial, cultural and other relations between the people of the United States and the people on Taiwan on a nongovernmental basis. AIT has also carried out a wide variety of negotiations, agreements, programs, and other transactions with Taiwan.

The General Accounting Office study on the American Institute in Taiwan operations concludes that after an uneasy start the mechanism for unofficial contacts is functioning fairly smoothly. What is more important, however is the fact that trade between Taiwan and the United States is increasing; so is U.S. investment in Taiwan. Cultural exchanges are growing, more tourists from Taiwan are visiting the United States; defensive arms sales are continuing, and various relationships such as air transportation, shipping, scientific exchange and others are also increasing. Depending in part on future economic conditions, the trend in these relationships is encouraging.

I take this opportunity to detail some of AIT's accomplishments since its incorporation as a private non-profit corporation in the District of Columbia in January 1979. The Institute is governed by a three-man Board of Trustees appointed by the Secretary of State. I am the Chairman of Board of Trustees and also the Managing Director. We have a small Washington headquarters staff of eight people. Two of the Institute's Trustees, retired Ambassadors I. Dean Brown and Edwin M. Martin deserve special mention for their counsel and advice. They have helped solve many of AIT's start-up problems and have provided many thoughtful suggestions about AIT's operations during the past year.

The Washington office has three principal functions. First, it represents the interests of the people of the United States in maintaining commercial, cultural and other relations with the people on Taiwan. Second, it provides guidance and administrative support to the Institute's offices in Taiwan. Third, it serves as a channel of communication with the Coordination Council for North American Affairs, which has been established to represent Taiwan's interests in the United States.

The Taipei Office of the Institute is headed by a Director, Charles Cross, who is appointed by AIT's Board of Trustees. His principal responsibilities are to maintain effective communication with the Coordination Council for North American Affairs in Taipei and to direct the activities of AIT's Taipei and Kaohsiung staff. The Director and his staff provide a wide range of services. Of particular interest are the Economic and Commercial Section (including the Agricultural Office), the Travel Services Section, and the Cultural and Information Section. Under Mr. Cross' direction, Taipei and Kaohsiung officers are performing their functions in an efficient manner.

Establishing a private corporation with unique responsibilities and requirements has not been an easy task. In both management and substantive areas we are continually seeking creative solutions to unexpected problems. Initially we had difficulty with our payroll system and our accounting procedures, but these problems have in the main been overcome. AIT receives most of its funding through a contract with the Department of State. The Department receives these funds through a line item in its appropriation from Congress. Our original contract with the Department was signed on April 13, 1979. Within the terms of the contract the Institute agrees to provide certain services and the Department of State agrees to reimburse the Institute for its operating costs within prescribed limits. This contract has been extended until June 30, 1980. Both sides are working on a contract revision which should be ready in the near future.

The major administrative problem now facing AIT is the need to improve the appearance of its office quarters in Taipei and Kaohsiung. The Taipei office is leased by AIT for a very reasonable rent. It was occupied by AIT immediately after signing its contract with the Department of State. It is centrally located

and provides sufficient space for our American and Chinese staff. However, the main building is in poor shape and requires renovation.

In seeking to preserve and promote extensive, close and friendly commercial, cultural and other relations between the people of the United States and the people on Taiwan, AIT has established a variety of formal and informal arrangements to act on behalf of those U.S. departments and agencies which formerly had interests in Taiwan. The basis for these arrangements are established in Sections 6 and 9 of the Taiwan Relations Act. In Section 6 it is stipulated that whenever any department or agency of the U.S. Government is authorized or required to enter into, perform, enforce or have in force an agreement or transaction relative to Taiwan, such agreement or transaction shall be entered into, performed and enforced by or through AIT. In Section 9 it is stated that any agency of the U.S. Government is authorized to perform administrative and technical support functions and services for the operations of AIT and to acquire and accept services from AIT.

As of May 10, 1980 AIT has entered into the following formal arrangements pursuant to the Taiwan Relations Act:

An agreement with the Department of Energy whereby AIT performs functions necessary to implement uranium enrichment services contract with Taiwan.

An agreement with the Department of Defense whereby AIT signs Letters of Offer and Acceptance for approved foreign military sales to Taiwan.

A memorandum of understanding between AIT and the Department of Agriculture regarding the role and responsibilities of AIT's Agricultural Officer relating to programs and activities of the Department of Agriculture.

An agreement between AIT and the Export-Import Bank of the United States delineating the actions which AIT will take on behalf of the Bank in connection with transactions to be financed by the Bank which involve the export of goods and services to Taiwan.

It is anticipated that arrangements also will be concluded in the near future with the National Science Foundation and the Federal Aviation Administration. AIT is also studying the necessity and/or desirability of concluding similar arrangements with other departments and agencies.

Since AIT was established it has negotiated several agreements with its counterpart organization, the Coordination Council for North American Affairs (CCNAA), including an Air Transport Agreement, amendments of and modifications to the textile agreement, orderly marketing agreements on footwear and TV receivers, and agreements transferring Defense property relating to the termination of the Mutual Defense Treaty. In addition, AIT and CCNAA have initiated negotiations on agreements concerning scientific cooperation, safety of life at sea, nuclear cooperation and privileges and immunities. The latter will spell out the privileges and immunities to which employees of AIT and CCNAA are entitled.

Negotiations with CCNAA are chaired by AIT. AIT relies on legal and technical expertise from various departments and agencies including for example the Civil Aeronautics Board, the Office of the Special Trade Representative and the Departments of State, Transportation, Commerce and Labor.

The principal commercial goals of AIT are: to increase sales of American goods and services to Taiwan, to enlarge the U.S. share of the Taiwan market, to provide information and services to U.S. firms interested in trading with and investing in Taiwan, to encourage the removal by Taiwan of restrictions which discourage imports from the United States and to monitor implementation of bilateral trade agreements between Taiwan and the United States. In support of these goals AIT has sponsored a number of trade promotion campaigns aimed at supporting exhibits at AIT's American Trade Center in Taipei and specialized trade missions, as well as other special trade promotion efforts.

Support of American Trade Center exhibits includes providing new-to-market exhibitors with lists of potential agents or representatives, publicizing events in AIT's Commercial Newsletter, and making calls on industry officials in order to promote attendance at exhibits, and following up on trade opportunity leads developed during exhibits. State and industry-organized trade missions to Taiwan are also supported by AIT.

The main purpose of such missions is to assist smaller firms in penetrating the Taiwan market. AIT provides full backing to these missions including advance planning and publicity, detailed programming and necessary follow-up.

AIT provides general support to the Foreign Buyers Program, including assistance to Taiwan trade organizations interested in organizing buyer group visits to the United States. In fiscal year 1980 particular emphasis was placed on promoting visits to five shows: the International Graphic Arts Show (Chicago), the National Restaurant Association Restaurant/Hotel/Motel Show (Chicago), the International Concrete and Aggregates Show (Las Vegas), the Western Electronics Show and Convention (Anaheim) and the Food and Dairy Expo (Chicago).

Two other commercial activities in which AIT is deeply involved are (a) keeping the U.S. business community fully informed of opportunities for sales of goods and services in connection with major projects being initiated by the authorities in Taiwan (e.g., communications and transportation infrastructure and power generation facilities) and assisting U.S. firms to successfully pursue sales leads, and (b) facilitating visits of buying missions to the United States which are organized by the authorities on Taiwan.

Because of Taiwan's large trade surplus with the United States (\$2.3 billion in 1979), Taiwan has sent several buying missions to the United States since 1978. The most recent mission, which left the United States last week, procured approximately \$1.9 billion in goods and services, including about \$1.4 billion in industrial products and services and about \$500 million in agricultural products.

The American Trade Center of AIT is the focal point for the U.S. commercial presence in Taiwan. Conveniently located in the heart of Taipei's business district, the Trade Center contains the commercial library, over 3,000 square feet of exhibit area, conference facilities, and offices of the Commercial Unit and the Trade Center staffs. The principal purposes of the Center are to assist U.S. businessmen and their agents and distributors in selling U.S. goods and services and Taiwan businessmen who wish assistance in locating U.S. suppliers.

In fiscal year 1979 the Trade Center promoted and staged six exhibits of U.S. products. The 125 firms which participated reported substantial immediate sales and excellent future prospects. Twenty-one agents and three licensees were appointed. The Center also hosted a number of trade missions, catalog and video/catalog shows, seminars, and exhibits sponsored by individual firms.

An equally heavy and diverse program is being implemented at the Trade Center in fiscal year 1980. The Center planned and staged a major off-site exhibition in Kaohsiung, Taiwan's major industrial center located approximately 200 miles south of Taipei. This exhibit, called "AMPRO 80," featured the products of 86 U.S. firms. Nearly 15,000 Taiwan businessmen attended the exhibit. Almost \$8.5 million in off-the-floor sales were recorded and the forecast is for an additional \$50 million in sales within one year.

The AIT Washington office has made a concerted effort to inform the U.S. business community of the Institute's objective of promoting additional commercial U.S. sales in Taiwan. More than 7,000 copies of a brochure prepared by and about AIT have been distributed to industry and trade associations, to business publications, to the 43 U.S. Department of Commerce District Field Offices, and to individual businessmen. AIT personnel from the Washington headquarters have traveled to several areas of the United States to speak about business opportunities in Taiwan. One AIT Trade Official has visited 19 cities in the past year.

AIT staff members have addressed civic clubs, Chambers of Commerce, trade and industry associations, college and university organizations and state and local government agencies responsible for promoting economic and commercial development. Personal calls have been made on manufacturers, traders and bankers who do business with Taiwan.

AIT has received strong support from the 43 District Field Offices of the U.S. Department of Commerce. Those offices have arranged meetings for AIT officials with individual businessmen and have scheduled seminars and conferences on Taiwan. AIT has also worked closely with the USA-ROC Economic Council. Chaired by former Secretary of the Treasury David M. Kennedy, the Council includes as members many firms and financial institutions which have important trading and investment relations with Taiwan. AIT officials have participated in the Council's annual conferences and in special programs sponsored by the Council. AIT's Taipei Office maintains close and cooperative relations with the American Chamber of Commerce in Taiwan, which is currently headed by Robert Parker.

Termination of U.S. diplomatic relations with Taiwan has not resulted in any diminution of cultural relationships. On the contrary, some 500 students from the United States are studying in Taiwan and about 100 Americans are teaching in Taiwan universities. The number of students from Taiwan in the United States is increasing steadily and now exceeds 25,000. American universities are supporting language study programs in Taiwan and more than 20 U.S. universities and associations have exchange agreements with counterpart organizations on the island. Writers, musicians, dancers and other artists from Taiwan are studying and performing in the United States and American artists are continuing to visit Taiwan.

American films and television programs are popular on Taiwan and U.S. publications are widely read. Journalists from Taiwan newspapers are based in many major U.S. cities and several U.S. news organizations either have representatives on Taiwan or periodically send correspondents to the island.

The American Institute in Taiwan supports cultural interchange with Taiwan through educational exchanges, book exchanges, participation in East-West Center activities, grants to foundations and universities, exhibits and speakers from the United States on various facets of American society. Journalists, academics, artists and technicians visit the United States under AIT sponsorship.

In carrying out its responsibility to preserve and promote cultural relations between the people of the United States and the people on Taiwan, AIT relies on the Institute of International Education, the Visitor Program Service of Meridian House International, the Board of Foreign Scholarships, and the International Communication Agency (ICA) for program support. The Cultural and Information Section of AIT's Taipei office conducts a variety of activities and programs in Taiwan. It operates a library of U.S. books and periodicals; it supports educational and cultural exchanges; it presents performing artists, lectures, films and exhibits and features on U.S. life and society; and it distributes publications about the United States. The section works closely with the Foundation for Scholarly Exchange, an organization dedicated to improving understanding between the people on Taiwan and the people of the United States through educational and cultural exchange.

The Institute processes Foreign Military Sales cases for Taiwan but does not handle purchase of military related items on a commercial basis which are processed routinely through the Munitions Control Office in the Department of State.

A major problem which faced AIT when its Taipei office was opened on April 15, 1979, was the large number of visa applicants. While AIT does not issue visas it accepts visa applications on behalf of the American Consulate General in Hong Kong. AIT personnel interview visa applicants and handle supporting documentation submitted by applicants. Information in the completed applications is sent to Hong Kong for a final determination on eligibility by a regular consular officer. In the case of non-immigrant visa applications, the required information is transmitted by telex to Hong Kong. In the case of immigrant visa applications the file is sent by mail to Hong Kong for processing. Through streamlining of procedures and by temporarily hiring Chinese-speaking American students from the Stanford University program in Taipei as interviewers, AIT was able to eliminate the visa backlog and to reduce considerably the time required to process visa applications. Businessmen now receive their visas one or two days after their application.

The Travel Services Section of the AIT office in Taiwan also performs other services. AIT is the only U.S. corporation which has the authority to appoint special notaries. These special notaries are AIT employees who have been specifically designated and commissioned by the Institute to perform notarial services in Taiwan. Occasionally, a court or an attorney in the United States will question the legality of such notaries but in every case the notaries have been accepted after AIT has pointed out that Section 7 (a) of the Taiwan Relations Act confers on AIT the authority to designate notaries and provide notarial services.

The Travel Services Section also assists U.S. citizens who require other services. It accepts passport applications and forwards them to Hong Kong; functions as the provisional conservator of personal estates; and assists U.S. citizens in distress.

The following statistics indicate the workload in the Travel Services Section in fiscal year 1979 and estimated workloads in fiscal year 1980 through fiscal year 1982.

## AMERICAN INSTITUTE IN TAIWAN

	Fiscal year—			
	1979 actual <sup>1</sup>	1980 estimate	1981 estimate	1982 estimate
<b>Immigrant visas:</b>				
Issued.....	7,004	9,000	10,000	12,000
Refused.....	3,570	3,600	4,000	5,000
<b>Total.....</b>	<b>10,574</b>	<b>12,600</b>	<b>14,000</b>	<b>17,000</b>
<b>Nonimmigrant visas:</b>				
Issued.....	48,013	55,000	60,000	65,000
Refused.....	6,614	8,250	9,000	9,750
<b>Total.....</b>	<b>54,627</b>	<b>63,250</b>	<b>69,000</b>	<b>74,750</b>
<b>Special consular services:</b>				
American citizens deaths.....	20	22	24	28
Estate/property claims.....	58	64	68	72
Notarial.....	17,300	18,000	18,500	19,000
Welfare and whereabouts.....	184	200	225	250
Seamen services.....	21	25	30	35
Arrests.....	24	28	32	36
Other agency services.....	450	600	700	800
<b>Total.....</b>	<b>18,057</b>	<b>18,939</b>	<b>19,579</b>	<b>20,221</b>
<b>Passport services:</b>				
Applications executed.....	1,075	1,180	1,240	1,300
Fee passports issued.....	501	0	0	0
No-fee passports issued.....	160	0	0	0
Passports extended or amended.....	290	280	300	320
New registrations.....	911	950	1,000	1,000
Reports of birth.....	126	140	150	160
Waiver of passports.....	24	30	40	50
ID cards issued.....	1	0	0	0
<b>Total.....</b>	<b>3,088</b>	<b>2,585</b>	<b>2,735</b>	<b>2,835</b>

<sup>1</sup> Includes workload figures for the American Embassy, Taipei, during the period Oct. 1, 1978 to Mar. 1, 1979.

Another important responsibility contained in the Taiwan Relations Act has been Section 2(c) which states in part that "The preservation and enhancement of the human rights of all the people on Taiwan are hereby reaffirmed as objectives of the United States." We have responded to many calls, visits and letters concerning the human rights issues. Last week for example we received 812 letters or cards opposing the Kaohsiung trials verdicts and 334 letters supporting the verdicts and human rights conditions in Taiwan. At the request of several Senators and Congressmen, the Department of State, and many church groups and private citizens, the Institute has made known their concerns to representatives of CCNAA. The Institute has done its best to faithfully observe the provisions of Section 2 of the Act.

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The CHAIRMAN. GAO indicated in its report that, since AIT had been in operation less than 1 year at the time of its review, it did not assess the adequacy of the staffing of AIT. Do you think that your personnel ceiling for the Taipei office of 50 is an adequate number of people?

Mr. DEAN. I think the ceiling that we now have of 50 is sufficient to allow us to accomplish our present tasks. Should business conditions improve or indeed should trade increase, as I expect it will, then we will have to take another look at our staff. At the present time, however, I feel that we have a sufficiently large staff in Taipei.

The CHAIRMAN. Did you or State or anyone else make a study of the staffing situation? Have you proposed any changes in the mix?

Mr. DEAN. Yes. we may be shifting around some of the people within our staff. The 50 limit is the limit that we have in Taipei at the present time. We may shift more people eventually to the commercial side to bolster our services to U.S. businessmen.

We have been able to handle the increase in applications for visas by hiring students from the Stanford Institute. These students are Chinese-language students, American citizens, graduate students primarily, and they can do preliminary interviews for applicants. That reduces the burden on the permanent staff.

The CHAIRMAN. Prior to normalization, we had about 100 Americans working at the Taipei Embassy. The American Institute's ceiling is 50. I guess you could infer from that that we ought to establish a lot of institutes all over the world and save a lot of personnel. How is it you are able to do the job with only half the people that the State Department had there?

Mr. DEAN. Many of the people and the larger number you cited in the former embassy were associated with the Defense Attaché's Office or the MAAG Office. We no longer have those functions.

I would like to follow up on the comment you made. I do feel that, even though our procedures may be somewhat awkward and cumbersome, our total costs are much lower than the costs certainly of the larger staff that the former embassy had and indeed the former U.S. Government costs on Taiwan.

The CHAIRMAN. How about such things as a political section? Do you have a political section within AIT?

Mr. DEAN. We have a General Affairs section. Mr. Pratt is the head of that section. He has come to help answer any particular questions the committee may have.

The CHAIRMAN. What other people do you use on a part-time basis? What is the process?

Mr. DEAN. In addition to the students from the Stanford Center, we also employ wives and other dependents of some of our staff for secretarial and other purposes, for some administrative functions as well.

The CHAIRMAN. AIT in the past experienced some problems, I believe, in obtaining the necessary assistance from the State Department, at least in the early stages of your establishment of the AIT. The Department wanted AIT to follow the same regulations and guidelines that affect the Department itself. You are not part of the State Department, not entitled to obtain, nor does it necessarily mean you get, the immediate support that the State Department provides its own posts. Are you now getting better support from the Department in those areas?

Mr. DEAN. I think so. In our initial stages it was a new type of institute, a new type of organization. The contract we had with the Department was extremely complex. Many of the branches of the De-

partment were not familiar with our contract and they really didn't know how to respond to our requests for assistance.

I think over the past year most of these problems have been resolved. We are getting a great deal of very important cooperation from many centers.

The CHAIRMAN. You have a unique status. As I understand it, you cannot make direct calls on Taiwan's Government officials; is that correct?

Mr. DEAN. Yes. Our procedures in Taipei are similar to the CCNAA procedures here in Washington. Our staff in Taipei does not call on government offices. We are not a diplomatic mission.

The CHAIRMAN. Who represents you, then? How do you make your representation to government officials? And I guess the follow-up question would be: Are your representational funds adequate to do that job?

Mr. DEAN. I think so. What we do in Taipei, as here, is to deal with the Coordination Council for North American Affairs. We deal extensively through their headquarters in Taipei as well as through their Washington office.

We see many other people through social and informal occasions, and that is why our representation fund requests are usually quite high. Up to this point, I think, we have been able to manage that quite adequately.

The CHAIRMAN. Do you need more funding in that area?

Mr. DEAN. I do not believe so, sir. I believe our budget is adequate for that purpose.

The CHAIRMAN. Do you have enough flexibility to deal with the officials on Taiwan?

Mr. DEAN. I think that we have sufficient flexibility to deal through CCNAA and, as I say, in informal contacts to see the people we need to see. We do not have, as you have pointed out, official calls.

The CHAIRMAN. What is the status of cultural programs? How much have you been able to develop that? We hear a bit about groups back and forth to the PRC and less with groups in Taiwan. Have you been able to increase those efforts?

Mr. DEAN. We would very much like to. In the first year, we have concentrated most of our efforts on the commercial side. I think now that we have that on a very good basis, we are now going to turn to the cultural programs. The exchange visitors we have had—we have had a number of artists, lawyers, and others—have benefited a great deal from their visits here and we have benefited from speaking to them.

The CHAIRMAN. Is that expanding?

Mr. DEAN. We hope to expand it. That, I think, will require additional budgetary support in the future if we are going to finance more visits. What we would like to do is also finance additional educational exchange, more instructors, for instance, from universities in Taiwan to come to the United States to get graduate degrees and then to go back and continue their teaching profession.

The CHAIRMAN. You indicate you feel that the commercial program is pretty well under control, that you have it pretty well organized now. Do you have any stated goals for what you hope to accomplish in the economic or commercial area?

Mr. DEAN. Yes. I mentioned some of the goals. We don't have them in a quantitative sense. We have just the general, broad program goals that I mentioned of increasing U.S. business, U.S. trade, with Taiwan, for instance. We had a deficit last year in 1979 of \$2.3 billion in our balance of trade. It was an adverse balance for us.

Therefore we are trying very hard to interest more American companies in selling goods to Taiwan and we are trying to interest them more in exhibiting at our trade center, and building up their agencies in Taiwan.

The CHAIRMAN. Taiwan has had a phenomenal economic growth. With normalization, investment and trade initially leveled off, but I don't think it was more than 3 or 4 months, and then it went straight up, resuming its curve again as though nothing had happened. This was contrary to the dire predictions we heard at that time.

You are on the scene; you watch it on a day-in and day-out basis. Do you think this growth rate can continue in the future? Where does it level off? Where does the curve break? So far it is going in only one direction.

Mr. DEAN. United States exports increased about 34 percent last year. There are problems ahead in terms of the high prices that Taiwan must pay for its oil. It imports a great deal of oil.

The CHAIRMAN. What percent of its oil is imported? Does Taiwan have its own oil?

Mr. DEAN. No; they import all of their oil.

The CHAIRMAN. I thought you said they import most of their oil. They import all of it?

Mr. DEAN. Yes. I was thinking in terms of power. They have a certain mix of hydroelectric power, nuclear power generating plants.

The CHAIRMAN. Middle East oil?

Mr. DEAN. Mostly Middle East oil. Hydro is 6 percent, coal is 9 percent, oil is 83 percent of their power; nuclear, 2 percent at the present time. They are trying to bring the nuclear up to 30 percent, the oil down to 30 percent.

The CHAIRMAN. A certain number on Taiwan obviously believe that the growth rate can't continue forever. Do you see the breakpoint as being considerably down the road in the future? Do you see a number of years of continued growth at the present rate?

Mr. DEAN. We project a slowing down of the growth rate this year because of the inflation in oil prices and the possibility that markets in the United States and other countries, because of our own economic conditions, will drop temporarily.

I might turn to my colleague Mr. Kyle for a brief answer to that question.

Mr. KYLE. We are very optimistic that the growth rate of Taiwan will continue throughout this decade. The Government there is projecting that by the year 1990 Taiwan will be a developed nation. Right now Taiwan, you might say, is one of the least developed of the most developed nations. They are predicting—and we go along with this prediction—that by the end of this decade it will be right in the range of the developed nations with per capita income of over \$5,000 a year.

The CHAIRMAN. What will be the impact on the economic picture and this growth rate if Taiwan would lose its eligibility for the generalized system of preferences, the GSP tariff?

MR. KYLE. Of course, Taiwan has been able to take advantage of GSP more than any other country. Over a period of time it will lose some of the benefits it has obtained. I personally do not feel that it will harm them too much for the simple reason their economy is moving now into technology and capital-intensive industry. Most of the benefits they are receiving from GSP are in the labor-intensive industry.

The CHAIRMAN. With a growth rate this fast and having gone on as long as it has, if this starts leveling off what impact will this changing economic system have on political stability on Taiwan?

MR. DEAN. I think it is clear that the people in Taiwan have shared the benefits of the increased prosperity of Taiwan. This has been true in virtually every sector. The per capita income has gone up regularly. It is the second highest or third highest, I believe, in Asia after Japan and perhaps Singapore. That is a contributing factor, of course. Economic prosperity is a contributing factor to their political stability.

The CHAIRMAN. How much is the issue of foreign military sales to Taiwan relevant to the business community? If Taiwan does not get the items requested, will Taiwan still be appealing to foreign investors? Will they see Taiwan as still having the opportunities for them that they have had up to now?

MR. DEAN. I suspect that the foreign investors do not base their decisionmaking process solely on foreign military sales; they base it on a lot of other factors—on the skill of the labor pool and Government regulations which permit an easy investment climate, on the profitability of their operations. Perhaps you have another point, Mr. Kyle.

MR. KYLE. Very few of the U.S. investments in Taiwan are connected with any military-related equipment. The largest U.S. investment, of course, has been in the field of electronics.

MR. PRATT. I might add, however, that the general confidence in the political stability of Taiwan is something which all businessmen who come to Taiwan ask us questions about. Their view is generally that this is a very stable society, and yet they are well aware that the stability of the society does depend on the self-confidence of the Government, which in turn depends on foreign military sales and other aspects of security in the area.

The CHAIRMAN. Can you give us a breakdown businesswise of the total Taiwan trade and how it breaks down internationally, what percent we are, what percent other nations are? Also if you have figures on business investment in Taiwan, ours compared to that of other nations, I would appreciate having them.

MR. DEAN. Yes, I think we have those figures, Mr. Chairman.

The CHAIRMAN. If you could summarize them, if you have a table on it, would you provide it for the record?

MR. KYLE. I have a table here. I will say that the U.S. investment since 1952 has been \$666 million. That is 24.44 percent of total foreign investment. Ours has been running about a quarter of the foreign investment in Taiwan since 1952. The second-largest, of course, would be the Japanese, followed by overseas Chinese investment. Our investment as of the end of 1979 is 666 million U.S. dollars.

MR. DEAN. In foreign trade terms, our foreign trade last year, being over \$9.1 billion, I think, both ways, represented 29 percent of their foreign trade; Japan had 22.4 percent.

The CHAIRMAN. Are the percentages in business investment from different nations on Taiwan changing drastically or are they about the same? Has normalization changed the investment patterns on Taiwan, other nations' confidence in being able to still do business there, invest there, with the same reliability as American firms obviously have had? Did normalization really change that picture?

Mr. KYLE. The total foreign investment in 1979 was approximately 300 million U.S. dollars, which is the greatest total of any one year since Taiwan was established.

Mr. DEAN. Our investment went up, too.

Mr. KYLE. Over \$80 million in U.S. investment.

Mr. DEAN. The prospects for this year look pretty good, too. General Motors appears to be ready to invest in a heavy-truck plant. There are other prospects. I think business confidence is very strong.

The CHAIRMAN. Any tables you have that will summarize the business investment, trade, GNP, how investments have gone, I would appreciate having, including those figures from the past year. I think that is very significant, of course.

Mr. KYLE. I also have data for the first 3 months of 1980.

The CHAIRMAN. We will appreciate that. We will have that included in the record.

[The information referred to follows:]

#### ECONOMIC TRENDS AND INDICATORS FOR TAIWAN: FIRST QUARTER OF 1980

##### GNP GROWTH AND INFLATION

In the first quarter of 1980, Taiwan's GNP growth, in terms of constant dollars, was only 6.2 percent, much lower than 10.2 percent for the first quarter last year. Inflation continued to be a serious problem. Import prices were up 26.7 percent, wholesale prices climbed 23.8, and retail prices went up 17.4 percent. Furthermore, on April 25 the China Petroleum Corporation (CPC) announced an average 13.8 percent increase in the prices of its products. This is the second increase in CPC prices in four months. These increases, while necessary to keep CPC financially solvent in light of rising prices on its imported crude oil, do not augur well for reducing Taiwan's inflation.

##### IMPORTS

In the first quarter of 1980, the unadjusted value of Taiwan's imports from the world increased 44 percent, to \$4,470 million. Crude oil accounted for the lion's share with 21 percent (US\$937 million). In the first quarter of last year oil accounted for only 14 percent of imports (US\$427 million). Of the \$937 million, Kuwait received \$600 million, and Saudi Arabia \$322 million. Last year their respective first quarter earnings from Taiwan were \$208 million and US\$184 million. Due to Taiwan's "buy America" policy, imports from the United States also increased greatly; i.e. they were up 65 percent, to \$1,086 million. The United States thus accounted for 24 percent of Taiwan's total imports in the first quarter, an increase over the 21 percent recorded last year.

##### EXPORTS

Taiwan's total exports in the first three months of 1980 amounted to \$4,496 million, a rise of 34 percent. The three leading categories of export products (electronics, garments, and footwear) accounted for over 48 percent of export earnings. The index of export prices was only 9 percent above its level of a year ago. The United States absorbed US\$1.5 billion of Taiwan's exports, or 34 percent of Taiwan's total exports.

## MARCH 1980 TRADE

Looking at the figures for the month of March, imports soared 60 percent over March 1979 to US\$1.7 billion, an all time high record. This jump in imports left a March deficit on the trade account of US\$226 million. The main contributors to the deficit were the sharp increases in imports of crude oil (up 102 percent to \$334 million) and imports of machinery (up 143 percent to US\$221 million). The former accounted for 20 percent of the imports while the latter for 13 percent. In the same period last year their respective percentage shares were 15 percent and 8.5 percent.

## INDUSTRIAL PRODUCTION

The industrial production index in the first quarter of 1980 was 13 percent above the level of last year. While the rate of growth was similar to that of 1979's first quarter, it was far below the growth rate of 21 percent registered in January-March of 1978. Part of the reason for the moderate growth of industrial production is the fact that manufacturing profits have been squeezed by the 25 percent rise in import prices and the slower 9 percent rise in export prices.

## CAPITAL FORMATION

Without adjustment for inflation, overall fixed capital formation for this quarter registered a 32 percent increase over a year earlier. Private sector investment, however, grew a somewhat slower 27 percent. Furthermore, official estimates indicate that private investment for the entire year, measured in constant dollars, will only be 14 percent greater than it was in 1979. Such a rate compares very unfavorably with the 39 percent real growth realized last year.

## PROJECTED GNP GROWTH

Considering the prospects of both slowed investment and export growth, Taiwan's economy will be doing quite well if it attains a real GNP growth of 6 percent this year. Even that target will be difficult to meet if timely execution of planned heavy government expenditures is not achieved.

## KEY ECONOMIC INDICATORS FOR TAIWAN, MARCH 1980

[Millions of U.S. dollars]

Item	March 1980	February 1980	March 1979	March 1980-February 1980, percent increase	March 1980-March 1979, percent increase
Money supply	7,058	7,405	6,236	(4.69)	13.19
Net foreign assets of banking system	5,505	5,843	5,408	(5.80)	1.79
Imports on customs basis	1,716.3	1,249.5	1,075.0	37.36	59.66
Exports on customs basis	1,489.8	1,410.7	1,156.7	5.61	28.80
Trade balance on customs basis	(226.5)	161.2	81.7	NA	NA
Imports on foreign exchange settlement basis	2,020.0	1,370.9	1,330.4	47.35	51.83
Exports on foreign exchange settlement basis	1,483.5	1,474.0	1,300.8	0.64	14.05
Trade balance on foreign exchange settlement basis	(536.5)	103.1	(29.6)	NA	NA
Imports from United States (Taiwan customs basis)	448.6	284.5	210.7	57.68	112.91
Exports to United States (Taiwan customs basis)	470.4	490.7	376.7	(4.14)	24.87
Trade balance with United States (customs basis)	21.8	206.2	166.0	(89.43)	(86.87)
Wholesale Price Index (1976=100)	167.4	141.8	150.2	18.05	11.45
Urban Consumer Price Index (1976=100)	141.33	140.51	115.06	.58	22.83
Import Price Index (1976=100)	139.08	138.33	118.42	.54	17.45
Export Price Index (1976=100)	143.08	141.81	113.14	.90	26.46
Foreign investment approvals	130.66	128.59	119.53	1.61	9.31
U.S. investment approvals	24.16	19.79	81.28	22.06	(71.34)
Power generation (millions of kilowatt-hours)	17.90	1.90	6.57	843.15	172.42
Cotton yarn (1,000 bales)	3,219	2,654	3,082	21.29	4.45
Man-made fibers (metric tons)	205.0	165.0	183.0	24.24	12.02
Plastic resins (metric tons)	52,553	46,338	50,106	13.42	4.89
Basic petrochemical feedstocks (1,000 metric tons)	38,901	34,212	38,036	13.71	2.27
Chemical fertilizers (1,000 metric tons)	116.4	90.7	111.5	28.39	4.37
Cement (1,000 metric tons)	126.3	115.2	115.3	9.64	9.54
Steel bars and structurals (1,000 metric tons)	1,080.7	954.9	1,032.1	13.17	4.71
Automobile tires (1,000 pieces)	260.7	242.2	309.1	7.64	(15.66)
Crude oil refined (1,000 kiloliters)	144	120	140	20.00	2.86
Television sets (1,000 units)	1,741.7	1,542.8	1,514.1	12.89	15.03
	559.5	413.7	466.9	35.24	19.83

Source: Directorate General of Budget, Accounts and Statistics.

## TAIWAN'S ECONOMY IN 1979

Taiwan experienced slower economic growth and significantly higher inflation in 1979 than in 1978. Industrial production in 1979 increased by only 8 percent over 1978, compared with the 25 percent growth from 1977 to 1978. While the real Gross National Product (GNP) increased by 18 percent over 1978, compared to an increase of 13.9 percent the previous year, the growth rate of the real Gross Domestic Product (GDP) declined from 13.4 percent to 7.3 percent. For only the second time in 30 years, there was net factor income from abroad, which caused the GNP to exceed the GDP.

Exports (F.O.B.) in 1979 totalled 16.1 billion U.S. dollars, an increase of 27 percent over 1978, and imports (C.I.F.) totalled 14.8 billion U.S. dollars, an increase of 34 percent over 1978. The 1979 trade surplus was 1.3 billion U.S. dollars, a decrease of 19 percent from 1.7 billion U.S. dollar surplus recorded in 1978. Led by increases in prices of oil and industrial raw materials, import prices in 1979 averaged 16.3 percent above 1978 import prices, while export prices averaged only 9.5 percent above 1978 export prices. In constant dollar terms, exports and imports grew only 13.5 percent and 15.1 percent, respectively, compared to 27 percent and 27.8 percent in 1978.

The slower economic growth and the increase in inflation in 1979 are particularly apparent when quarterly data are analyzed. In the first quarter GNP was 10.2 percent greater than the first quarter of 1978; in the fourth quarter, however, GNP grew only 6.5 percent compared to the same period in the previous year. Similarly, again comparing first quarter with fourth quarter performance in 1979 and 1978, the increase in the industrial production index fell from 13 percent to 6 percent, real export growth declined from 26 percent to 10 percent and real import growth decreased from 32 percent to 4 percent.

Import prices in the first quarter of 1979 were only 7 percent higher than in the first quarter of 1978, but in the fourth quarter of 1979 they were 24 percent more than in the fourth quarter of 1978. Wholesale prices for December 1979 were 17 percent above wholesale prices for December 1978 and urban consumer prices were up 12.5 percent between the same two months.

Between January 31, 1978 and January 31, 1979 the money supply increased by 44 percent. However, by the end of 1979 the money supply was only 7 percent greater than at the end of 1978. As of mid-February 1980, the tightness of the money market was reflected in the high rates of interest charged in short-term funds collateralized with post dated checks on the unofficial money market. These rates ranged between 1.9 percent to 3.0 percent per month, or 22 percent to 42 percent per year after compounding.

Given the tight money supply, the size of capital formation in 1979 and the easing of demand pressures as shown by the decline in industrial output and real export growth, inflation in Taiwan in 1980 should grow by no more than 10 percent even with further oil price increases.

KEY ECONOMIC INDICATORS FOR TAIWAN  
[Millions of U.S. dollars unless otherwise stated]

Item	December 1979	November 1979	December 1978	November-December 1979, percent increase	December 1978-December 1979, percent increase	1978	1979	1978 to 1979, percent increase
<b>SEC. I—GENERAL INDICATORS</b>								
Population (1,000 persons)	17,474	17,442	17,136	0.18	1.98	17,136	17,474	1.98
GNP at current prices (October-December)	8,758		7,301		19.96	26,887	32,337	20.27
GNP in 1976 prices (October-December)	6,821		6,405		6.50	24,184	26,127	8.03
GDP in 1976 prices (October-December)	6,809		6,448		5.60	24,250	26,026	7.34
Per capita GNP in U.S. dollars (October-December)	503		477		17.80	1,543	1,869	17.97
Money supply	7,057	6,461	6,613	9.45	6.94			
Net foreign assets of banking system	5,625	5,498	5,697	2.31	(1.27)			
GDCF—gross domestic capital formation (October-December)	2,572		1,937		32.79	7,061	8,953	26.81
GDCF per capita (October-December)	148		119		24.37	416	526	26.44
GDCF as a percent of GDP (October-December)	29.42		26.37			26.20	27.79	

## KEY ECONOMIC INDICATORS FOR TAIWAN—Continued

[Millions of U.S. dollars unless otherwise stated]

Item	December 1979	November 1979	December 1978	November-December 1979, percent increase	December 1978-December 1979, percent increase	1978	1979	1978 to 1979, percent increase
<b>SEC. II—ECONOMIC RELATIONS WITH THE WORLD</b>								
FOB exports.....	1,486	1,383	1,261	7.37	17.81	12,687	16,107	27.0
CIF imports.....	1,356	1,324	1,092	2.42	24.23	11,027	14,768	33.9
Trade balance (exports minus imports).....	129	59	169	118.24	(23.64)	1,660	1,339	(19.4)
Ratio of exports/imports.....	1,096	1,045	1,155	-----	-----	1.15	1.09	-----
Exports in constant 1978 dollars.....	1,357	1,247	1,261	8.84	7.65	12,687	14,387	13.4
Imports in constant 1978 dollars.....	1,070	1,083	1,092	(1.18)	(1.95)	11,027	12,694	15.1
Balance in constant terms (exports minus imports).....	287	164	169	75.00	69.62	1,660	1,693	2.0
Textile exports.....	351	322	327	8.85	7.09	3,196	3,897	21.95
Electronic and electrical exports.....	244	237	208	3.21	17.52	2,013	2,635	30.95
Machinery exports.....	135	129	114	4.66	18.66	1,033	1,413	36.78
Approved foreign investment.....	17.43	49.65	22.65	(64.89)	(23.05)	212.93	328.84	54.44
Total approved foreign investment since 1952.....	-----	-----	-----	-----	-----	1,923.6	2,252.4	17.1
<b>SEC. III—ECONOMIC RELATIONS WITH THE UNITED STATES</b>								
FOB exports.....	491	462	468	6.33	4.89	5,010	5,647	12.71
CIF imports.....	331	313	225	5.81	47.38	2,376	3,382	42.33
Trade balance with United States.....	160	149	243	7.41	(34.39)	2,634	2,265	(14.01)
Textile exports.....	105	96	104	9.38	.96	1,162	1,168	.52
Electronic and electrical exports.....	120	96	110	25.00	9.09	1,127	1,228	8.96
Machinery exports.....	68	52	50	30.77	36.00	457	621	35.89
Ratio of exports/imports.....	1.814	1.474	2.081	-----	-----	2.109	1.669	-----
Exports in constant 1978 dollars.....	448	416	468	7.71	(4.19)	5,010	5,044	.68
Imports in constant 1978 dollars.....	262	256	225	2.11	16.33	2,376	2,907	22.34
Balance in constant terms.....	187	160	243	16.68	(23.16)	2,634	2,137	(18.86)
Approved U.S. investment.....	0.08	1.46	2.61	(94.52)	(96.93)	69.77	80.38	15.21
Approved U.S. investment as a percent of total approved foreign investment.....	0.46	2.94	11.52	-----	-----	32.77	24.44	-----
Total U.S. investment since 1952.....	-----	-----	-----	-----	-----	585.8	666.2	13.72
Total U.S. investment as a percent of total approved foreign investment since 1952.....	-----	-----	-----	-----	-----	30.45	29.58	-----
<b>SEC. IV—PRICE INDICES</b>								
GNP deflator (October-December).....	12.64	-----	5.96	-----	-----	4.73	11.33	-----
Wholesale Price Index (1976=100).....	129.69	125.99	110.89	2.94	16.95	106.39	121.11	13.84
Urban Consumer Price Index (1976=100).....	130.39	129.33	115.91	.82	12.49	113.22	124.26	9.75
Export Price Index (1976=100).....	125.60	125.29	114.73	.25	9.47	109.55	122.55	11.87
Import Price Index (1976=100).....	135.61	129.75	107.03	4.52	26.70	104.75	121.86	16.33

KEY ECONOMIC INDICATORS FOR TAIWAN—Continued  
[Millions of U.S. dollars unless otherwise stated]

Item	December 1979	November 1979	December 1978	November-December 1979, percent increase	December 1978-December 1979, percent increase	1978	1979	1978 to 1979, percent increase
<b>SEC. V—KEY PRODUCTION FIGURES</b>								
Agricultural Production Index (1976=100)								
Service Sector Index 1978=100 (October-December)						102.1	104.1	2.55
Industrial Production Index (1976=100)	100.11		100.00		.11	100.00	107.31	7.31
Power generation (million kilowatt hours)	161.4	156.8	156.6	2.93	3.07	141.0	152.4	8.09
Cotton yarn (1,000 bales)	3,170	3,072	2,968	3.19	6.81	34,432	37,897	10.06
Man-made fibers (metric tons)	205.9	204.0	196.7	.93	4.68	1,973.0	2,219.7	12.50
Plastic resins (metric tons)	50,480	48,523	50,644	4.03	(.32)	539,907	585,550	8.45
Basic petrochemical feedstocks (metric tons)	32,517	37,898	34,376	(14.20)	(5.41)	400,023	422,305	5.57
Chemical fertilizers (1,000 metric tons)	91,387	85,195	97,357	7.27	(6.13)	919,685	1,228,708	33.60
Cement (1,000 metric tons)	117.4	112.4	109.4	4.45	7.31	1,336.1	1,391.7	4.16
Auto tires (1,000 pieces)	1,091.9	1,070.2	1,071.8	1.93	1.78	11,460.8	11,874.2	3.61
Crude oil refined (1,000 kiloliters)	131	146	140	(10.27)	(6.43)	1,342	1,635	21.83
Television sets (1,000 units)	1,167.8	1,482.4	1,848.1	(21.11)	(36.81)	18,790	18,367.3	(2.25)
Steel bars and structurals (1,000 metric tons)	523	462.3	486.5	13.13	7.50	7,046.3	5,827.8	(17.29)
	299.9	287.6	301.2	4.28	(.43)	2,968.8	3,401.6	14.58

APPROVED MAJOR U.S. INVESTMENT IN TAIWAN, JAN. 1-DEC. 1, 1979

[In U.S. dollars]

Investor	Purpose	Amount
<b>(A) NEW INVESTORS</b>		
Maclean-Fogg Co.	Punches, dies, knives, alloy-steel tools	\$200,000
Colorco International, Inc.	Colors, dyestuffs, pigments	150,000
Rohm & Haas Co.	Ion exchange resins, acrylic emulsions	1,100,000
General Electric Co.	Electric/magnetic switches and controls	1,380,000
General Electric Co.	Steam turbines	18,000,000
Furgo U.S., Inc.	Engineering designs	150,000
American Bachtel, Inc.	Nuclear power plant designs	670,000
NOK-USA, Inc.	Oil seals and proof release systems	170,000
RTE Corp.	Fuse wires	3,900,000
Taiwan Machinery Distributing Co., Inc.	Engine lathes	840,000
Conair Corp.	Hair dryers, curling irons	500,000
Lynch Communications Systems, Inc.	Data transmission equipment	330,000
Gibbs & Hill, Inc.	Servicing electric power generators	780,000
Far East Electronics, Inc.	Radios	220,000
Subtotal		28,570,000
<b>(B) OLD EXPANDING INVESTORS</b>		
Bristol International Research Co.	Pharmaceuticals and nutritional products	960,000
Gulf Oil Corp.	PVC products, chlorine, caustic soda	1,200,000
American Cyanamid Co.	Chemicals, pharmaceuticals, agricultural products	470,000
Digital Equipment Corp.	Computer memory	1,500,000
General Instrument Corp.	Electronic components and circuits	2,780,000
Oak Industries, Inc.	Electronic products	20,000,000
RCA International, Ltd.	Color TV and electronic components	2,780,000
Dana Corp.	Axles, joints, shafts, clutches, gears	1,500,000
American Honda	Motorcycles, motors	910,000
Scott Paper Co.	Paper products	740,000
Texas Instruments, Inc.	Integrated circuits	840,000
First National City Overseas Investment Corp.	Trust and investment services	750,000
National Distillers & Chemical Corp.	Polyethylene resins	700,000
Vidar Corp.	PCM carrier and FDM station carrier	1,400,000
Wang Laboratories, Inc.	Electronic calculators	110,000
Zenith Radio Corp.	Black and white TV	2,780,000
Johnson & Johnson Co.	Health and pharmaceutical products	400,000
Uniroyal, Inc.	Accelerators, antioxidants	720,000
Hercules, Inc.	Polypropylene	460,000
Cargill, Inc.	Animal feeds	500,000
Subtotal		41,500,000
Grand total		70,700,000

## MAJOR INTERNATIONAL LOANS TO TAIWAN, JAN. 1-NOV. 30, 1979

[Millions of U.S. dollars]

Lender/manager	Borrower	Loan value	Term/years	Rate
U.S. Banks (chemical, manager)	Taipower	50.0	8.5	Libor+0.75.
Amex	To Shing Chemical	25.0	4.0	Libor+2.75.
Industrial Bank of Rhode Island	Bank of Communications			
First National Bank of Seattle	TALCO	7.0	5.0	X plus U.S. prime.
Chase (manager)	Taipower	200.0	12.0	Libor+0.69.
Do	China Air Lines	128.0	12.0	Libor+0.69.
Chase	Chang Chuen	14.0	7.0	NA.
Bank of America	China Steel	80.0	NA	NA.
Bank of America (manager)	Taipower	99.8	8.0	Libor+7/8.
Morgan Guaratee	TMMC	13.6	NA	NA.
Do	Taipower	35.0	NA	NA.
Wells Fargo	do	50.0	NA	NA.
Los Angeles Union Bank	China Shipbuilding	19.0	NA	NA.
EXIM	China Steel	212.5	10.0	7.5.
Do	Taipower	115.3	10.0	7.75.
Do	China Air Lines	126.4	12.0	Libor+0.68.
Do	Tang Eng Iron Works	47.3	NA	NA.
Do	do	53.6	NA	NA.
Japan EXIM	China Steel	112.9	10.0	7.5.
Do	do	3.3	6.0	7.5.
Do	do	13.8	20.0	7.5.
Hong Kong SBC	Chung Tai	12.0	7.0	Libor+0.75.
Grindlay Asia	Taipower	60.0	NA	NA.
Saudi International	BES Engineering	100.0	8.0	Libor+0.15.
Swiss Bank	Taipower	100.0	8.0	Libor+0.75.
Hanover (manager)	China Steel	100.0	8.0	Libor+0.75.
13 loans from 9 U.S. private banks		748.4		
5 loans from EXIM		555.1		
All United States		1,303.5		
Japan EXIM		130.0		
5 other international banks		286.9		
Total, all sources		1,720.4		

The CHAIRMAN. Mr. Dean, during the past year the human rights situation on Taiwan has been in the news—the Kaohsiung incident, followed by the sedition trials, and Rev. C. M. Kao's arrest. Could you review these developments for us briefly and indicate what you see happening in the near future and what you believe AIT or our Government should do, if anything?

MR. DEAN. Most of the concern expressed to us by various Members of Congress and the public have revolved around the Kaohsiung incident of December 10, last year. That was an incident in which a riot broke out and many policemen were injured. It broke out as a result of the organization of a Human Rights Day rally. Those who organized the rally were arrested. Some of them were tried and later convicted of sedition.

The institute received a very large volume of calls, large volume of mail, expressing concern about these developments. The people who expressed concern were worried about Taiwan's future and its political stability. We relayed these concerns to the Coordination Council for North American Affairs. Frequently they were in the form of letters from Members of Congress or from members of the public.

We have had several visits from various church groups—the National Council of Churches, the Presbyterian Church, the Catholic Church, the Methodists, and others. They are deeply concerned about the arrest of Rev. C. M. Kao. He was arrested and indicted for harboring one of the defendants of the Kaohsiung trials who was later sentenced to life imprisonment.

The church groups have passed many resolutions and have visited many Members of Congress also to express their hope that Reverend Kao's plight will be brought to the attention of the authorities in Taiwan. We have done that also.

The CHAIRMAN. We have a continuing interest in that, as you are well aware.

Mr. DEAN. Yes, sir.

The CHAIRMAN. In a situation like that, how do you make your representations to the Government without having any official status or the ability to visit Government offices?

Mr. DEAN. I make my representations here to the Coordination Council for North American Affairs. The Council relays them back to its head office, which then sends them to the proper agency or department. Similarly in Taipei we follow the same procedure.

The CHAIRMAN. With regard to arms sales, does AIT play any role in deciding what arms sales will be made?

Mr. DEAN. We do not play a policy role; no, sir.

The CHAIRMAN. Do you provide advice in that area to our Government or do you keep your hands off arms sales questions?

Mr. DEAN. We relay the requests of the Coordination Council for North American Affairs, which has a procurement section in Washington. We arrange for meetings and consultations where both sides can discuss the issue.

The CHAIRMAN. I believe the elections on Taiwan were held up last year; is that correct?

Mr. DEAN. That is correct.

The CHAIRMAN. Are there plans to have the elections now?

Mr. DEAN. I might refer to Mr. Pratt.

Mr. PRATT. Elections were scheduled to take place just 1 week after the announcement of normalization of relations in December 1978. They were suspended and the Government explained they would be rescheduled as soon as international and internal conditions would permit.

They are now proceeding with a new election law which has just been getting through the Legislative Yuan and they will be starting planning for elections, and people are thinking basically in terms of late autumn.

The CHAIRMAN. Of this year?

Mr. PRATT. Of this year.

The CHAIRMAN. I think the record of what has happened in Taiwan does not substantiate the dire predictions at the time of normalization. I would think there would hardly be good reason at this point to hold up the elections. What other steps are planned for political reform on Taiwan? Do you have any comment on that?

Mr. PRATT. The Government is obviously very concerned about stability not only on Taiwan but in the whole Western Pacific. They have obviously seen some very worrisome things occur in Vietnam, Iran, and events in South Korea have been of considerable concern to the government there, not because they consider it is that close a parallel, but nonetheless it is happening to a country with which they have friendly and close relations.

So that political stability they consider to be of very great importance. Obviously they have gone through considerable jolts in the normalization which have upset their relations with the single country with which they have the greatest political connection, the United States. Therefore they are approaching political reform in terms of maintaining stability.

The problem which they face is the pace at which they go because they are finding that there is not universal agreement by any means within their own society as to the pace with which various aspects of improvement should occur—freer publication, freer rights of assembly, the rule of law rather than the rule by law, and, of course, eventually elections and elections which become more meaningful and eventually a greater role for the Taiwanese within the executive branch of the government.

The government is well aware of all of these but it has to move in manners which they believe will maintain the kind of stability which will permit the vast majority of the population on Taiwan to continue to benefit from economic and other advances which have taken place.

The CHAIRMAN. You are aware there is a great interest in this country in hoping that political reform will occur sooner rather than later.

Mr. PRATT. The point you made earlier should be emphasized, and that is that they must have a feeling of self-confidence which comes from their believing that they are stable in their relationship with the United States, also that the security situation in the Western Pacific will be such as to provide them with the confidence to approach internal problems.

The CHAIRMAN. I think they have shown a stability through this normalization period, expansion of business and economics which we have discussed this morning. That should give them a great deal of confidence.

Mr. PRATT. We believe that is the case. They are more concerned with that aspect than we are and they will use it occasionally to justify a closer concern over the security aspect of the situation than we would sometimes consider to be warranted.

The CHAIRMAN. Shifting gears here, I understand that the facilities you operate out of Taipei are not the best ones you have ever worked out of. Are there plans to improve your physical working conditions.

Mr. DEAN. Yes. The buildings which we now occupy on Hsin Yi Road were in considerable disrepair when we rented them. Parts of them had not been occupied for several years. We are gradually putting them back into some presentable shape. I anticipate that this may take a while because quite extensive renovations are required. We have asked for funds for next year.

The CHAIRMAN. You have asked for the money?

Mr. DEAN. Yes.

The CHAIRMAN. What is the status of that?

Mr. DEAN. I don't know. There was a markup yesterday, I believe, by the Senate Foreign Relations Committee.

The CHAIRMAN. Did you request building funds in that or just renovating funds?

Mr. DEAN. Not building funds but renovations funds, and they were rather minimal funds for renovation of the buildings.

The CHAIRMAN. Is that \$250,000?

Mr. DEAN. The amount of \$250,000 that was discussed yesterday was primarily for salaries, both American staff and Chinese staff salaries, and other expenses. It had nothing to do with the renovation fund.

The CHAIRMAN. One last question. You have had a lot of experience in the past year in setting this thing up and apparently it is working well and no one is too unhappy with it, which is a great mark of credit to you and your staff. At this point, after a year of experience, do you think there are any problems or any opportunities that we would have if there were amendments to the original legislation or any changes to the TRA that we should put through?

Mr. DEAN. I think the Taiwan Relations Act is very broad in its authority. It has given us a great deal of support. I can't think of any specific recommendations that would improve it. I find it a very worthwhile and helpful piece of legislation.

The CHAIRMAN. If you do have anything that you think should be modified to make your operations more effective, let us know and we will include that in the record, any comment you or the other gentlemen might have.

Mr. DEAN. Thank you.

The CHAIRMAN. We will keep the record open for statements from other Senators and staff. We also have a staff report based in part on their recent visit to Taiwan which is in draft stage now. That will be completed and will be published as a separate committee print.

We have several statements that have been given to the committee by other organizations that wish to have their views known. We will also include these in the hearing record.

Gentlemen, we thank you very much. It has been a very informative morning in both the executive and open session.

To the audience I apologize again, but occasionally we do have to close meetings so we can hear the classified testimony and get it on record for the rest of the committee to see in the transcript. We appreciate your patience and attendance.

The subcommittee stands in adjournment.

[Whereupon, at 12:15 p.m. the subcommittee adjourned, subject to call of the Chair.]

## APPENDIX

PREPARED STATEMENT OF WILLIAM N. MORELL, JR., PRESIDENT,  
USA-ROC ECONOMIC COUNCIL

Mr. Chairman and distinguished members of the Committee, I greatly appreciate this opportunity to review with you some of the business aspects of our relationship with Taiwan for the months and years ahead.

Well over 2,500 business officials and representatives of U.S. states concerned with international business development have been associated with our Council's activities over the past three to four years. This involvement reflects a growing recognition that Taiwan—now becoming one of the world's major trading nations—will clearly remain among our leading trading partners during the decade of the 1980's.

I, of course, cannot speak for the views of our members but I am confident nearly all would agree that without the Taiwan Relations Act, with its provisions for Taiwan's security and with its protection for the legal aspects of our business relationships, our trade prospects for the future would not be nearly so bright. I would add to this the great importance I believe that businessmen attach to the continuing support of the Congress and the American people for a strengthening of ties between our two countries.

I realize you have been informed from many quarters that, despite the break in our diplomatic relations, 1979 was an exceptionally good year for Taiwan's economy and for our commercial relations with that country as well. New records were set in our trade and investment and in the growth and modernization of Taiwan's economy. But your interest and that of American business I am sure is focused more on the future than the past.

Taiwan has many new programs and projects on stream for this decade that will offer American firms and their many subcontractors large and very attractive openings for the sale of equipment, components, technology, and farm products as well as for joint ventures and engineering contracts.

U.S. banking and service institutions will also benefit. And of course all of this feeds back into our economy through benefits in income and employment for the American laborer and the American farmer.

The government on Taiwan and its many corporations have plans for the eighties that call for an approximate tripling of capacity in both power and steel. Cargo tonnage through Taiwan's ports is expected to nearly triple. The value of machinery output could increase as much as eight times. Petrochemicals, telecommunications, electronics and shipbuilding will all experience dramatic gains.

This decade will also see China Airlines flying from Taipei around the globe and in international finance the ROC will be among the leaders in Asia.

Overall, present signs suggest that in the 1980's Taiwan could well rank number two in international economic activity among all the nations of Asia.

The Fifth ROC Special Procurement Mission in its swing around the United States this spring signed contracts for around \$2 billion worth of U.S. products including large purchases of industrial equipment, grains, aircraft and coal. The next decade will conservatively see a two-way trade (for these ten years combined) of over \$250 billion.

These business prospects have not escaped the attention of the state governments and many members of the Congress. They have been working hard to encourage Taiwan to buy more in the U.S. and to make Taiwan more aware of U.S. products.

Last fall, for example, our Council arranged for state officials and businessmen from all of the fifty states to attend a one-week trade and investment forum in Taipei to introduce them to the Taiwan market. And next month we will have some 450 to 500 Americans from state governments and the business community

at our Joint Conference in Taipei to explain, in some detail, business prospects with Taiwan over the next decade. A number of members of Congress have been very helpful in efforts to promote expanded economic ties and to develop markets for American products. Strong support has also come from the American Institute in Taiwan.

Unfortunately, the American Institute has been hampered somewhat—as has the U.S. Department of Commerce—in efforts to ferret out new business and to help American companies resolve problems. Previously when we had diplomatic relations with the ROC, U.S. Embassy officials were in close and frequent contact with top economic and financial officials on Taiwan and were able to gain an intimate knowledge of developments—both current and planned. Today, that is not possible for reasons well known to the Congress. I would emphasize, however, that the AIT has, within these limitations, contributed commendably to the success of American business both through its activities in Washington and on Taiwan.

The most important event of the year for those firms involved in business with Taiwan—our Fourth Joint Business conference—will take place in Taipei late this month and AIT will have a significant role in this Conference. The Department of Commerce, of course, cannot be represented under existing ground rules within the Executive Branch.

The Europeans, however, are stepping up their trade promotion activities and their presence on Taiwan in a variety of ways. Not only are new trade offices being set up or old ones expanded but European banking is establishing itself in a significant way. Five European banks have recently been given permission to put branches on Taiwan. They of course will help to strengthen the position of European exporters.

The ROC knows of course that in the face of its diplomatic isolation and growing protectionism abroad it must push for greater diversification among its trading partners. The U.S. faced very strenuous competition from the Japanese in the seventies. Now we must confront the Europeans, the Canadians, the South Africans and the Australians among others. It is important that our government find ways to strengthen its support and that of the AIT for American exports through all avenues including: tariff negotiations, EX/IM terms, identification of business opportunities, assistance in resolution of problems confronting American firms, developing means to guide and assist the small and medium size exporter, ensuring that existing treaties and agreements with Taiwan remain in force as required by the Taiwan Relations Act.

Improvement in Executive Branch consultation with the Congress would in my view be a major ingredient in strengthening the underpinnings of the U.S.-Taiwan business relationship and the confidence of American business in its future.

One final word on the vital interrelationship between economic, political and security developments affecting Taiwan.

In the past the dramatic pace of the ROC's economic progress has provided substantial benefits both to Taiwan's security and to the welfare of its people and has been a critical element in the political progress and stability of the country. Similarly, security, political stability and political reform have been of critical importance to the business confidence required—both domestically and abroad—for Taiwan's economic development. Obviously, these achievements are essentially the result of decisions and efforts by the government and the people on Taiwan. However, there may be opportunities in the future when Congress and the Executive Branch can be supportive to Taiwan's efforts to maintain stability and to achieve further political progress.

Economic and social developments, which are the areas most discernible to those of us concerned with business activity, appear to be moving ahead steadily and solidly to the benefit of the general population. Taiwan has one of the very best records of all developing countries of the world in the pace of its social gains as measured by per family income, equitable income distribution, education, health care, land reform, housing, availability of food and clothing, job security, availability of telephone, electrical services, TV and radio, etc. All of these gains, along with the exceptionally strong economic and financial situation on Taiwan will certainly contribute to continued stability in the future.

We are encouraged too by the expectation that the Congress will continue to play an attentive role in ensuring that the provisions of the Taiwan Relations

Act are carried out in the spirit intended and that it will continue to have a salutary involvement in decisions affecting the general relationship between our two countries.

PREPARED STATEMENT OF PROFESSOR PETER P. CHENG, UNIVERSITY OF NEBRASKA-LINCOLN, ON HUMAN RIGHTS UNDER CHIANG CHING-KUO REGIME

At the tail-end of Ching-Ming tomb-sweeping day (April 5, 1975), 87-year-old Generalissimo Chiang Kai-shek breathed his last at 11:00 p.m. in Taipei suburb of Shi-lin. On April 28, his son Chiang Ching-kuo, was unanimously elected Chairman of the KMT Central Committee at an extraordinary plenary meeting of the party's 10th Central Committee. Thus, the Chiang Ching-kuo era began with some political relaxation. The releases of 3,600 convicted prisoners were announced on July 14, and in early October, the Minister of Defense made it known that Lee Ao, Hsieh Tsung-min and Wei Ting-chao would be released within one or two years. Furthermore, Chen Yu-shi, a former political prisoner with a master's degree from the University of Hawaii, would be allowed to return to the university to resume his study. The regime also tolerated a new magazine, Taiwan Chen-lun, to discuss topics ranging from a farmer protest to a critique of the famous Chinese novel, Water Margin. The editorial board included independent legislators Kang Ning-hsiang and Huang Sin-chien.

Liberal winds blowing through 1975 to consolidate support for the regime came to a quick end. In 1976, an election to fill 37 seats in the Legislative Yuan set the atmosphere for domestic politics in Taiwan. Although four "independents" won seats, a question remains to be answered: Was the election fair and free? An independent candidate, Pai Ya-tsan, planned to campaign but was arrested ten days before the start of filing, because he raised 10 sensitive political issues with Chiang Ching-kuo. Another independent candidate Kua Yuehsin, claimed polling in his constituency was rigged. The third independent candidate, Yen Ming-shen, called for the end of martial law, and was arrested along with his campaign manager, Yang Chin-hai. The regime has clearly expressed the limitations on dissent. On December 28, 1975, the Taiwan Cheng-lun was banned. The former deputy editor, Change Chin-tse, was tried in early 1976 on charge of taking kickbacks (allegedly having accepted \$125 from local contractors) while serving as a local official some years previously and was sentenced to ten years.

Taiwan's human rights policies drew attention in mid-June, 1977 when U.S. Representative Donald Fraser conducted subcommittee hearings on human rights in Asia. Chan Chin-tse and Wu Ming-hui testified at the hearings. Both claimed they had been harassed while in Taiwan and had fled Taiwan to protest the "gang of dictatorship" of the KMT regime. Inside Taiwan, hundreds of Taiwanese stormed on November 19, 1977, a police station in Ghungli, accusing the government of corrupting the local elections. The incident showed the dynamism and tensions of the island society as Taiwanese rejected the KMT dictatorial rule.

Conjecture as to whether or not Chiang Ching-kuo would run for the Presidency in 1978 ended when incumbent President Yen Chia-kan announced to a January 7, 1978 meeting of the KMT Central Standing Committee that he wished to support him in the 1978 presidential election. He was duly nominated by the KMT Central Committee Plenum on February 15, elected by the National Assembly on March 21, and inaugurated on May 20. In March, the Ministry of Interior warned the Presbyterian Church, which in August 1977 had published "A Declaration on Human Rights by the Presbyterian Church in Taiwan," not to engage in further political activities. Police also seized ten thousand copies of a book about the "November 1977 elections." In September, the regime forced the owners of Taiwan Jih-pao (Taiwan Daily) to sell to a new owner with close links to the Ministry of Defense. The scheduled December 28, 1978 elections were postponed after President Carter, on December 15, announced that, in effect, the U.S. government had accepted Peking's terms for normalization.

On January 21, 1979, the regime arrested Yu Teng-hua and his son, Yu Jui-yen, and charged them with "knowing a Communist and not reporting it" and "propagandizing for the Communists." The trial in a military court of the Taiwan Garrison Command began on March 9 and on April 16 the court sentenced the fifteen persons involved in the case after a very unfair and obscure trial. Wu Chun-fa received the death penalty while 76 year-old Yu Teng-fa received an eight-year prison term. Yu Jui-yen was sentenced to two years, but this was

commuted owing to poor health. On May 28, the Taiwan Garrison Command announced the reaffirmation of all the sentences by the highest military court as well as the execution of Wu that morning.

The Yu Teng-fa arrest led directly to the second important case, the impeachment and suspension of Taoyuan county executive, Hsu Hsin-liang. On January 22, the day of Yu Teng-fa's arrest, Hsu Hsin-liang and several other prominent nonpartisans went to Yu's home village as well as Kaohsiung city where they marched to protest the arrests. The next day the Taiwan Provincial Governor went to Taoyuan to investigate and the following day the Control Yuan announced an investigation centering on Hsu's taking leave without permission, participating in an illegal demonstration, and signing leaflets that libeled the regime. In late April and May the Control Yuan considered the charges. On June 29, the Committee on the Discipline of Public Functionaries decided to suspend Hsu Hsin-liang from office for two years. The regime allowed Hsu to travel overseas and on September 30, he left with his family for a year's study in Japan, the U.S., and Britain, promising to return and complete the final six months of his term in June 1981.

In November, 1979, the active nonpartisans, who were connected with Formosa, an outspoken monthly political magazine, requested permission to hold an evening torchlight rally and parade in celebration of World Human Right Day, December 10. Security personnel withheld approval on a weak ground that a magazine did not have any business organizing public demonstrations. The group went on schedule, without permission, gathered outside the Formosa office in Kaohsiung to hold the rally and march. Their political aims were to voice: parliamentary reform so that representation reflects the constituency governed; direct election of mayors and the Taiwan provincial governor; an independent judiciary; dissolution of martial law; removal of KMT control from schools, military and courts; amnesty for political prisoners; and freedom of speech. The rally turned into the most violent riot in Taiwan's recent history when the crowd had confrontation with military police. A total of 25 opposition leaders, including Huang Hsin-chieh, and the magazine's publisher were arrested. The magazine was banned. The arrests represent one-third of the opposition leadership. It was by far the largest government crack-down ever.

The first political assassination in 30 years occurred in Taiwan on February 28, 1980, the anniversary of the 1947 Taiwanese rebellion against KMT rule. The mother and twin daughters of an opposition provincial assemblyman were stabbed to death in their home. The assemblyman, Lin Yi-hsiung, is one of eight people indicted for sedition in connection with the December riot in Kaohsiung. Since the murderers (or a murderer) have not been arrested, this led to strong speculation that the regime was involved in a conspiracy. Lin was released on bail after the incident. Since his release, Lin has revealed to confidants, that his prison treatment was far from benign, as claimed by the Taiwan Garrison Command. He was kept in solitary confinement. He was deprived of sleep and beaten up, after which he signed a forced confession admitting he took part in a conspiracy to overthrow the government and that he had incited the crowd to violence at Kaohsiung.

Taiwan's most sensational political trial of the post war era opened on March 18, 1980 with eight defendants charged with sedition in connection with the December riot in Kaohsiung. Anyone would hardly accept a verdict of sedition, because apart from confessions which were generally believed to have been extracted by illegal means, no evidence has been produced by the prosecution to substantiate the sedition charge. In response to the charge that the riot was organized with the aim of overthrowing the government, defendant Yao Chia-wen asked in court: "Judge, do you honestly think that we would attempt to overthrow the government with sticks and bamboo torches?"

There was little surprise among most observers over the sentences handed down on April 18, 1980. Shih Ming-teh, the alleged mastermind of the riot, received a life sentence; Huang Hsin-chieh, the 52-year-old legislator who, it was claimed, set up links with the Communists with an eye to eventual unification, received 14 years; and Yao Chia-wen, Chang Chung-hung, Lin Yi-hsiung, Lin Hung-hsuan, Lu Hson-lien and Chen Chu were all sentenced to 12 years. "It is as if the trial never took place," commented one observer. "None of the witnesses favorable to the defense were called, and none of their claims was checked." In its 24,000-word decision, the court repeatedly brushed aside defense claims, objections and requests for further investigation, and quoted again and again statements made in the indictment and the defendant's earlier confessions as the basis for its actions.

The court has based its charge of sedition largely on confessions which all the defendants repudiated in public testimony. One observer from a human rights organization commented that these confessions would be thrown out of court in a western trial.

A clear-cut case, based on the records of the last six years, can be established for paying closer attention to the human rights violation by the regime. In this respect it is proper to urge all who believe in human rights as a solid foundation for democracy to support Congressman Stark's proposed resolution (H. Res. 603). The resolution reads as follows:

90TH CONGRESS, 2D SESSION, H. RES. 603

RESOLUTION

Urging closer attention to the human rights situation in Taiwan before further military sales or assistance is provided to the Taiwanese authorities.

Whereas Taiwan has experienced over thirty years of martial law and is governed by the oldest martial law regime in the world;

Whereas native Formosans constitute 85 per centum of the population on Taiwan yet have only 10 per centum representation in the national government;

Whereas the United States has recognized the People's Republic of China since January 1979, while the authorities on Taiwan still claim to represent mainland China;

Whereas Amnesty International, the International Labor Organization, and the International League for Human Rights have monitored and reported human rights abuses on Taiwan;

Whereas the Taiwan authorities have consistently refused to hold elections which were postponed following news of normalization of relations between the United States and the People's Republic of China;

Whereas in a recent wave of political repression over two hundred people were arrested and detained following a rally commemorating the thirty-first anniversary of the United Nations Universal Declaration of Human Rights;

Whereas the leaders of the democratic opposition in Taiwan have been held incommunicado, and the Taiwanese authorities have refused to allow international organizations to investigate the widely circulated reports of torture and prisoner abuse, thus denying these leaders their civil and legal rights;

Whereas charged of sedition are being pursued against eight leaders of the democratic opposition, a capital crime which is not commensurate with their alleged civil crimes of parading without a permit and rioting.

Whereas those arrested include writers, publishers, lawyers, politicians, medical specialists, feminists, human rights activists, and members of the Presbyterian Church;

Whereas church officials associated with the Presbyterian Church and particularly the Taiwan Theological College have been intimidated following their call for an independent Taiwan;

Whereas on April 12, 1979, sixty Taiwanese leaders of the democratic opposition issued a statement called for the admission of Taiwan to the United Nations as an independent state;

Whereas native Formosans are denied representative participation in their government and are denied a significant role in determining their future;

Whereas martial law necessarily denies the fundamental rights and liberties that free people are entitled to;

Whereas the Taiwan Relations Act, enacted in April 1979, states that the "preservation and enhancement of the human rights of all the people on Taiwan are hereby reaffirmed as objectives of the United States;" and

Whereas Taiwan has a large military establishment in existence, and recently obtained from the United States military equipment valued at \$280,000,000: Now, therefore, be it

*Resolved*, That the House of Representatives—

(1) expresses its great concern over the denial of civil, legal, and political rights of the political prisoners currently being held in Taiwan;

(2) expresses its great concern over the abuse of civil, legal, and political rights of the native Formosans; and

(3) strongly urges closer attention by the United States to the human rights situation in Taiwan before any further military sales or assistance is provided to the Taiwanese authorities.

PREPARED STATEMENT OF STEPHEN DIAL, ASSOCIATE, INTERNATIONAL HUMAN RIGHTS LAW GROUP, WASHINGTON, D.C.

Mr. Chairman and members of the Senate Foreign Relations Committee, this statement is presented on behalf of the International Human Rights Law Group, a nonprofit, legal organization established in September 1978 by the Procedural Aspects of International Law Institute with the assistance of funding from the Ford Foundation and the Rockefeller Brothers Fund. The Law Group, assisted by its Advisory Board of distinguished international lawyers and scholars, as well as by concerned lawyers from the D.C. Bar, seeks to promote human rights by providing *pro bono* legal services and educational programs in the field of international human rights law and procedures.

One of the fundamental concerns of the Law Group is the international observance of human rights norms. Thus, we cooperate with and assist other non-governmental organizations such as Amnesty International in monitoring human rights violations and utilizing national and international legal procedures for their redress. For the past several months, the Law Group has been concerned with the precarious situation of human rights in Taiwan and wishes to present this background testimony to this Committee for consideration in its oversight of the Taiwan Relations Act of 1979.

The island of Taiwan has now been under martial law for over thirty years; it is the nation with the longest continuing period of martial law in the world. The state of seige and martial law, declared by the Kuomintang (KMT) authorities on Taiwan in May 1949 and maintained up to the present, is allegedly the consequence of the "extraordinary period" in which the KMT seeks to "suppress rebellion" on the Chinese mainland and enforce its claim that it is the sole legitimate representative of the Chinese people.

The state of siege of Taiwan impacts on the human rights of the Taiwanese people, particularly those people of Hokkienese or Hakka stock who are indigenous to Taiwan and who make up 86 percent of the island's population, in three principal ways:

1. denial of general elections;
2. abrogation of rights, such as freedom of the press, speech and assembly, which are formally guaranteed by the Constitution of the Republic of China (whose government the KMT authorities claim to constitute) adopted in 1946;
3. the trial of political offenders by *in camera* military process which relies on secret proceedings, forced confessions, and denial of adequate representation by counsel.

The effect, if not the intent, of these human rights violations is to deny the people of Taiwan their right of self-determination.

In the space of a little more than a year, Taiwan has reached a critical phase in terms of human rights. The announcement of the withdrawal of diplomatic recognition from the KMT regime by its most important remaining ally, the United States, on December 16, 1978 touched off a succession of events which has raised serious questions about the KMT regime's professed commitment to political liberation and human rights on Taiwan.

The first setback for human rights followed almost immediately the U.S. derecognition of the KMT regime. Despite pleas by opposition leaders K'ang Ning-hsiang and Wang Jao-tsan that the regime not take any action contrary to democratic practices in the face of the new Sino-American ties, it was announced that "supplementary" elections for the national legislative Yuan to be held on the 21st of December were suspended indefinitely.<sup>1</sup>

Although the official reason given for the "postponement" of the election was the state of emergency created by the U.S. derecognition, the KMT authorities may also have been concerned that the election results could be unfavorable to the KMT candidates, in view of the severe blow to KMT legitimacy that derecognition constituted and the fact that opposition candidates had garnered 40 percent of the popular vote in local elections in 1977.<sup>2</sup>

<sup>1</sup> The Legislative Yuan or Branch of the government of Taiwan, nominally the legislature representing districts throughout China, is composed of some 340 life members elected in 1948 on the Chinese mainland plus a much smaller number (22) of "supplementary" seats, created to make up for the demise of certain of the older life members. The "supplementary" elections have been scheduled every three years since 1969; the last such elections were held in 1975.

<sup>2</sup> Election reform in general is a topic of great interest to the Taiwanese. The old election code in effect for more than thirty years is not only undemocratic, it is also of questionable legal authority, since it is only an administrative regulation. The draft Election and Recall Code recently issued by the Interior Ministry of Taiwan was drafted with no participation from opposition leaders and there have been complaints that it is even more antidemocratic than the old code.

Initial protests by opposition leaders and calls for increased democracy were met with swift repression by the KMT's internal security organs. On January 21, 1979, after participating in an "Opposition National Affairs Declaration" calling for peace, democracy and the self-determination of the Taiwanese people and before convoking a mass opposition rally in Kaohsiung, Yu Teng-fa, a former national assemblyman and Kaohsiung magistrate, was arrested along with contacts with an alleged communist agent.<sup>3</sup> Despite an announcement that an "open" trial would be conducted, neutral observers were denied entry during most of the course of the trial, which was presided over by a court martial. Primarily on the basis of the "confession" of a "communist agent", Wusp-Taian Yu was sentenced to eight years in prison.

In the wake of the trial of Yu Teng-fa on March 9 and his conviction on April 6, 1979 there was increased opposition activity, chiefly in the form of opposition rallies<sup>4</sup> and dissident publications.<sup>5</sup> The KMT regime in violation of the principles of freedom of press and assembly laid out in the 1946 Constitution, has used many pretexts to interfere with and redress such activities.

The most notorious recent example of KMT political repression and human rights violations is the sedition trials of eight staffers of Formosa magazine in connection with the Kaohsiung incident of December 10, 1979. Formosa magazine was first published on August 16, 1979 by a number of respected opposition figures, including Assemblyman Huang Hsin-chieh, feminist attorney Lü Hsiu-lien, literary figure Wang T'o and County Magistrate Hsü Hsin-liang. The publication was an instant success: its circulation, starting at 45,000, doubled in only three months, making it the most popular magazine in Taiwan.

The appearance of Formosa magazine brought political discussion in Taiwan to an unprecedentedly open level. To its credit, the KMT government even allowed two seminar debates to be held on controversial national issues in the early autumn of 1979.

Unfortunately, the KMT's tolerance of Formosa magazine's free-ranging treatment of controversial topics lasted for only about two months. Soon, unidentified "anti-communist patriots" sent threatening mail to the offices of the magazine and launched attacks on several of the magazine's branch offices. Copies of the magazine were confiscated at several sales outlets by the police for obscure reasons.

On December 10, 1979, staff members of Formosa magazine sponsored a rally for International Human Rights Day before the magazine's Kaohsiung office. When riot police blocked the path of a proposed march, a melee ensued in which demonstrators battled with police until late into the night.<sup>6</sup>

In the aftermath of this incident, police not only shut down Formosa magazine and a sister dissident publication *The Eighties* but conducted an islandwide roundup of opposition figures, not all of whom have yet been accounted for. Eight individuals, including some of the most important figures on Formosa magazine's staff, were indicted two months later on charges of sedition, which carries a maximum penalty of death.

The indictment for sedition incorporated unsubstantiated charges that the defendants had staged the Kaohsiung incident in order to carry out a conspiracy for the violent overthrow of the government, and an incredible accusation that the most prominent defendant—Huang Hsin-chieh—had conspired with an acquaintance to profit from a scheme to import fried eel from mainland China in order to finance a revolution. The charges, as with all that allegedly involve sedition, were set to be tried before a military court.

<sup>3</sup> This charge is a favorite KMT device for dealing with opposition figures. On Taiwan, the practice is referred to as giving the accused a "red hat" to wear.

<sup>4</sup> An example of this activity and KMT repression of it is the abortive Taichung rally of July 28, 1979 in which a gathering called by opposition leaders was broken up by police wielding electric prods and fire hoses.

<sup>5</sup> Under a June 14, 1951 administrative order of the Executive Yuan (which purported to find that the number of publications on Taiwan had reached a "saturation point"), grants of publication licenses are strictly regulated. Publication of dissident journals is often suspended by invocation of this order; since the U.S. derocognition of Taiwan, opposition magazines such as "China Tide Monthly," "New Generation," and "The Lengthy Bridge" have been shut down, each for one year. Attempts to publish "underground" newspapers can lead to arrest; on August 7, 1979, the Taiwan Garrison Command halted publication of such a newspaper—*Ch'ao-Liu* ("The Time")—and detained members of its staff. *Ch'ao-Liu* had enjoyed a readership of thousands.

<sup>6</sup> Indications are that the disruption may have been instigated by KMT agent-provocateurs. The KMT claim that 183 police were injured in the disturbance has been widely disputed by independent sources.

Although the authorities consented to open the trial to third party observers as a gesture of fairness, much that was revealed during the course of the trials demonstrates a lack of fundamental due process guarantees in trials conducted of political offenders in Taiwan. The prosecution's case was based on certain "confessions" which the defendants had allegedly given upon interrogation, yet during the trial each defendant retracted his confession and claimed it had been extracted through threats and sleep deprivation.<sup>7</sup>

Defendant Huang Hsin-chieh was denied an opportunity during the trial to confront the witness against him—the mysterious co-principal in the alleged fried eel scheme (indeed, the individual, Hungchik-liang, had not even yet been tried at the time of the trial of the Kaohsiung defendants).

Despite these fundamental discrepancies in the case made by the prosecution, the military court dismissed the defendant's allegations of forced confessions and accepted the prosecutor's contention that "the evidence clearly showed that the eight were guilty of sedition." The eight defendants received sentences ranging from 12 years to life clearly express given the totality of the record in the case.

The trial of the Kaohsiung Incident defendants has evoked condemnation from around the world of the KMT's suppression of the opposition and disregard for human rights, yet the KMT appears to be continuing its campaign of repression. Another opposition journal, *The Asian*, published by the respected opposition leader K'ang Ning-hsiang, has recently been suspended for a year; it had reported extensively on the course of the Kaohsiung Incident trial. On April 25, the Reverend C. M. Kao, a minister in the Presbyterian Church and opposition leader for ten years, was arrested and charged along with others of sedition—harboring one of the Kaohsiung Incident defendants before his capture.

The Central News Agency in Taiwan has already announced that trial of individuals indicted under that charge will not be open to neutral observers, revealing a retreat from the relatively more liberal procedure of the Kaohsiung Incident Trials. In view of these most recent developments, the outlook for progress in human rights on Taiwan appears bleak. Consequently, we respectfully recommend that this Committee closely monitor developments in Taiwan and, should the human rights situation in Taiwan continue to worsen, we recommend that a re-evaluation of U.S.-Taiwan relations be undertaken in accordance with U.S. human rights policy.

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PREPARED STATEMENT OF PROFESSOR RICHARD KAGAN\*

My topic is the issue of human rights and human rights violations in Taiwan. In order to talk about the state of human rights in Taiwan, we first of all have to distinguish three types of human rights—all of them related. The first type is the human right of personal integrity. This means that individuals have the right not to be subjected to state coercion and violence (except in certain well-defined circumstances and according to well-established procedures) e.g. incarceration without proper judicial procedure, or the use of torture and sensory invasion (deprivation of food and sleep) to extract confessions from accused individuals.

The second type is political rights—the right to be able to choose one's own government, the right to have free elections, free political organizations, freedom of speech, and fair and open trials.

The third type is economic rights—the right to fair working conditions, rights protecting migrant workers, fisherman, women workers, and the right to have an economy which promotes equal economic development.

All of these rights are spelled out in various covenants and declarations by the United Nations or the International Labor Organization. They are rights

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<sup>7</sup> Interrogators had warned defendant Lin Yi-hsiung that it would be "disadvantageous" for his family members if the circumstances of his interrogation were revealed. Shortly after Mr. Lin's mother told a Japanese correspondent of the duress applied to Mr. Lin during interrogation, Mr. Lin's wife and two young daughters were murdered in their Taipei home.

\*Professor Richard Kagan was in Taiwan as an observer during the trial of the Kaohsiung eight. Professor Kagan is a professor of History at Hamline University, St. Paul, Minnesota.

which, when the Republic of China was a member of the U.N. the Republic of China did not publicly disclaim. It has still not disclaimed the legal provisions that it had agreed to during the time it was in the United Nations. Even though the Republic of China is no longer in the United Nations, it can still be considered as bound to the agreements it made then. This is a very important point to make because one of the main arguments that Republic of China officials present to people like myself, Ramsey Clark and others is that we are "interfering" in their internal affairs. The main issue here is that the Republic of China has agreed to adhere to the principles in the United Nations and therefore these are not just internal affairs. These are parts of international covenants to which the Republic of China, as well as other nations, have agreed.<sup>1</sup>

I want to look at the record on the basis of three different types of rights that all come under this definition of human rights. Specifically, I will use the case of the Kaohsiung Eight trial. The incident in Kaohsiung in southern Taiwan on December 10, 1979—according to various reports, many of them conflicting—resulted in a riot in which, it was reported on December 11 and 12, both civilians and police were injured. By December 13 we were told that this riot—the result of a human rights demonstration—had injured 83 policemen, and no civilians at all. Finally the government argued that the organizers of this demonstration had seditious intent. That is, the Taiwan government contended, the intent of this was to overthrow the government of the Republic of China. Consequently, there was an island-wide arrest of people either directly or indirectly involved in the demonstration; as we were told later, it did not really matter if you were there or not. The demonstration was not the culpable act; it was the intent of the persons arrested.

On December 13 the arrests began, numbering at least 100–150 known persons. About 40 days later, eight of those arrested were indicted for sedition to be tried before a military court and the rest of the people were to be tried in a civilian court. The eight who were accused of sedition were tried in a military court with a small number of seats allowed for foreign correspondents, foreign press, and international human rights groups. It is these trials and the arrests of Bruce Jacobs and Reverend Kao that I will focus on.

This trial of the Eight resulted in indictments based upon forced confessions which led finally to the convictions of the Eight. One person received life imprisonment, one person received fourteen years in jail, and the rest received twelve years each.

I want to talk about human rights and these individuals according to the categories I established at the beginning of this statement. The first category is the right of personal integrity. In this case, all of the evidence supports the fact that these people were tortured by one means or another. Lin Yihsung appears to have been tortured by being kicked in the stomach and in the leg. When he was released from jail temporarily, he was in the hospital with an emotional breakdown, and people who saw him there pointed out that he could not walk to the bathroom unassisted, that he limped, and that he suffered from bruises and from blows to his body that had been inflicted during the time he was in prison.

During the trial, almost all of the defendants claimed that they had suffered from sensory invasion. They all had been kept up for a period from four to eight days, day and night, with very little sleep. They had been threatened with execution. Lu Hsiu-lien, claimed that she was shown the picture of an executed "communist spy" and was told the same would happen to her if she did not confess. The consequences of this pressure is perhaps made clear by the fact that of these eight people—all of them very strong willed, all of them very independent, very proud and intellectually and personally very strong and able people—four of them, to our knowledge, either told their relatives or their lawyers that they had contemplated suicide, that the pressure on them was so great while they were being held in prison that they could not take it any longer.

One person claimed that he had been tortured, that his confession had been forged, but he would not go into further details because it would harm the honor of the Republic of China. One other person, a ninth who was arrested with the

<sup>1</sup> The issue of meddling in internal affairs of the Republic of China is a very issue-specific argument. The Republic of China does not offer that argument when the United States becomes involved in issues such as agricultural development, industrial development, industrial import and export trade, other forms of commercial trade and banking, but only in this one area of human rights. And in that area the Republic of China is extremely defensive.

eight at first and subsequently released, had bit his tongue off in an attempt to commit suicide. When I was in Taiwan, I asked formally for permission to have a doctor examine the wound and I was not allowed that permission. I also visited his place of residence and his wife told me that he was afraid to see me even though he was a friend of mine. She told me that there were secret police around the house and that I could not go in. She was desperately nervous and afraid for their safety.

All evidence that we have points to the fact that there was a tremendous amount of pressure, either physical or through sensory invasion, on these prisoners. I might add that we, and many other people who went to Taiwan, asked to be able to interview the prisoners, but we were not allowed to do so. One group from Amnesty International was allowed to look at the prisoners through a one-way mirror with a photograph in their hand to identify the prisoners who were there and what they looked like, but they were not allowed to talk to them. We refused that invitation because we did not think it was humane to look at people through a one-way glass, which we considered another example of deprivation of a human right, that of privacy.

The confessions which were produced from these people were not released for forty days. According to international legal principles, any confession which is produced after eight hours is not valid. That is true in the United States as a matter of due process and it is also part of international legal principles and covenants.<sup>2</sup>

Included in the second human rights category is the right to a fair trial. Although the trial of the Kaohsiung Eight was public, such other political trials in Taiwan have not been public. Therefore, there is not a consistent pattern. Moreover, in the trial of these Kaohsiung Eight, there were a large number of restrictions on the witnesses. First of all, every request the defendants made to call in defense witness or to interrogate their accuser was refused. The government disallowed any cross-examination or any evidence impeaching inculpatory exhibits. In one instance, the prosecution in the trial produced a booklet of photographs of certain of the defendants talking to the demonstrators on the night of the Incident through bullhorns. The prosecution claimed the photographs depicted the defendants inciting the crowd to riot. However, tape recordings made during the Incident of those very defendants exhorting the demonstrators to calm down and to refrain from attacking the police were not allowed into evidence by the court martial.

In fact, Lin Yi-hsiung had not arrived in time for the demonstration but the government argued that he had the intent of being there and therefore he was guilty with everybody else.

Although there were pictures showing individuals actually hitting the police with poles, none of these particular people were indicted. Of the 65 or so arrested on the spot, about 45 percent or 50 percent of them were released the next day and have disappeared. The view of people in the Opposition is that these people were government provocateurs—that is, people hired by the government to attack the police.<sup>3</sup>

The government, therefore, did not allow a fair trial by any means or any standards, whatsoever. In fact, the government was only trying to prove that these eight had the intent to commit sedition—not that they actually did. Every time that it was pointed out that a defendant wasn't there at the Incident or that no violent instruments were used or that there was no specific plan to overthrow the government, the government retreated into saying essen-

<sup>2</sup> One of the interesting aspects of the confessions is that substantially they were word for word the same—not just in describing their intention to commit sedition or sabotage, but also the same in the description of their personal feelings. In other words, each one of them claimed to be repentant, and to feel sorry for what they had done, to show contrition, and each of them in very set, almost ritualistic phrases.

<sup>3</sup> I might add that this is not the first time that this has occurred. When I was there in 1978 in July on the anniversary of the Marco Polo Bridge incident of 1937, there were agent provocateurs in the audience who provoked fights with people. Some offices of Formosa Magazine had been destroyed by gangs of people who claim that they were acting in anti-communist leagues even before the Kaohsiung Incident. Indeed, the night before December 10, two people were arrested and beaten up by the police so badly that they required emergency medical attention and nobody was ever brought to account to that. In other words, for the last two years, there has been a series of bullvings, beatings, destruction of property, and attacks on people which have gone on without any arrests or convictions. The Opposition people claim that they did not know who the people were who were beating the police, and, in the pictures themselves that the government had taken, these people were not identified. I could not find out myself who they were and, to my knowledge, they have not been rearrested or brought to trial or indicted.

tially that all that mattered was the intent of the person or what the person thought or believed, without giving any evidence of what the person thought or believed. This type of reasoning is a definite attack on freedom of assembly, freedom of speech, and freedom of political organization.

The third category of human rights—economic rights—perhaps the most important, and is one area that is usually overlooked in all American reporting of Taiwan and most American journalists' reporting of human rights in general. These are rights which involve equitable economic development. The Kaohsiung Eight defendants had organized a journal called Mei-li Tao or Formosa Magazine. All of the people associated with that journal were primarily middle-class professionals. One woman was a lawyer and one of the leaders of the feminist movement in Taiwan. She had set up a hot line so women could call in to give their complaints about the way their husbands treated them.

This phone line was constantly jammed by noise and static and finally was removed from her office. The six or seven books she either wrote or edited were banned, and she was considered one of the major enemies of the regime for her feminist stand and for her human rights stand as well as for her legal abilities. Three of the men on Formosa Magazine's staff were lawyers, two of whom were distinguished human rights lawyers and social service lawyers. Two of them had worked in California with Legal Aid, and returned to Taiwan to establish the first set of legal services for the poor in Taiwan.

The other individuals were all active in what could be called the "New Economic Demands" of the middle-class and the farmers in Taiwan. These demands include such policies as the right to strike—at the moment anyone who leads a strike can be arrested and punished with execution—and the right of collective bargaining. They argued for a better price system for the farmers because the farmers in Taiwan are in desperate economic straits. Many of them are either in debt or have to go to the cities to hire out as workers. The Kaohsiung Eight also advocated an economic system protective of Taiwan's environment. Currently, out of the 21 major rivers in Taiwan, 18 of them are so severely polluted that almost nothing will grow in them at all. A recent study has shown that 73 percent of the children in Taiwan carry infectious parasites. There are areas in Taiwan where the children are hard of hearing because of noise pollution.

The government so far has obstructed any major reforms dealing with environmental quality. In fact, one man who criticized the continued building of twelve nuclear reactors on earthquake-prone Taiwan was arrested and his journal was banned.

All of these matters above are subsumed by the third type of human rights—that is the right to fair and equitable economic development. The Kaohsiung Eight have a tremendous constituency in the cities, in the countryside, among farmers, among workers, and even increasingly among women, particularly professional women, for their advocacy of these economic rights.

The most popular demand put forth by the Kaohsiung Eight was for the creation of a constitutional government, and the end of martial law. This would mean the establishment of a government which reflected the constituency of all Taiwan and not the limited constituency of the Republic of China. I might add here that the constituency of the Republic of China last had national legislative elections in 1948 before the flight from the Mainland to Taiwan of the Nationalists. (Actually, the elections in about half of the country were never held; instead people from those parts of the country were appointed to their positions. The other half of the legislators were elected under very hurried circumstances.) In 1949 those representatives fled to Taiwan or abroad and since that year they have held seats representing all of China with Taiwan only being a province of the larger body. Though there have been a few "supplementary" elections (though not since U.S. derecognition of Taiwan), the national legislature is substantially the same body as in 1948—the average age of those representatives is in the upper seventies or lower eighties.

The people of Taiwan are becoming more vocal and more insistent in their demands for representative government. These are demands not so much for independence, *per se*, as for human rights. Throughout Asia today, and East Asia in particular, there is a growing human rights movement among the professional classes and among the city dwellers. One can see it in China, in the Philippines, in South Korea and in other countries as well.

However, reports about the trial of the Kaohsiung Eight and reports of the human rights situation in Taiwan to date have been rather biased toward the KMT regime. The State Department at first wrote privately a very strong message criticizing that government for the long sentences handed down to the Kaohsiung Eight and then withdrew it, instead publicly dispatching a statement saying that the sentences did show signs of moderation and encouraging the government to continue a moderate policy. It appears that the Taiwan authorities did in fact go somewhat easy on the defendants. Only eight rather than the original forty were tried in military court. No one was sentenced to execution, though the prosecution did call for execution. The trial was in large measure open to the public. There was considerable discussion of the trial on Taiwan. However, these signs of "moderation" on the part of the KMT authorities in their conduct of the Kaohsiung Eight trial have been counterbalanced by a dark incident involving the still unsolved murders on February 28 of the mother and two young daughters of a defendant in the trials, Lin Yi-hsiung, and subsequent innuendoes in the KMT media organs that these murders were committed with the complicity of Taiwan Independence advocates and their American sympathizers.

For those who need to be reminded or informed, February 28 is the anniversary of what is known as the 2/28/47 incident in Taiwan. In 1947, due to a minor fracas, the Taiwanese people rose up against occupying military forces from the Republic of China. These forces had taken over the island and had ransacked it for eighteen months. At the end of those eighteen months, the Taiwanese people could no longer withstand the actions of their military rulers. They engaged in, at first, a basically non-violent rebellion, turning upon the soldiers, refusing to work with them and demanding their autonomy. Within a few months this rebellion was put down with ruthless brutality, creating a bloodbath in which ten to twenty thousand people died. As late as 1960, Taiwanese were still hiding in the mountains of Taiwan fearing arrest, imprisonment, and torture at the hands of the authorities. During the 1950s and 1960s there were still a tremendous number of political executions, arrests, and disappearances.

February 28 is still known throughout Taiwan as the anniversary of the beginning of this rebellion and it was on that day in 1980 at noon that a person dressed in black entered the home of Lin Yi-hsiung and stabbed to death his mother and twin daughters and wounded another daughter, leaving her for dead. The murderer left the Lin house in broad daylight, even though according to Opposition sources that home was watched day and night by plainclothes police.

The day after the murder the official press in Taiwan started a campaign to divert popular suspicion about responsibility for the crime away from the KMT authorities to Taiwan Independence advocates and foreigners, especially Americans. Stories claimed that the Lin house had been a hotbed of independence activity and "revealed" that Shih Ming-teh, an alleged independence advocate and one of the Kaohsiung Eight, had been living in that house at the time of his arrest in December 1979, even though this fact was already widely known. An American friend of the Lin family who was staying with that family at that time of the murders, Bruce Jacobs, was held as a material witness and press comments hinted that he and another unidentified American were involved in the murder.

The effect of this press coverage was to greatly frighten all the Taiwanese involved in any way at all in the criticism of the regime. The very circumstances of the murder itself—a defenseless grandmother and twin daughters—was sufficient to impart terror and concern among Opposition about the safety of their loved ones. Many of the relatives of the Kaohsiung Eight went into hiding and tried to send their children away to safety. For those not directly involved, the exploitation of the murder to promote anti-Americanism and to create suspicion that the real murderers were lurking among the Taiwanese promoted a widespread sense of paranoia among the people.

The notorious circumstances of the Kaohsiung Eight trial and the continuing repression of human rights stand in contrast to an official policy of gradual political liberalization.

In Taiwan today one can talk about political warfare between two groups in the ruling government. One group is the group that is loyal to General Chiang Kai-shek, who still has many loyal followers. These are people who came over from the mainland in 1947 and 1949 and who had been engaged in anticommunist activities on the mainland. Many had been influenced by the structure and

regimentation of the Russian Communist Party, and some also had been influenced by training in Japanese military schools. They are people who are not sympathetic to the Taiwanese and who see their mission primarily as the reconquest of the mainland. They basically are in charge of the Garrison Command; they are the generals, and they are also in charge of the secret police. They are the successors to Dai Lee, who commanded the secret police organization in pre-1949 China. These successors are in very high positions in the secret police and, basically, are in disagreement with President Chiang Ching-kuo the son of General Chiang Kai-shek.

Chiang Ching-kuo and his family lead a faction which is trying to build up its legitimacy through obtaining connections with the local Taiwanese economically and the local mainlanders politically. Chiang Ching-kuo is also trying to control the military and the secret police.

It is in the context of the struggle between the two factions that the questions of human rights and the official treatment of the Taiwanese-led opposition must be placed. This struggle has released strong emotions in the population at large. A growing number of "patriotic" groups in Taiwan and abroad have resorted to intimidation and even violence against the opposition. Many people have gone outside the law in order to achieve their political goals. In many cases they are not brought to justice.

The main reason for their outlaw actions can be put under three sub-headings. The first is to embarrass the government. There is an attempt by President Chiang Ching-kuo to ally with some of the technocrats in the Nationalist Party, who have been trained in America, and to promote at least verbally a stand for human rights, for developing a move toward democracy, and more openness. Any move which provokes a tightening up of the political system is an embarrassment to the President. It is commonly reported that when a very famous overseas Taiwanese asked President Chiang if the Kaohsiung incident was really an act of agent provocateurs, he became very, very angry. It is possible that he is unaware of the extent of outlawry against the Opposition which does exist.

Another reason for these right wing actions is to promote anti-Americanism. Chiang depends upon good relations with America in order to maintain his position. The move toward anti-Americanism is definitely a move to embarrass him by people high up in the government. The responsibility for the Kaohsiung incident at first was laid, in part, to America. The Lin family murders have been laid to plots by Americans and foreigners. This anti-American campaign appeals to a basic tradition in the Nationalist government—a tradition of anti-imperialism and anti-Westernism. This is one feeling that does not need to be manufactured or created; it is there and can be used and abused.

The third reason is to discredit Chiang Ching-Kuo and his followers both for their connections with Taiwanese leaders on the one hand, and on the other hand, their sponsorship of the discreet trade that goes on between Taiwan and the mainland via Hong Kong.

The recent arrest and trial of Reverend Kao Chun-ming is another example of the continuing attack on human rights in Taiwan. Reverend Kao is the head of the Presbyterian Church in Taiwan. I might add that the Presbyterian Church in Taiwan is an independent native church. It consists of 200,000 Taiwanese and has been under their direct control since 1895 when Taiwan was colonized by Japan. In 1947 the Presbyterian Church welcomed the Nationalists to Taiwan and put out a church newspaper, the name of which was *The Restoration of China or Restored China*; after the incident of 2/28/47 they changed the masthead to just *The Presbyterian News*. The Presbyterian Church several years ago made a declaration from its ruling body that it was for an independent Taiwan, for human rights, and for the end of martial law.

The government responded with a new church law, now in draft form, to control the Presbyterian Church. This is in addition to the controls that already exist—that is, members of the Presbyterian Church cannot hold a high government position, cannot hold a high position in the military, cannot teach in a government school as a full faculty member, are hindered in their church duties in the hinterland, in the mountain areas, and are hindered in the promotion of church activities that deal with the social gospel like working to alleviate the condition of women, migrant laborers, fishermen, the aborigine mountain people, the poor, and juvenile delinquents.

The new church law would control the Presbyterian Church by declaring basically that the church could no longer be under a unified hierarchy. Each individual church could only act in an individual capacity; each church and lay constituency of the Presbyterians could only create its own rules and regulations and collect its own tithes from its own church membership. This would mean, of course, that the island-wide organization of the church would be destroyed. It would be cut down into all the individual churches.

The head of the Presbyterian Church, Reverend Kao Chun-ming has been arrested on a charge that he aided in giving refuge to Shih Ming-teh, one of the defendants in the Kaohsiung trial. This arrest occurred weeks, if not months, after the people who harbored this escaped defendant were already arrested. Their confessions were finally produced very late, and their "confessions" will probably claim that Reverend Kao was involved. To many Taiwanese, the Kaohsiung Incident and the subsequent escape of Shih Ming-teh from arrest for nearly one month was an excuse to attack the church for its stand on human rights.

In concluding my statement on the conditions of human rights in Taiwan, I wish to emphasize that the issue of human rights is a universal issue not linked to any particular regime in Taiwan. No one regime will necessarily safeguard human rights, and for those of us who are interested in the issue of human rights, we must be vigilant about the nature of human rights under any regime, and be aware of the link between human rights and economic issues.

