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A REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE



APRIL 1980

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(II)

LETTER OF TRANSMITTAL

UNITED STATES SENATE,
Washington, D.C., March 24, 1980.

Hon. FRANK CHURCH,
Chairman, Committee on Foreign Relations,
4229 Dirksen Senate Office Building.

DEAR MR. CHAIRMAN: During the period of January 8 to January 20, 1980, I visited Indonesia, Thailand, the Philippines, and Taiwan under the auspices of the Committee on Foreign Relations of the United States Senate.

My original plan was to limit my visit to the last two countries. Recent press reports on the stability of the Marcos Regime not only had been negative but actually quite alarming. Moreover, reports on the actual implementation of the Taiwan Enabling Act were contradictory. An on-the-spot scrutiny seemed warranted.

However, when Assistant Secretary Richard C. Holbrooke prevailed on me to take a look at the refugee camps along the Kampuchean border and the agenda of a Centre for Strategic and International Studies conference in Bali were brought to my attention, I decided to add a visit to Thailand and Indonesia to my schedule. As a result I could spend only two days in each of the four countries, but in retrospect I believe the change of plans was beneficial and the information collected was not only adequate but in some respect complementary. A full report on my findings and recommendations based on my conversations in Bangkok, Manila and Taipei is enclosed.

My visit to Thailand had two principal objectives: to investigate conditions in the Thai refugee camps at the Kampuchean border, and to discuss with key officials of the Royal Government of Thailand the implications of the Vietnamese act of aggression for the security of their country. In the Philippines my discussions focused on the stability of the Marcos government and the views and plans of some of his key opponents. In Taiwan I discussed the military posture of the country, the political consequences of the "normalization" of the United States with the Peoples Republic of China, recent domestic disturbances, and the outlook for the future.

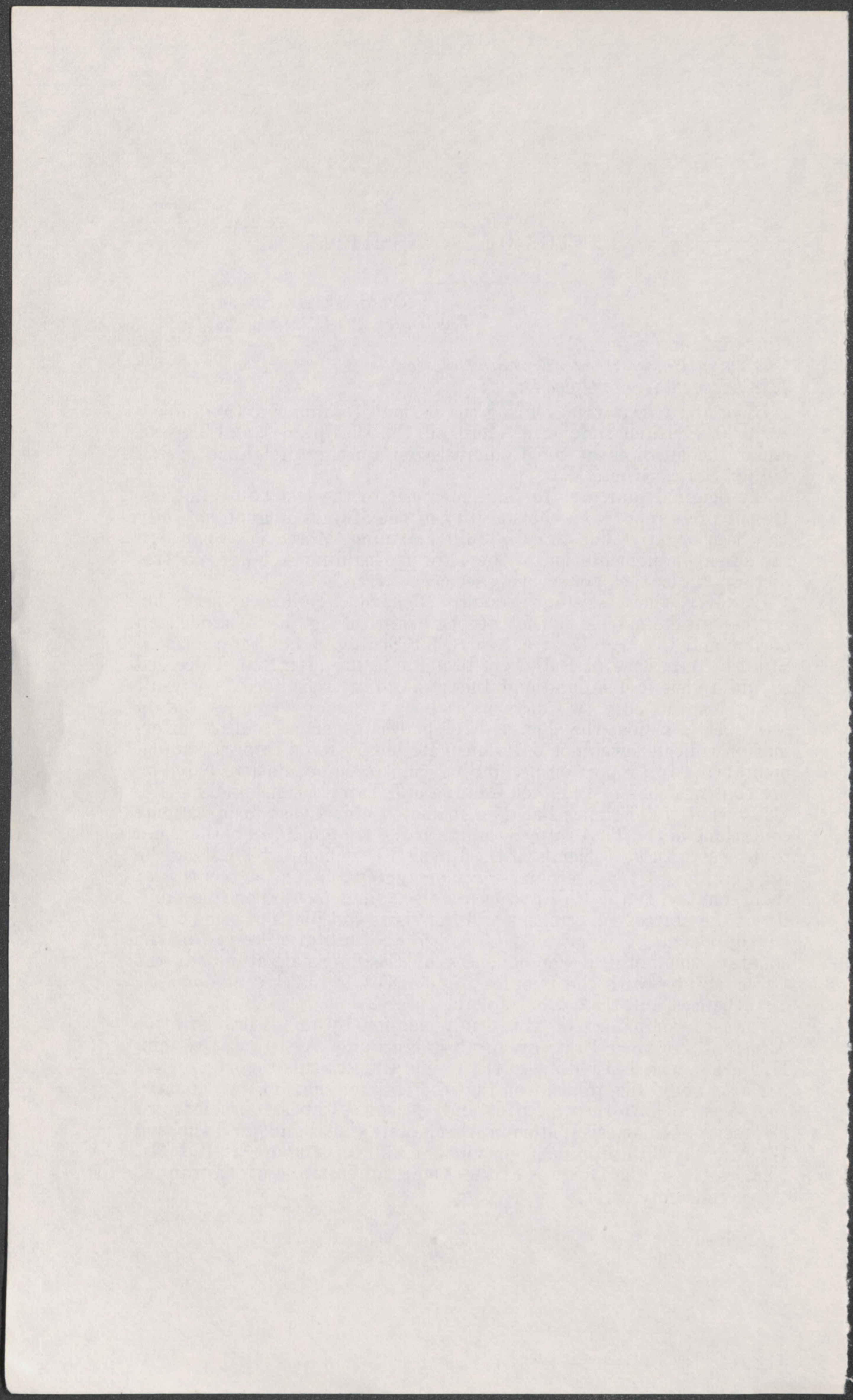
I was accompanied on this study mission by my Administrative Assistant, Dr. Gene Prat, and my Foreign Policy Assistant, Dr. John H. Backer who assisted me in the preparation of this report.

I also would like to mention that the U.S. missions in each country visited were uniformly helpful and efficient. Ambassadors Edward E. Masters (Indonesia), Morton Abramovitz (Thailand) and Richard W. Murphy (Philippines) provided excellent support as did Mr. Charles Cross, the Director of the American Institute of Taiwan.

Sincerely,

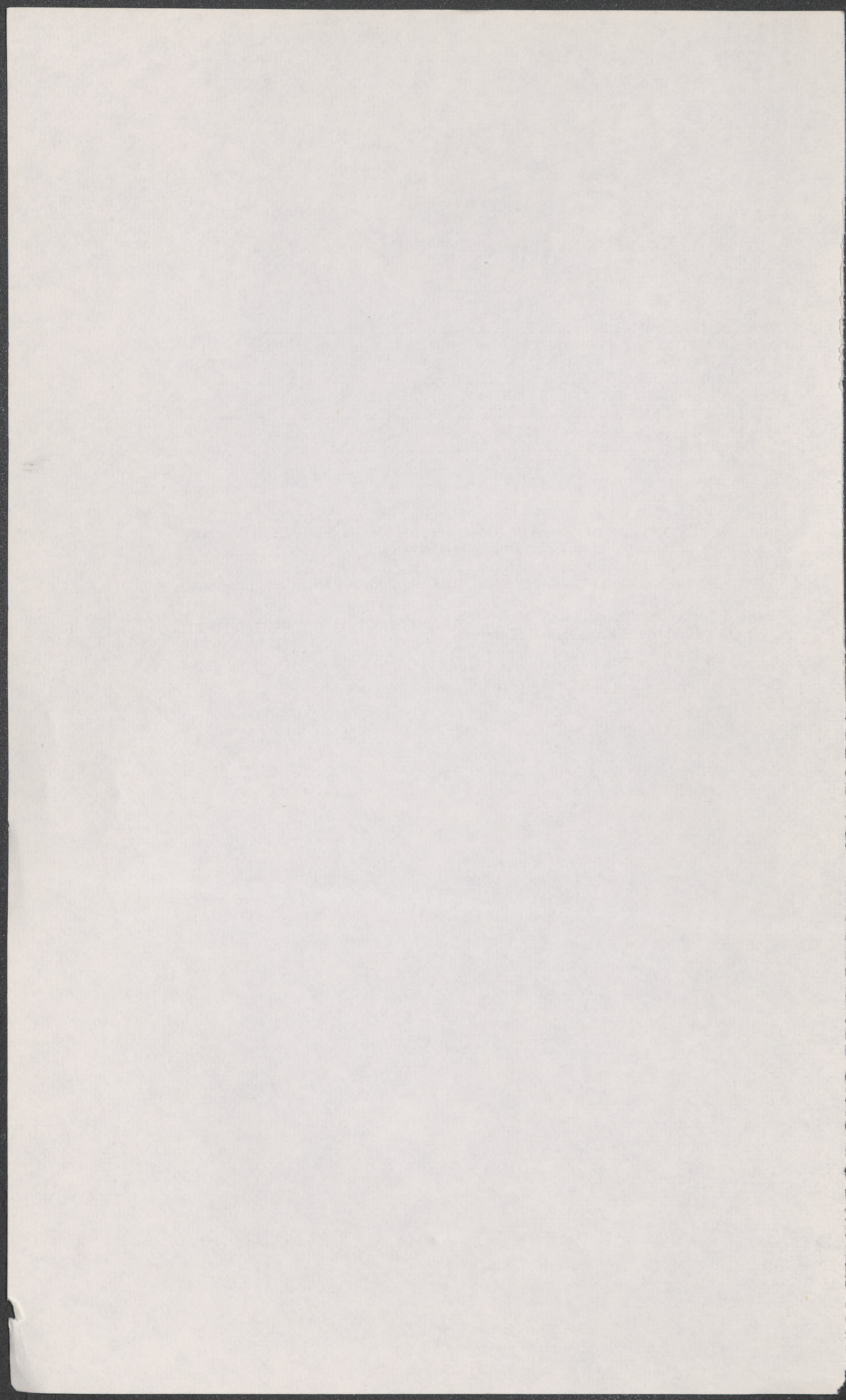
S. I. HAYAKAWA.

Enclosure.



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CENTRE FOR STRATEGIC AND INTERNATIONAL STUDIES CONFERENCE IN BALI

ASIA-PACIFIC IN THE 1980's: TOWARD GREATER SYMMETRY IN ECONOMIC INTERDEPENDENCE

It is beyond the scope of this report to provide a detailed evaluation of this conference whose principal topics concerned the economic prospects of the Asia-Pacific region in the eighties, the necessary structural adjustments in the industrial parts of the region and the American future relations to a Pacific Basin community. For those desiring more information the opening speech of Mr. Soedjono Hoemardini, the Indonesian Government's Inspector General for Development, and the keynote address by Yab Dato Seri Dr. Mahathir Bin Mohamad, the Deputy Prime Minister of Malaysia, are included as annexes 1 and 2.

For me and my staff the most useful aspects of my brief visit to Bali were the numerous personal contacts with representatives of the ASEAN nations and the information on their regional grouping provided by them. A prolonged general discussion on U.S. prospects for this decade, with representatives of the American financial community participating, provided some additional intellectual stimuli.

It was gratifying to see that with much of the world in disarray, a regional grouping of states in Southeast Asia is moving toward supra-national cooperation. Twelve years after its founding, the five countries involved, namely Singapore, Indonesia, Thailand, Malaysia, and the Philippines, have shown that a common interest can be forged among diverse cultures and races. Lands that, until recently, held little understanding of each other are taking serious strides toward unity. Unlike the bonds made by conquest or domination, these ties are based on a healthy respect for national sovereignty.

The Association of Southeast Asian Nations was launched by member states with several goals. In order to "promote regional peace and stability" while "accelerating economic growth, social progress and cultural development," ASEAN has established a mechanism for implementing a wide range of short- and long-term programs that are today playing an effective role within *and* outside the Pacific realm.

After a slow start, the ASEAN network is adjusting to those many uncertainties of our age; through intense coordination the five have cushioned themselves from an economic malaise that sweeps many parts of the globe. Although the region has been a scene for war and insurrection, strong steps are being taken by the loose confederation to preserve stability. While designed as an economic alliance, the cohesion evidenced in ASEAN's work has in itself provided military muscle for itself. The group is courted by Moscow, Washington, neutrals, and the Chinese leadership as well.

ASEAN is a mixture of state and private economies. Different religions and outlooks are found in the countries. Disputes over boundaries, trade policy and other concerns once were common. Today, joint consultation takes place on all key topics; air travel, economic planning, forestry management, agriculture operations. Tourism, banking, and commercial projects are undertaken as multinational endeavors. Protection has been neutralized and limits to double taxation were set up; moreover, investment guarantees for the five countries within ASEAN territory further stimulate the flow of goods.

After a meeting by the chiefs of state for the countries in 1967, a report pointed to progress and to "acceleration of cooperation." A new "resilience" was emerging through "solidarity and maturity" of the five. The scope of this cooperation can be seen not only in some large-scale economic projects, but also in programs that bring people into closer contact in a one-to-one arrangement. Malaysian pupils learn under Indonesian teachers; Thai workers are trained for jobs by other ASEAN nations in an overseas setting, etc.

One example of Association strategems is found in a 1976 agenda for separate economic schemes in each of the five. Malaysia was assigned an urea and ammonia plant (which will produce 540,000 and 360,000 tons annually, respectively, by 1983). Thailand's contribution is a soda ash facility, while Singapore will beef up its diesel engine production. The Philippines should complete the phosphate quota in 3 years. In all cases, the products are for exclusive use by the five states.

The region has rich mineral resources, with real growth potential. Singapore's affluence, its high living standard, can be compared to oil-rich Indonesia's relative poverty. All the countries have natural wealth, and the large population (260 million) assures an adequate labor force. The \$90 billion GNP is a dramatic rise over earlier levels.

Recognizing Association accomplishments, the United States in 1978 committed itself to joint farming, energy, and technological ventures. Strong interest in successes of the grouping has been shown by high officials at State, Treasury and the world finance institutions upon whose generosity future ASEAN gains will be based.

Here is an organization that is placing common need ahead of narrow interest. Will ASEAN serve as a model for the less developed countries? Can its structure be transplanted to other regions and realize the same benefits for whole populations? Is their route a feasible one for pre-industrial societies? Because of its balance of member conditions and objectives, the group should be watched, not only in the context of Asian affairs but in light of global prospects.

The conference also devoted considerable attention to the perceived strengths and weaknesses of the United States in today's world. On the second day, a good part of the discussion centered on the question of whether the United States has passed the zenith of its economic power and leadership in the world? Or more directly—is the United States over the hill? Participants holding this view suggested that our country is lacking strong leadership in government and is either unable or unwilling to take the disciplinary measures to stop inflation. American workers won't work or don't care about quality and businessmen are less and less interested in taking risks. Americans prefer to preserve

what they have rather than to create more. They are divisive on almost all issues and unable to obtain consensus. A "paper tiger" in defense and an unreliable ally, Americans are content to rest on their laurels.

On the other hand, those arguing on the opposite side expressed the belief that the United States is now embarked on a decade-long basic process to correct weaknesses arising out of excessive Government spending linked to its almost-total preoccupation with consumption and the demand management side of our economy. America has unequalled national vitality and flexibility in its system it was pointed out, and there are enormous resources still to be developed. The United States has the best educated and utilized labor force, the ability to change public priorities, e.g., from unemployment to inflation control, and will meet any challenges once the seriousness of the problem is understood and the alternative courses of action are known.

After debating these contradictory points, an emerging consensus at the conference seemed to conclude that the United States basically is still very strong, but that we have lost some important momentum, and that we cannot rest on our laurels. The most comforting fact was the realization that the American public now correctly senses something is wrong and is more and more prepared for whatever corrective action—including some sacrifices—may be necessary.

VISIT TO THAILAND

(January 13 and 14)

As indicated, the principal purpose of my visit was to take a look at the refugee camps at the border of Kampuchea and to discuss with key officials some of the problems facing the Bangkok government.

We arrived in Bangkok on the evening of January 12 and departed the following morning in the U.S. Air Attaché's plane for the border area. During the height of the Vietnam War, the U.S. military presence included seven major air bases and more than 45,000 troops. In July 1976 at the request of the Thai Government, the U.S. military presence in Thailand had ended. The only U.S. military personnel currently in Thailand are the few assigned to the Embassy in Bangkok and the 40-man joint U.S. military advisory group. It is my understanding that the United States has no plan or intention to reopen any military installation in Thailand.

There are several camps and refugee concentrations along the Thailand-Kampuchea border. A map and some detailed data will be found as annex 3.

The Thai Army High Command is in charge of the refugee camps whereas the actual administration is in the hands of the United Nations High Commissioner for Refugees. It was pointed out to us that according to the United Nations established policy there is supposed to be no resettlement in third countries—in other words, it is expected that the present guerrilla warfare inside Kampuchea will eventually die down, permitting the refugees to return to their homeland.

On the way to the camps from the small air strip where we had landed, we passed several checkpoints with hundreds of people queued up for inspection. Because the checkpoints have been set up by the Thai Army to curtail profiteering, the individuals passing through the checkpoints are not permitted to take more than \$15 worth of merchandise with them. On the way to the camps we learned that the international organizations are inadequately staffed, whereas the United States has sufficient people in the field. The United Nations Commissioner for Refugees is represented by a 26-year-old former British newspaperman who reportedly is quite effective. There are numerous feuding factions among the so-called Free Khmer. A lot of profiteering is going on and there is a great security problem at the border. A recent incident at the Ban Nong Samet camp at the border was mentioned as indicative of the situation. When 150 armed Khmer Rouge appeared at the camp, 200,000 refugees were so frightened that they fled in all directions.

We visited the two refugee camps. One was for the Khmer Rouge, Camp Salkao, for those who oppose Heng Samrin, the Vietnamese

puppet regime at Phnom-Penh. This was a camp with 31,000 people founded only last October. It was well organized and well run.

During the first few weeks after the camp had been set up, people were dying by the dozens. They come in starving and ill—many extremely ill: on the verge of death. At the time we were there, those near death had already died, while those capable of being saved were restored to health. At the time of our visit on January 13, there had been only eight deaths since January 1. The children were jumping around happy and obviously well fed. The fact that within a few short weeks so much health could be restored and the death rate could be cut by that much was very impressive. The United Nations High Commissioner on Refugees, The Food for the Hungry Organization, CARE, The International Rescue Committee—there are many committees from Switzerland, Sweden, France, Germany, the United States, Mexico, and so on—all are cooperating to help save the lives of these people and to find some place for them to go after they've been in that camp.

Even more impressive than the camp at Sakaeo is the other camp at Khao I Dang.

This second camp had been founded on the first of December, so that it had only been in existence 6 weeks. Nevertheless, the 110,000 people there were well organized. They were shabby looking, of course, they had few clothes—but the children were happy and healthy. There were infirmaries and hospitals set up for them. The thatch-covered huts that had been built for them were in orderly rows. People were carrying around firewood, and cooking their own meals. Then there was an established system of camp organization.

For every 100 refugees there was a representative. For 50 of those representatives there was another representative—and so on up the ladder of representation. So the camp had an incredible self-government, established in 6 weeks. All of which goes to show that the Khmer people are capable of self-government—they don't have to have a Communist government imposed upon them.

What was really moving about the Khao I Dang camp was the determination of the Khmer people to preserve their own culture. Under the Communist Pol Pot regime as well as under the Heng Samrin puppet regime there has been a determined effort to wipe out traditional Khmer culture. Here they were trying to recover the old dances, the old folklore.

I think the world as well as the United States owes an enormous debt to Thailand for taking the leadership in humanitarianism and compassion for their fellow human beings who are in a desperate state. There are refugees from previous years in Thailand already. But on the border between Thailand and Cambodia there are another half-million refugees. Some of them trying to get in—some of them staying on the border wondering which way to go, some of them wanting to go back to Cambodia the first chance they get. Many—perhaps most of them—are at loose ends. Anytime the Vietnamese want to make a drive and chase those civilians over into Thailand, Thailand is going to have an extra half-million or more refugees on its hands, which administratively they won't know what to do with. It's just too much to handle all at once. So one of the very, very urgent

things to be done is to try to get more help for Thailand to handle its refugees, and to bring international pressure upon Vietnam to start leaving people alone and letting people come back who want to come back. If possible the Vietnamese should be prevented from starting a new engagement and new harassments of the civilian population. For this purpose, the United Nations ought to send, right away, observers to those camps and especially to that section of the border where there are no camps.

In the border area, much of the food that is sent to the Cambodians is being stolen, sometimes by military leaders, sometimes by civilian racketeers. No one knows exactly what happens to it, but a lot of it cannot be accounted for. A U.N. presence there might stop the thefts or at least curtail them. It might reduce further Vietnamese adventurism against the refugees.

In the evening we returned to Bangkok where we arrived late at night.

Our second day in Bangkok was taken up with briefings by the U.S. mission and meetings with Air Marshall Sitthi, with General Prem, and with Foreign Minister Dr. Uppadit Pachariyangkun.

Thailand is a constitutional monarchy with the Thai military as the major political force since 1932. The military removed an elected civilian government in 1976, but held new general elections as promised in April 1979. Prime Minister (and General) Kriangsak Chamanan presides over a cabinet composed largely of civilian technocrats.¹

Thailand's new Parliament was officially convened on May 8, 1979, replacing the interim National Legislative Assembly. The Parliament consists of a 225-member Senate appointed by the King on April 22, and a 301-member House of Representatives elected on April 22. The law permitting the registration of political parties has not yet been passed, so party affiliations of Members of Parliament are not officially verified.

Prime Minister Kriangsak Chamanan's Cabinet was appointed May 24. It is the third cabinet formed since the military leadership ended the 1973-76 "experiment in democracy," a period marked by major social unrest, and the first cabinet since the resumption of general elections. The 43-person cabinet is composed largely of former cabinet members, civilian technocrats and administrators, and a number of senior military officers. It does not include representatives from the four main political parties. Prime Minister Kriangsak personally occupies the key Finance and Agriculture Ministries.

Thailand is still allied to the United States through the Manila Pact (Southeast Asia Collective Defense Treaty) although the Southeast Asian Treaty Organization has lapsed.

A key element of U.S. policy is encouraging Thailand to continue to act as a country of first asylum for Indochinese refugees. At present there are great numbers of refugees from Kampuchea and Laos in Thai camps, and the influx of land and sea (Vietnam) refugees is continuing.

In addition, the Thai Government has opened its border in recent months to a massive influx of hundreds of thousands of Khmer refugees fleeing fighting and starvation in Kampuchea. It has permitted and assisted international food and medical relief to these refugees

¹ General Prem Tinsulanond has replaced General Kriangsak Chamanan as Prime Minister.

and, via Thailand, up to a million more Khmer poised along the Thai-Kampuchean border and prepared to enter Thailand if fighting increases.

The Thais have historically taken a humanitarian approach to refugees, but there have been serious lapses at times when they felt that the refugees posed a threat to internal economic and political security.

In our conversations at the U.S. mission, Ambassador Abramovitz described in some detail the refugee situation.

The refugees came in two waves. The first wave came in the summer of 1979, and many were forced back. The second wave came in December—about a half-million people as a result of the lack of food. There are about 150,000 Khmer in camps in Thailand. In addition there are 500,000 all along the border. At least 15 percent of the population of Vietnam has fled. In addition, 3 percent of the population of Laos is coming into Thailand every year. A million to one and a half million people are on the move to various countries, and the situation is not likely to get better.

The United States policy has essentially two elements. The first is to provide food and medical supplies. As a result of the Vietnamese refusal to permit transportation, the feeding has to take place in Thailand itself. Our interest is to keep the refugees at the borders and have them returned.

Black market activities are in evidence. The refugees have been at the border for about three to four months. There is incredible factionalism among the refugees and occasional armed outbreaks among some of them.

The second aim of the United States is to get the people to go back, in order to keep Cambodia, as a country alive. Obviously, three-quarters of a million individuals will not be accepted by western governments. The Thais consider the refugees illegal immigrants. Refugee status will not be easily granted. It will definitely not be given to the people who come in after 1979.

Elements of 8 to 10 divisions of Vietnamese, approximately 200,000 men, are close to the border. There is the threatening problem of hot pursuit when Vietnamese forces may violate Thai neutrality, although the Embassy is less worried about an outright invasion. Moreover, there is the long-run danger of a Thai insurgency promoted by the Vietnamese. Chinese relations with Thailand on the other hand have improved.

The United States is seriously concerned about the security of Thailand and will aid Thailand's self-defense.

The Congressional Resolution praising the Thais for their aid to refugees was very helpful. Senator Glenn increased military assistance from \$30 million to \$40 million in credit, which in the opinion of the Ambassador was also a positive development.

The principal constraints for Vietnam are Thailand, the Chinese and the United States. As far as the internal stability of Thailand is concerned there are three actual elements of power: the king, the military and the parliament. The latter is half elected and half appointed. The Sino-Thai business community is also important. The years 1973-76 were years of anarchy. The Chinese role in Thailand is much greater than anywhere else in Southeast Asia. The Chinese are

the most important entrepreneurs, but there is also frequent inter-marriage between Chinese and Thais. The military in Thailand are to a large extent businessmen-politicians. There is a symbiotic relationship of the military with the business community. General Prem, however, is a military professional.

The U.S. Congress has forced the Pentagon to change its accounting system with regard to military aid. The cost of training Thai officers has therefore gone up two to three times. This has been a process developing over the last 3 to 4 years. As a result, there are fewer and fewer Thai Army officers as students in the United States. Concurrently, the foreign military assistance to Thailand has been greatly reduced. All this is very much against the interest of the United States. (For more details see annex 4).

The Communist insurgency which started in 1965 is at the present time not a major issue. The United States tried to intervene to its own disadvantage; actually more progress has been made against the Communists since we got out. Banditry, on the other hand, is at present a great problem. Previously it was the Chinese-inspired insurgency, but this has now been reduced.

The social policy of the Thai Government is important. There is presently a 7-percent annual growth of the GNP. But the income is not well distributed. The intellectuals are the ones who usually act in order to help the poorer strata, but presently there is considerable disillusionment among the intellectuals because of developments in Marxist countries. The Ambassador, in concluding his remarks, mentioned that the Air Marshall, who is also the Secretary General of the National Security Council, is responsible for the refugee problem. He added that he expects the ASEAN countries to play a considerable role in the settlement of the Cambodian conflict.

The meeting with the Ambassador was followed by an Embassy briefing on the military situation.

There are reconnaissance patrols daily going across the border from the Vietnamese and Thai sides. But both sides are careful not to get into any firefights. Pol Pot may have about 25,000 to 30,000 men under effective control. A government in exile under Pot Pot is highly unlikely. It is possible that China, acting through the Sino-Thai business community, supports Pol Pot. No third force is in sight to fight the Vietnamese and Pol Pot. Possibly there is a grand design of the Soviet Union, but it is a costly one. Each week there are about 15-20 flights of Soviet transports over the area. Heng-Samrin military forces are largely on paper. Ninety-nine percent of the fighting is done by the Vietnamese forces. There are about 200,000 Vietnamese estimated to be in Cambodia. The Vietnamese have started to grow food, which is a sign that they intend to stay. The estimated 30,000 Pol Pot in the region are mainly using anti-tank weapons and mines.

A meeting with Air Marshal Sitthi was the next item on our agenda. We were told that, although not very influential, he is well informed. Sitthi mentioned recent efforts of the ASEAN countries to negotiate with Vietnam. Hanoi refuses to deal with them as a unit but is willing to talk separately to the individual representatives of the five nations (who subsequently keep their colleagues advised). In the course of a recent meeting with a Malaysian emissary, Hanoi maintained that it

is working for peace and stability, that there is no starvation in Kampuchea and that the captured Khmer soldiers are in good physical condition. The Vietnamese Government indicated that it will withdraw its troops only when its security had been assured. However, it expressed interest in a continued dialogue with the individual ASEAN nations.

The Air Marshall thought that the war will not end soon and that consequently the refugee problem will remain unsolved for some time. Thailand maintains its open-door policy whereas other nations, after an initial display of concern, lost interest. Sitthi does not expect an outright Vietnamese attack on Thailand but possible border violations in the course of hot pursuit of the retreating Khmer Rouge. Thailand has strong military forces, he said, but it is necessary to expedite deliveries, of arms, especially of tanks, anti-aircraft artillery and anti-tank weapons. Anything the U.S. Senate could do to expedite deliveries will be appreciated.

A meeting with General Prem Tinsulanond followed. As Minister of Defense, and Army Commander-in-Chief, he is the second most powerful man in the nation. (We could not meet with Prime Minister Kriangsak, who was not in the country.)

Prem is neutral in national politics. If Kriangsak should get into trouble with the country, Prem might let him fall of his own weight, I was told, but he would not support a military coup attempt against Kriangsak. Sensing that Prem's neutrality can be turned to advantage, the opposition is eager to turn Prem into the patron of a new order in the hope that he is a democrat at heart. But Prem is an enigma in Thai politics today. He is popular, uncorrupted, and a royal favorite. Yet he has given no sign that his own ambitions and capabilities lie outside narrow military matters, or that he disagrees with Kriangsak on national policy. But with only one more year until statutory retirement at the age of 60, Prem will have to make a political move very soon if he intends to remain in political life—a move concerned parties hope to anticipate and guide.

In reply to my questions—what message the General had for the Senate Foreign Relations Committee—the General replied: "Tell them the truth. Tell them what you see. Our two countries have mutual interests. The principal refugee problem is a great burden for us. The longer they stay, the worse it will get. Most of them want to go back, but not if a Communist government is there and if there is a lot of fighting." Turning to the military situation, Prem then asked for an acceleration of shipments of more heavy equipment, more tanks and more anti-aircraft artillery.

"We are a poor country," he said. "We have no more cash! Long-term credit is our only solution. More tanks are the Army's biggest priority item." He added that the recent curtailment of the international military education and training program by the United States was also a matter of some concern. The Thai Army receives numerous parallel offers from the Soviet Union but pays no attention to them. In Prem's opinion the Vietnamese will not be able to establish a working government in Kampuchea. Moreover, the Vietnamese could not maintain their position without Soviet help for 2 weeks.

The next and final meeting in Bangkok was with Foreign Minister Dr. Uppadit Pachariyangkun, who referred to the efforts of the ASEAN nations to arrange for a settlement of the Cambodian conflict.

"We have tried and tried," he said.

"Let the Vietnamese choose their government. No interference from the outside. Vietnam is afraid of China; they have been enemies for centuries. It needed help and therefore it established a connection with the U.S.S.R. The same situation is in Cambodia. They were afraid of Vietnam before the invasion and consequently they look to China. There is a fundamental rivalry between the PRC and the U.S.S.R. Small countries are merely instruments; Cambodia should become a neutral country. The ASEAN countries are using political and economic pressure. Once Vietnam realizes it cannot go on, things will change."

In response to my question, the Foreign Minister asserted that China is supplying the Khmer Rouge and he concluded the meeting by stressing his country's neutrality. "So far we have been successful," he said. "Ninety-one countries supported us at the United Nations. There is always the possibility of a second Chinese 'lesson' to Vietnam."

RECOMMENDATIONS

(1) That Congress acting through the Executive Branch should urge the United Nations to send a group of observers to the Kampuchea-Thailand border. Their presence would reduce the likelihood of border violations, military clashes, and other serious incidents. Moreover, it would tend to promote a more effective food distribution inside Cambodia while at the same time curtail black marketing and profiteering.

(2) That the delivery of military hardware on order for the Thai Government be greatly expedited.

(3) The Administration submit to Congress for urgent consideration a 3-year arms supply program for Thailand facilitated by a corresponding 12-year financial credit.

(4) That the Administration immediately restore current International Military Education and Training activities to their former level in order to permit a maximum number of Thai officers to participate in it.

VISIT TO THE PHILIPPINES

(January 15-19)

When visiting the Philippines I was very much aware of the special relationship which has guided American ties with the Philippine Islands. This relationship, cemented in an unusual history that includes outright U.S. domination, is today in an uncomfortable position. After 14 years of rule—often characterized as strong-man and near-totalitarian—Ferdinand Marcos faces numerous problems. Consequences of a feared overturn in the political system may herald a shift away from the traditional pro-U.S. stance in Manila, and usher dramatic changes in the East-West geopolitical posture within the Pacific.

A land of 7,000 islands, more than half of them nameless, the Philippines is a society where both primitive and advanced technological forms co-exists. Medicine and parish priests practice their respective crafts side-by-side. Urbanization, literacy, and light industry march ahead; along-side, vestiges of a feudal, violent, and agrarian past serve as spectators of social progress.

The population rise may be this country's chief burden. In 1960, a tally showed 27 million. Today, this figure has climbed to 45 million. To meet this increase, Marcos has pledged a "New Society." Indeed, strides were made in housing, agriculture, and in production of non-traditional exports (furniture, textiles, and electrical equipment) yet the poor infrastructure has inhibited growth.

Exogenous forces have tremendous bearing on domestic hopes for development. Only assistance from international finance institutions rescued the country in the fossil fuel cost hike of 1973-74. The oil quandary poses a very serious problem for Manila.

The only Christian country in Asia the Philippines has also failed to integrate successfully its Muslim citizenry into the whole fabric of society. This partly contributes to continuing insurrection in Samar, Mindinao, and parts of Luzon. A Maoist faction, the New People's Army, is carrying on the legacy left by Hukbalahap guerrillas after World War II, and its small cadres might post a serious threat to any regime, but only in years ahead. In addition to the Muslims and the New People's Army, a third force is starting to emerge: middle-class dissidents, a alliance with some Catholic clergy. The former is now hardest hit by an above 20 percent inflation rate. Representatives of this group provided me with useful insights into the current situation.

Marcos was twice elected to the Presidency, in 1965 and in 1969. Martial law has been in effect since 1972. The first local elections since 1971 were scheduled for January 30 and concurrently the martial law restrictions were lifted for 30 days. The most significant aspect of the

martial law is the suspension of the habeas corpus. According to Ambassador Murphy in his detailed briefing for us, the press is generally very friendly to the regime.

The KBL is Marcos' new government party, which in 1978, with the help of extensive ballot stuffing, elected the national assembly. The leader of the liberal opposition party is Geraldo Roxas whose national party (formerly President Marcos' party) has recently shown a sharp decline. In former years, any election was a big national festival. The country maintains the superficial aspects of democracy but it has also picked up some bad habits from America. Some leaders are treated as sacrosanct—the President and his wife, of course, and former warlords in the provinces. The situation before 1972 was pretty bad because of great violence. It went so far that before you entered your hotel, you had to check your pistols. Marcos considers law and order as his official reason for maintaining martial law, but actually he wants to retain power.

Under normal constitutional procedures he would not be eligible to become President again. There are 14,000 to 15,000 candidates to be chosen in the provincial elections for governors, mayors and other local officials. Presently 160 of the 180 members in the parliament are members of the government party. Marcos has promised national elections for 1984. He is a brilliant tactician and politician. In case of Marcos' sudden death, the Speaker of the Parliament would be his successor. Under his regime, seven classes have been graduated from the military academy and it is not clear whether among the graduates there's anybody who could become a threat to the regime. A possible successor is the 47-year old Senator Beningo Aquino, who is presently in jail, though one must be aware that this is not an ordinary jail, but really a fairly plush arrangement. He was given a 15-day Christmas leave which he spent with his family. A brilliant man, he has an offer of a professorship from Harvard and also another from Australia. Among other reform proposals, he recently suggested a Council of Elders to facilitate transition to a constitutional government. Marcos has tentatively agreed to the idea of a Council of Elders, but under him such a council would not have any controlling influence but simply perform an advisory function.

Turning to American-Philippines relations, the Ambassador pointed out that Subic Bay has the best ship repair facilities outside the United States. In addition, of course, we still have Clark Air Force Base. Both bases under the recently negotiated amendment are under Philippines command, and the Philippines has accepted the responsibility for security. There has been considerable violence over the years. The military base agreement is the equivalent of a status of forces agreement. The jurisdiction in off-duty cases is in Manila's hands—in other words, American soldiers are tried by Philippines courts.

But the penalties are usually quite fair. The Filipinos who enter the U.S. Army or Navy can become citizens in 3 years rather than in 5 years. There are annually about 10,000 applicants to get into the U.S. Navy, which under existing regulations can take only 300 a year. In fiscal year 1980, a sum of only \$700,000 is available for the training of foreign military in the United States. The Ambassador is of the opinion that this amount should be increased.

The principal enemies of the Philippines are Vietnam, the Soviet Union, and China, in that order. The Philippines did not have diplomatic relations with the last two countries until the end of the Vietnam war; only after the fall of Saigon were diplomatic relations established. As far as the ASEAN countries are concerned, there is intelligence exchange, usually on a bilateral basis. The Ambassador believes that Clark Air Force Base and Subic Bay could be really valuable training places—important also for the new generation of Filipinos after 1991 when the present agreement expires. Their importance for the Philippines should be promoted locally.

According to the Ambassador, there is a love-hate attitude in the country vis-a-vis the United States. The Philippines, however, is interested in continuing a special relationship with the United States. Among others, it has provided privileges for the Voice of America. Under the present set-up there will be military assistance over a 5-year period in the amount of \$300 million and economic assistance of \$200 million.

A staff briefing complemented the information furnished by the Ambassador. I learned that there are presently 1,500 Filipinos working in Iran and 3,500 Iranian students in the Philippines; consequently, the government is careful not to stick its neck out. Khomeini recently sent some of his representatives to investigate the situation of 3 million Muslims in a country of 46 million Filipinos. In the war against the Muslims, there have been 50,000 people killed during the last 10 years. The main weapons for the Muslims come from Libya and there is a constant influx of supplies. Under a bilateral agreement, the Indonesians have been given authority to patrol the area. At present, however, fighting is at a fairly low level.

With reference to the recent *Time* article, "Powderkeg of the Pacific," I was told that this title is misleading and the article very much overdrawn. Actually, the situation is somewhat better than it was 6 months ago. The economic problems are now less serious than they were and there is a feeling that the Philippines can weather the storm. The International Monetary Fund has given some credit.

Historically, the Army has no political role. The country is ruled by a league of big families. However, because of martial law the military has gained more social status. The leaders of the army share in the wealth. The army is undoubtedly a force to be reckoned with; it is not large but its technical skills are quite high, and the senior officers have some political influence. There is some evidence that some middle-grade officers are dissatisfied because of great favoritism in promotions—recent promotions went mainly to Marcos' national security advisers. Things could get quite messy if and when Marcos leaves office (he allegedly has a kidney problem). Marcos did put out feelers as to whether his wife could become the deputy prime minister, but he received a negative answer. According to the briefing officer there is a deep affection for the United States in the Philippines. Recently there was an attempt by the Muslims to demonstrate before the American Embassy in connection with the situation in Iran and it was immediately squelched by the police.

The Embassy briefings were followed by meetings with Foreign Minister Carlos Romulo, General MacArthur's former associate, and

Deputy Defense Minister Carmelo Barbero, who is responsible for military-civilian relations. Romulo expressed great concern about Soviet expansionism. He particularly referred to Soviet military moves into Cambodia and possibly in Laos. In his judgment, under present conditions there is no choice but to assist the Pol Pot.

Barbero's job is to look into complaints by Philippines' civilians about military misbehavior. He is in charge of investigations of incidents and he insists that there are no guerrilla activities. Barbero is also chairman of a church-military committee which he considers a very effective body. There are 13 military regions in the country and complaints go to the regional commander rather than to the chief of the constabulary or the commanding officer of the individual unit involved. There is a parallel channel through the bishops to Cardinal Sin. Moreover, military-church relations committees exist in every region. Actually the Catholic Church on the local level tries to stay out of politics and there are very few political sermons. Only a tiny number of priests have turned Communist. Barbero blamed the shortage of military training for many of the incidents. According to him the soldiers simply try to "unwind" and he promised a list of incidents. He asserted that bad conduct of soldiers would show up in the officers' efficiency reports and impede promotions.

According to Barbero, Aquino, who was by now back in jail, was quite glad to end his leave. In his 2 weeks out of jail he had received more than 3,000 visitors and was glad to have some peace in jail, which actually is a luxurious establishment.

Barbero, who, like his good friend Marcos, is a survivor from the Bataan Death March, is a devoted friend of America. "Once the United States is in the war," he said, "we are in the war." He is worried about Afghanistan but not about Thailand. In his opinion Hanoi is overextended. "If there were a referendum on whether the Yankees should go home," he said in conclusion, "there would be a 95 percent negative reaction. There's a tremendous amount of good will toward the United States in the Philippines. Almost every member of the Cabinet has been in American schools. The Philippines are a very loyal ally and Marcos is clearly behind the United States in a war. There is, however, some disappointment about the United States' reactions. The Philippines are America's most loyal ally barring none, and this includes the Anglo-Saxon allies of yours."

Our meetings with these members of Marcos' government were followed by interviews with two individuals active in the opposition, Cardinal Sin and Mr. Geraldo Roxas, the son of a former President of the country.

The former is pleased with the recent conversations between Marcos and Aquino. "The two men don't only talk to each other, they also write to each other," he said. The Cardinal has seen Aquino only three times in the last 7 years, but he sees his wife frequently. The main objective of the Cardinal is to restore the democratic system. Without this, the succession problem cannot be solved.

As the Cardinal sees it, Mrs. Marcos is not the answer to the problem. Marcos loves the country, but he also loves himself. It is quite difficult to replace a dictator, particularly if money is involved. Marcos is a smart politician and represents himself as being a poor man. His

associates are getting richer and richer, particularly those belonging to his wife's family. There is no mobility among the military; accordingly, the middle echelon among the officers is dissatisfied. These are exactly the people who are supposed to protect the President. The Cardinal feels that if Marcos dies there would be a disaster in store. Aquino is not any longer vindictive. His feelings have changed and he gives indications of great humility. If there were an election today Aquino would get 90 percent of the votes. According to the Cardinal, the impending local elections are just a joke.* They say something about the system and the future. Aquino's proposal for a Council of Elders lacks a definition regarding the role of the First Lady.

The Filipino people love America. They recognize that the United States brought education to their country. The United States also gave independence to the Philippines. On the other hand, they still fear the Japanese. The Cardinal's office has a logistical, as well as a political, function. The military-church relations are all centralized. The only disciplinary action for a military officer whose unit does not behave properly is transfer to another unit. Marcos is unable to discipline the military seriously because he depends on its members.

Teachers are poorly paid, and they are unable to complain under the present martial law. There is no congress. Marcos started 4 years ago to tax the schools, but the Cardinal told the schools not to pay the tax. The governmental subsidy for training teachers has stopped. Twenty-five percent of the children are in church-supported schools. The Cardinal finally mentioned that the Pope will probably visit the Philippines this summer.

The next meeting took place in the sumptuous and luxuriously furnished residence of the opposition leader Roxas. His wife as well as Mrs. Aquino are considered extremely wealthy. Roxas said there is no comparison between present and former elections, which were also a big festival. There used to be some local violence but the Filipinos enjoyed the exercise of some power. Turning to Marcos' methods of governing, Roxas mentioned that funds are always allocated to congressmen for disposal in their respective areas, for schools, and other public purposes. This is according to law, regardless of party. But now the appropriations go only to the government party. Now only the President allocates funds. Before martial law public funds could not be used for election purposes, but this too was changed.

The present commission of elections is made up of Marcos' former secretaries. The people know that. "Mr. Marcos has a habit of misleading the people," Roxas said. The announcement of local elections came quite suddenly. There was simply no time to make the necessary preparations. Marcos said he will not recognize liberal victories. Marcos also indicated that he had no intention of lifting martial law. The 1972 Constitution was never ratified. The legitimacy of Marcos' tenure of office is therefore very questionable. He has nevertheless been in office on that basis for more than 7 years. Marcos is both President and Prime Minister. According to the Constitution, these should be two persons.

*The election took place on January 30, 1980.

The future of the Marcos regime depends greatly on the state of the economy. "There is always enough food in the rural areas," Roxas said. "There are bananas growing and other fruits." Therefore, the main economic problem is in the urban areas. OPEC is only part of the problem. Whenever OPEC raises its prices Marcos increases the tax. Too much money goes to the military. If Marcos were to leave, the insurgency would promptly come to an end. The Muslims only want a fair shake.

The Communists are something else. The people are not in favor of the Communist party but they are also not against it. The people in some areas help the New People's Army (NPA) and the present government is losing the fight. The Huks were really violent, but the NPA has a softer approach. The Communists are really not interested in the lifting of martial law and the departure of Marcos. It provides an opportunity for them to strengthen their forces. The left-leaning students in the universities don't want to participate in the elections. All prospective future leaders are actually bourgeois. The Communists therefore are opposed to any alternative to Marcos as long as they are still a small minority.

A lifting of martial law would not necessarily mean a return to normalcy. Marcos would still have all the power. He has the press, the army and the judges. The Communist threat was always present but only Marcos declared martial law. Like many people in a similar position, Marcos thinks he can hold on for a thousand years. Before anything happens he must be in an accommodating spirit. There's no evidence of that yet. There's no building up of young people. Under the present policy, Marcos' family is being protected. Moreover, his own supporters prevent a change of heart. Marcos wants the opposition to be partly responsible but without authority. Undoubtedly a council of elders would be only advisory. It would not be a small step forward.

The liberal party did not participate in the elections. It did not want to give legitimacy to the election. In the last election all people who are now in the government actually lost. "We have formed a new organization, the NUL—the National Union of Liberation," he said. "But we are sure that 98 percent will lose." It was, however, an effort to unify the opposition. There has to be a national opposition.

According to Marcos, NUL should not be entitled to accreditation. Referring to his own position, Roxas finally said, "I have not been oppressed in any way. Marcos and I know each other too well, but there were delays in getting permits when I wanted to travel abroad."

On our last day in Manila, I was received in separate audiences by President and Mrs. Marcos. The President first inquired about my recent experiences at the Thailand border. Changing the subject, he then turned to the present foreign policies of the United States and inquired about the impact of the current emergency on American public opinion. "We are bound to you by a treaty," he said. "There's some question whether America will stand by small nations, whether there is a consistency in American foreign policy. The smaller nations are concerned. From the viewpoint of the ASEAN nations it seems uncertain whether the United States will remain steady and live up to its commitments."

"I wonder," he added, "if the United States should not take leadership in improving relations with India. Pakistan is usually intransigent and India is more compromising. Vietnam is the most urgent danger. Later there will be a danger from China, probably by the end of the century."

"The Philippines may be a target for Soviet attack. We are concerned about a recent American statement that an attack on the Atoll Islands, which the Philippines presently occupy, is not considered an attack on the United States. If there would be an attack from the Soviet Union the Philippines would probably be obliged to withdraw. There have been reports that the Soviets are interested in the Atoll Islands. The Vietnamese have now put up an airfield in Cambodia and I consider this as a real provocation." (The Atoll Islands are presently occupied by the Philippine Army. No civilians live on the islands. The United States treaty with the Philippines does not apply to the Atoll Islands which are actually claimed by four nations.)

I then interjected an inquiry about a possible termination of martial law. "This is a military security as well as economic problem," the President replied. "There are Chinese and Soviet threats. In 18 months I will be willing to consider lifting the martial law."

In an effort to justify the latter, he then referred to a bill promulgated in 1902 and to another one in 1915. These are the fundamental laws of the Philippines, he said; and of course they were all introduced by the Americans. "Roosevelt's New Deal came as a result of the economic situation. Many American writers seem to forget this. I could lift the martial law if it were not for recent international developments."

"I am able to clean up the government only on the basis of martial law—not under normal powers. The tendency for corruption was more pronounced after World War II. I had to dismiss 5,000 government workers. I was able to increase the government income from \$5 million to \$30 million. Previously only 1.5 million Filipinos used to declare their income. Land reform was not being implemented. The minimum wage was originally only four pesos; now it is five times as much. I have also helped the small tenant farmers. Savings have increased from \$7 billion to \$22 billion. The composition of exports has greatly changed—formerly 80 percent were raw materials, now 45 percent.

Small industries are now also exporting. Martial law is just a bad term. I asked Congress for advice before I declared martial law. The Communists actually tried to kidnap the Minister of Foreign Affairs. There were bombings of the U.S. Embassy and other misdeeds. Molotov cocktails were thrown against the American Embassy. There were slogans—"Try Romulo!" I hope that the crisis will be over soon—within a year or a little more and I hope I can then lift martial law." He bade me farewell by stressing that "the Philippines have a very warm feeling toward the United States."

After leaving the President, I was briefly received by Mrs. Marcos who commented about her country's friendship for America. "There's a big reservoir of good will," she said, "but your media often cause trouble. The Filipinos are grateful people. We had 400 years under colonization. Only under the United States did we receive an educa-

tion. During that time we were able to develop our own minds. Our present emergency system is only in effect to make free enterprise possible." She asserted "there are conflicting ideologies coming from abroad. It is difficult for us to keep control of our 7,000 islands. Now we have elections forthcoming, but the legality of the nationalist party is questionable. Eventually the supreme court will have to decide on it." Turning again to foreign affairs she expressed concern about the situation in Afghanistan. "I think it is better to be friends with India," she said.

"Mrs. Ghandi was not very friendly with the United States, but I told her it is better to be pragmatic. She is not a Communist. Mrs. Ghandi asked me, 'Why do Americans think we are Communists?' I told Mrs. Ghandi that they should be more afraid of the Soviet Union than the United States. Mrs. Ghandi gets easily involved in little things, like most women."

The series of my meetings in Manila ended with a breakfast arranged by the local Chamber of Commerce. The information received was extremely disquieting. All the American business firms represented expressed great concern about federal legislation which they consider in its practical effects anti-foreign trade. Among the laws mentioned were tax and anti-trust laws. They suggested that by contrast other governments support their foreign trade endeavors. When the Philippine purchases are open for bids, the specifications are often written in a manner to support the Japanese offers.

The Japanese apparently have an efficient intelligence service and excellent contacts enabling them to obtain the information before submitting the bids. The United States by contrast is completely outmaneuvered. The economic section in the Embassy in Manila has two persons compared with 17 in the Japanese Embassy. There is a huge Japanese commercial intelligence network, whereas we have nothing of that kind. The economic counsellor is unable to assist because of likely complaints by others that one company is receiving favors. As a result, Americans are leaving, and are usually replaced by foreign nationals whose services are cheaper for American firms and equally effective. American capital formation abroad should be encouraged, but the present legislation focuses only on the domestic situation. "Americans are beaten before the game even starts. The American business empire is folding up like the British Empire has been folding up," was one of the concluding comments.

SUMMARY

Even after extensive exposure to the views of leading personalities, it is risky to draw some definite conclusions about the future of a regime, especially after a visit as brief as mine. With this caveat in mind, I nevertheless consider the *Time* article, "Powderkeg of the Pacific," greatly overdrawn. While there is undoubtedly great poverty in the Philippines, I think the assertions of widespread hunger seem exaggerations. Without doubt the Marcos regime is threatened from several sides but for the time being he still is in firm control. There are no indications that an uprising starting at the grassroots will soon occur. The great unknown is the military whose influence in the years

of martial law has been enhanced. The regime's principal opposition emanates from individuals who belong to the same social strata as Mr. and Mrs. Marcos. I therefore regard comparisons to the regime of the Shah in Iran and its overthrow as specious. Moreover, in view of the President's reported health problems, the possibility of a peaceful transition upon his own initiative cannot be excluded. To venture a guess, I suggest that a new regime after Marcos will be composed of individuals from the same social strata which are in power today and that there is no radical social upheaval in sight. (This excludes the continuing but localized Muslim revolt.) My evaluation is reinforced by a brief review of World War II history. It shows that the Philippines leaders who escaped with MacArthur to Australia after the liberation successfully prevailed on the Supreme Commander to go soft on other members of the elite who had stayed behind and had collaborated with the enemy.

RECOMMENDATIONS

(1) That the United States maintain friendly relations with the Marcos regime interspersed with occasional public statements disapproving the continuation of martial law.

(2) That the United States seek and maintain active contacts with the leaders of the opposition.

(3) That the United States Embassy in Manila step up its intelligence activities in the provinces to be more fully informed on the local situation.

(4) That the Embassy take up Deputy Defense Minister Camelo Barbero's offer to supply lists of civilian-military incidents.

(5) That the Secretary of State should keep the Senate Foreign Relations Committee currently informed on the status of military-civilian relations in the Philippines.

VISIT TO TAIWAN

(January 18 and 19)

We arrived in Taipei in the evening of January 17 and spent the next 2 days in conferences with the leaders of the country. Additionally, the Mayor of Taipei offered a luncheon and the Foreign Minister as well as the Governor of the Province of Taiwan gave dinners in my honor. Our schedule had been set up by the Ministry of Foreign Affairs which not only provided an efficient control officer but also a military police escort facilitating our movements through the busy streets of Taipei.

President Chiang Ching-Kuo was in the hospital after a prostate operation. The Foreign Minister told me that contrary to the President's own wishes and following the advice of his doctors, he would be unable to see me. However, before my departure, the President sent word that he nevertheless wanted me to come to the hospital. We had a pleasant, while brief, conversation during which Chiang expressed his concern about the international situation and also added some warnings concerning the blandishments of the PRC. Meetings with the American Chamber of Commerce in Taipei and a very detailed briefing by the American Institute in Taiwan were useful addenda to our schedule.

In internal and foreign politics Taiwan remains under Kuomintang—Mainland Chinese—tutelage. While there are considerable personal freedoms, there are proscriptions against expressing views contrary to the government's claim to represent all China, advocating accommodation with the People's Republic of China and supporting independence for Taiwan. Nevertheless, I was told that more political discussion of local issues and a gradual evolution toward a more open society are evident.

President Chiang himself has been instrumental in recruiting more Taiwanese to senior administrative positions and therefore enjoys considerable popular support. Moreover, the dramatic increase in living standards seems to have eased tensions between the 14 million Taiwanese and the 3 million Mainlanders who remain in effective control.

Our schedule of meetings started with a breakfast in the Political Warfare Department of the Taiwanese Army offered by its Director General Wang Sheng. He agreed with my comments about the deplorable neglect of Chinese culture by the PRC. As he sees it, anybody opposing Chinese culture will eventually fail. The history of Chinese Communism, the General said, shows a continued internal struggle among Communists. "They already have found out that they will be unable to accomplish their objectives." By trying to destroy family

ties, the Communist regime is acting contrary to the teachings of Confucius. The real China is to be found in Formosa because only here Chinese culture is being preserved, he said.

I then called on the Harvard-educated Vice Minister of Foreign Affairs, Dr. Frederick F. Chien, who considered the end of diplomatic relations with the United States "the most serious set back for Formosa." But even with the acceptance of this, he said, there remains a still great reservoir of good will in Taipei toward the United States.

He then referred to a treaty after the end of the Boxer Rebellion which required payment of \$400 million for damages. The United States received \$30 million under the terms of the reparation agreement but Congress voted to return the money. As a result, a "Boxer indemnity fund" was created which is a joint fund—a self-perpetuating fund which is now called the China Foundation for the Promotion of Education. On the basis of this fund there are 2,200 students from Taiwan going to the United States every year. Moreover, during the years 1950–1965 Taiwan received a lot of American aid. "It enabled us to stand on our own feet," Chien said. "We made good use of this aid. Now the United States has trouble everywhere, but there are still some people who are your friends. Nixon once said, 'We don't want to make enemies out of our friends.' The Guam statement by Nixon was welcomed in Taipei. Unfortunately, Carter often considers enemies his best friends."

In reply to my question, Chien remarked that many members of the intelligencia in the PRC were educated in France, particularly people over 65. The 45 to 65 generation really has no solid education. Most of them were participants in the Long March. As to the likelihood of Communist aggression, the Vice Minister pointed out that military harassment alone could ruin the Taiwanese economy, 55 percent of the GNP being foreign trade. Regarding the existing agreements between the United States and Taiwan, Chien thought that five treaties will probably have to be replaced—The Air Transport Agreement, The Science and Technology Agreement, The Nuclear Cooperation Agreement, The Agreement on Textile Quotas, and the Agreement on Multitrade Negotiations. Finally, he asked for better protection of the Taiwan office in the District of Columbia, because the Executive Protection Service has recently been withdrawn.

Admiral Soong Cheng-Chih, the chief of the general staff whom I saw next, pointed out that air defense is the most important aspect of military security for Taiwan. "If we cannot control the air, we cannot control the sea," he said. "Therefore, air defenses are most important. The most necessary equipment is fighter aircraft from the United States—high performance aircraft. It is not yet decided what type of aircraft. Several types of new high-performance fighter aircraft are under consideration. The United States Air Force should decide which would be the most useful one.

None of our aircraft can do any harm on the mainland. But it does constitute a deterrent against attack. Unfortunately, your government thinks differently. We must consider that actually 3 to 4 years lead time are necessary to produce a new aircraft. General Jones, the chief of the American Joint Chiefs of Staff, has indicated that in his opinion the importance of Taiwan will be reduced because of the new relationship with the PRC. I greatly regret this comment."

In reply to my question, the Admiral asserted he can deal directly by telephone with the lower levels of the Department of Defense and State. "The American Institute for Taiwan on the other hand is not permitted to come to see us, but we can meet in a neutral place." The new system may be described as a nuisance but it works, he concluded.

Later in the day I received an excellent briefing from William Wei, the Vice Minister of Economic Affairs, who pointed out that the starting point for Taiwan's flourishing economy was land reform initiated at an early date. The government bought land from the large land owners, and then sold it to the small farmers against 10-year installments. Not more than 0.3 and not less than 0.6 hectare are now in the hands of individual farmers.

Taiwan's efficient agriculture has greatly contributed to the country's prosperity. Originally it was AID which promoted better exploitation of the country's natural resources. Now the Taiwanese have become the teachers and are sending teams of experienced farmers to South America and other parts of the world. These services are actually rendered without costs to the host countries.

Referring to the energy crisis, the Vice Minister pointed out that as late as 1978 the resulting inflation could be held to 3 percent. However, by 1979 the government was no longer able to absorb the increases and inflation increased to 10 percent.

Among other data on the economy I regarded as most impressive was the increase of the Taiwanese per capita income in a 26-year period from \$148 to \$1,304; a concurrent increase of the gross national product from \$1.33 to \$24.71 billion, and a comparative ratio of family income (highest to lowest social strata) of 4:1. Additional economic data will be found in annex 6.

During my dinner with Chu Fu-Sung, the Minister of Foreign Affairs, he stressed that there are similar developments in South Korea. "Sometimes they are ahead of us, sometimes we are ahead. We compare notes. The same applies to Singapore and Hong Kong. We have annual meetings of the economic ministers. We learn from each other. We are better off because of the land reform. We started in 1949 and 1950. The small farmers are now landowners. Because of industrial growth many move from the country into town so we must recognize the situation and adjust accordingly.

"In Taiwan, the difference between the rich and the poor is quite small. All of our farmers have television sets and most farmhouses have refrigerators. We will send a buying mission to the United States next month—a buying mission for American products. We buy a lot from Japan. From the United States we import great quantities of soya beans."

In reply to my question as to a possible political upset in the People's Republic of China in the next 5 years the Minister remarked: "I cannot say when it will happen, but sooner or later it will happen. There are four military factions in the People's Republic of China. Many Communists are still loyal to Lin Biao. The commanders of the provinces of the PRC are actually some sort of warlords." Mao was once able to do some coordinating with Chou En Lai but Chu Fu-Sung is doubtful about the possibility of coordination at the present time.

My meetings with Pung-Min Shieh, the Vice President, and Y. S. Sun, the Prime Minister of Taiwan, also involved discussion of the state of Taiwan's economy. According to the Vice President, the government is eager to close the gap between the rich and the poor. The ratio was 15 to 1 in 1952 and it is now 4 to 1, and 99 percent of the people of Taiwan are completing their education. In most developing countries the rich-poor gap increases; in Taiwan, however, it is being reduced under a concentrated program to eradicate poverty. "We don't believe that people should not work that could work," the Vice President said. "Of course, the old and sick are a different story. We give loans but they must be returned. We also encourage new factories in areas where there is unemployment."

As to the present dialogue between the United States and Peking, he cautioned that the Communists in the People's Republic of China are very changeable people. "I am glad that there is still no policy to supply arms to the PRC—but be careful. Today they are with you tomorrow they are against you. The U.S.S.R. and the People's Republic of China are out to communize the world. The Communists in the PRC are very sly. You must look at the long run. Eventually the PRC may align itself with the Soviet Union against the United States. In the 1950's they were all the way with the Soviet Union. Their words do not count."

The Prime Minister also stressed economic stability. "We will not sacrifice the ability for growth," he said. "It is important to develop the agriculture sector further. We must maintain the free enterprise sector. There has to be a proper balance between the private and government sector. We have a systematic reduction of unemployment. We encourage labor-intensive work. People must have jobs; then we improve their productivity. From the beginning the economic policies were most important. Now the tax policies are our main tool. We had a 15 percent increase in productivity every year for the last 4 years. Accordingly, we were able to increase the income level of our workers. We cannot afford the luxury of social welfare programs. Our policy is to bring up the low income. We don't reduce the high incomes. Also, we don't tax capital gains."

He ended the meeting by expressing concern about the spirit in which the new policy toward Taiwan is being implemented. "I hope the Senate will continue to use its over-sight role. The United States Government acknowledges that Taiwan is a province of the People's Republic of China. This has made a serious impression world-wide. I am pleased that Carter announced today resumption of weapons delivery to Taiwan prior to Secretary Brown's departure to the Peoples' Republic of China. We definitely need high performance aircraft at the present time."

The information gathered in our conversations with Taiwan officials were complemented by a very informative briefing at the American Institute of Taiwan. According to its Director, Mr. Cross, the 4:1 ratio between the rich and the poor is a legitimate figure; however, American workers are four times more productive than Taiwanese workers. There is no unemployment in this country but a great turnover of workers. The acquisition of much wealth is officially discouraged. There is a high tax on luxuries. Farmers are given a subsidy for rice

farming; on the other hand, pineapple production is being discouraged. The gap between the rural and the urban group is growing.

There is a second land reform in the offing, he said. There is a move to encourage the more rational use of land by fewer people and have the surplus of people move into industry. Presently 27 percent of the population are farmers; this will be reduced. The use of the railroad is encouraged. Schools are generally free up to and including junior high schools. The Taiwanese are only accepting a few refugees and these are carefully selected.

The Kuomintang people—the mainlanders—occupy almost all the key positions. The Taiwanese, the original inhabitants of Taiwan, do not have much power. They are not powerful in the army; the technocracy is also controlled by the government. When the Christopher mission was in Taiwan, Taiwan representation didn't include any Taiwanese. Also, there is no real melting-pot effort. A large part of the population does not get any power but of course has great economic benefits.

The private sector is dominated by the Taiwanese. According to Confucius, however, the merchants are on the lower strata of society. In Japan the government serves business; in Taiwan the government dictates business. Taiwan's nuclear power plans are quite ambitious but there are no plans for military use. In this regard, Taiwan could never compete with the PRC.

In the legislative Diet there are only 42 Taiwanese out of 372. Three hundred thirteen members of the Diet have been members since 1948.

As far as the "normalization" is concerned, the loss of face over the way it was handled was particularly regrettable. This has had domestic consequences as well as effects on the relationships with Peking. The Taiwan Relations Act seems reasonable, but its success depends, of course, to a great extent on how it will be implemented. As far as the delivery of arms is concerned, there were \$500 million worth of arms in the pipeline and they were not covered by the moratorium. The Taiwanese still maintain a large staff in Washington. In November 1979, in the course of confidential talks in Washington, they submitted a multi-year wish-list for the delivery of arms. In previous years, the justification for such wish-list, was prepared by MAAG, the American Military Assistance Group; this time it was drafted by the Taiwanese themselves and it was a very professional presentation. There was great fear among the Taiwanese that the moratorium would be extended but this was actually not the case and the United States announced the resumption of more weapons sales. Two hundred eighty million dollars was approved; on the other hand, the requests for F/16 and F/18L and F/4 were turned down. There is a general policy not to introduce high technology aircraft in an area where it doesn't exist.

On the other hand, follow-on aircraft for the F5E may be approved, and deliveries would be expected to take place in 1983. President Carter has already announced that he will authorize an export fighter, tentatively called FX, but it is still not known what the actual characteristics of the new aircraft will be. The military knows more details. The Taiwanese also want the harpoon missile (a ship-to-ship weapon) which is not necessarily only defensive.

It is important for the Taiwanese Government to be able to demonstrate to its own citizens that it has an effective defense. The Taiwanese Government is quite aware that a political revolution could follow an economic upheaval. As far as Peking is concerned, it actually encourages the position that the Taiwanese should not be in full control. Recently, certain restrictions on trade have been lifted with regard to imports from Singapore and Hong Kong.

The resumption of control of the mainland by Taiwan is rarely mentioned and only from time to time some lip service is given to this concept. A primary condition for peaceful development is the confidence in the security of the country.

Finally, a breakfast with the American Chamber of Commerce covered the problems of the American business community in Taipei. The complaints about the tax burden and other legislative impediments were similar to those presented in Manila. The tax bill of 1978 was supposed to improve the situation, I was told, but actually the taxes are now higher than before.

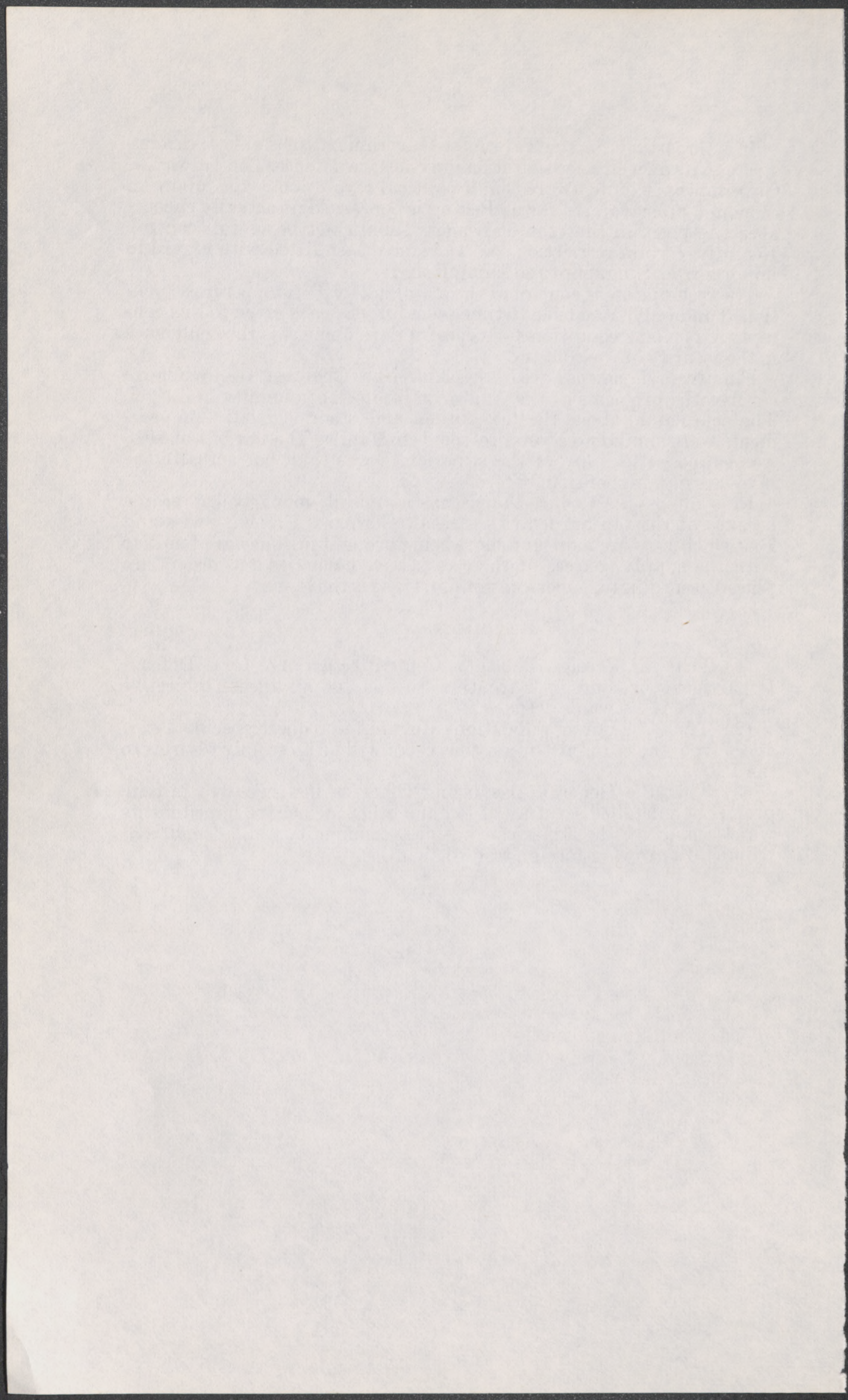
It is impossible to hire Americans as middle-management people because of the tax burden. As a result Germans, French, Swiss and British citizens are more and more being brought in. They are familiar with the supply sources of their respective countries and orders are placed accordingly. American foreign trade is the loser.

RECOMMENDATIONS

(1) That the Foreign Relations Committee arrange for a Defense Department briefing in Executive Session to provide an objective evaluation of Taiwan's needs.

(2) That the Foreign Relations Committee request specific assurances from the Administration that there will be no supply of arms to the PRC.

(3) That the General Accounting Office be instructed to initiate promptly a detailed scrutiny of tax and other legislative impediments which handicap the American business community abroad and contribute to a growing foreign trade deficit.



ANNEX 1

OPENING SPEECH OF SOEDJONO HOEMARDINI

Distinguished participants, Ladies and Gentlemen, CSIS is very honored for the participation of most prominent personalities from the Asia-Pacific countries in this conference. We do acknowledge the presence of each person to be in his or her personal capacity. It is exactly through such kind of a forum that individuals could contribute to strengthening relations among nations.

After all, nations consist of individuals. Better understanding among nations has to be nurtured through contacts at the level of individuals. In today's world, we are equipped with modern means of communication, but the basic need for "heart-to-heart" relations cannot be substituted by such means.

In the two-and-a-half days we will spend here in Bali, we are going to examine the nature of relations among the nations in the Asia-Pacific region for the decade of the 1980's. In doing so, we cannot be otherwise than be imaginative and realistic at the same time. This means that we will have to discover genuine opportunities to strengthen our relationship, but we should also try to identify the very difficulties which may arise in our relations. It will serve nobody's interest to deceive ourselves.

Opportunities remain an illusion if they cannot be properly used. On the other hand, difficulties and obstacles can be overcome if we all are determined to have a better future.

In organizing this conference CSIS believes that there are many possibilities for creating more sound relationships among the countries in the region. However, there also are a variety of problems requiring our most sincere attention. A fundamental question which we will encounter in our discussions regards the distribution of gains as well as of the burden in our efforts to work for the future.

Looking back to the decade of the 1970's, the Asia-Pacific region as a whole has achieved significant results in its strive for peace and prosperity. Our nations have shared common goals although the manifestation differs from one country to the other. We have learned the lesson that in striving for peace and prosperity no country can be selfish. Considerations need to be given to the problems of sovereignty, internal stability and national objectives of each country. But more importantly, we have learned to understand that concerned efforts can take place only within an environment of equality.

The ASEAN countries, although categorized as developing countries, have a great deal to offer to the region as whole, which include the highly industrialized countries. Seen from a narrow perspective, these countries are suppliers of raw materials which remain important in keeping the heart of industrialized economies in operation. Similarly, industrialized countries will continue to play an important role

in strengthening the resilience of the developing economies. This mutual relationship has been the main force which glued us together, and will continue to do so although in a more dynamic sense.

This dynamism, however, could become a source of problems in our future relationship. This does not mean that we are well advised to attempt to maintain a *status quo* in the nature of our relationship. It just may prove impossible to do so. We need, instead, to learn to manage the dynamism which is a reality in our relationships.

CSIS believes that this meeting can bring us another step further towards structuring a more peaceful and prosperous future. Interdependence among the countries in the Asia-Pacific region can provide greater benefits than disadvantages to each and to all of us if we agree to create such an interdependence, namely a symmetrical one. This is the theme of our meeting and it is the challenge for the decade of the 1980's which we have just entered.

On behalf of CSIS I extend my warmest welcome to all of you. Let us have fruitful discussions.

Thank you.

ANNEX 2

KEYNOTE ADDRESS OF YAB DATO SERI DR. MAHATHIR BIN MOHAMAD, DEPUTY PRIME MINISTER OF MALAYSIA

“Tak Kenal Maka Tak Cinta.”

May I firstly express my warmest appreciation to the organisers of this conference for their kind invitation to make this keynote address to the Conference. I am impressed and not a little overawed by the turn out of so many distinguished personalities. Your presence must be taken as a measure of the currency of the theme of the Conference and on this I wish to congratulate the sponsors of the Conference. In these early days of the decade of the eighties, it is entirely appropriate that we begin by taking a look at what may be in store for us in the Pacific Region in the 1980's and what can possibly be done about it.

With your permission I would like to use a Malay maxim for this little talk. “Tak Kenal Maka Tak Cinta” means roughly because we don't know one another therefore we do not like (love) each other. You will appreciate why I choose this title as I go along.

There has been lately a heightening of interest and a spate of ideas focusing on the Pacific Region and its future. There have been some proposals for Pacific communities but I do not propose to identify them nor indeed comment on their validity or otherwise. Let me instead share with you some thoughts on how the region might attain its rightful place in the world as an important area of political, social and economic advancement. We can then have a better appreciation of the problems not only of the region but also the world of which it is necessarily a part.

The Pacific region is a world microcosm. It encompasses the very old world of Asia and the new world of the Americas and Australasia. It has diversity. It has a collection of nations of varying sizes and degree of advancement. The region not only produces food in abundance, it has also an abundance of natural resources. The region has the most rapidly growing economy and trade in the world. Its industries are not only among the biggest but are very modern and innovative.

The United States, Australia and Canada are countries of the Pacific region and they account for 90 perent of the World's total wheat shipments. Add to this food grains and it becomes evident that the Pacific's production of wheat and other grains when compared to the world's production is very considerable indeed. As far as energy is concerned there are promising oil deposits on the continental shelf as well as on land in the United States, Mexico, and Indonesia. Between Russia, Australia, China, and the United States the deposits of coal and iron must be the biggest in the world.

The countries in the Pacific region can be categorised into various stages of advancement. The smallest group in the region is the Pacific

islands. The term sea-locked is appropriate indeed for these islands. The sea normally provides easy access but this is so only for the big and the rich. The poor and small do not attract the kind of communication that the sea provides. Only deliberate non-economic considerations can make the sea a means of communication for these sea-locked nations. As usual because they are small and weak their problems are compounded by not having the factors which normally stimulate advancement.

At the other end of the spectrum are the giants of the region; Japan, the United States and Russia. Japan's growth has been phenomenal. The achievement is that much more remarkable considering that Japan is a country without the natural resources that are supposed to be essential for industrial growth. If I may be permitted to digress there is a lesson to be learned here somewhere and a lie to be nailed. The energy crisis has shaken Japan's insularity and there are signs that the Japanese are more conscious that the world is not just a market for them.

The United States economy presents another picture. With plenty of food and natural resources and a large affluent population, the United States has never truly appreciated economic interdependence. Again it is only the oil crisis that changed this view. Today there is a slowdown in the U.S. economy. However, the U.S. economy is still the world's strongest and it is bound to have a considerable effect on the Pacific Area. It has been noted that of the total U.S. investment abroad of over \$3 billion in 1978, about 35 percent was in the developing countries of the Asia-Pacific region.

Of the socialist non-market economies rimming the Pacific, the Soviet Union has the second largest economy in the world after the United States. The agricultural sector has produced some of the world's main sources of cereals, forestry and fishery products. The Soviet Union is rich in mineral resources with huge deposits of coal, iron ore, copper, oil and natural gas. The coal output is not only sufficient for domestic consumption but are also available for export. Though the bulk of the trade of the Soviet Union is with the communist countries there has been impressive growth in the trade with the developed industrialised countries as well as the developing world.

China has the world's largest population and is the biggest producer of rice. Other main agricultural products are wheat, tobacco, soybeans, peanuts, and cotton. China is among the world's main producers of cotton yarn and coal. It has the second largest economy in Asia, after Japan. Within the next ten years, China plans to increase food production from 290 million tons to 400 million tons and iron ore production from 25 million to 60 million tons by 1985. Within the next decade there are plans to increase power generation and oil and gas production. The economy is in a fairly strong position with conditions suitable for rapid economic growth.

The countries of Indochina are still in an unsettled state and three decades of continuous war has prevented these countries from registering any impressive growth. Nevertheless the potentials are there. Their natural resources are largely unexplored as yet. It is also an area of population concentration with Vietnam alone expected to account for 76 million people by the year 2000 according to an OECD projection.

Indochina is certainly an area which cannot be ignored or left out indefinitely in any regional arrangement.

On the other side of the Pacific are the countries of Latin America, which have the potential to contribute substantially to the Pacific region. The Latin American country which could play a significant role in the Pacific Basin is Mexico which has an impressive economic growth. Mexico has large natural resources, particularly oil and gas, hydroelectric power and uranium. Ecuador and Peru are also producers of oil.

Then there is ASEAN, an important association in the Asia-Pacific region. ASEAN has an impressive potential as is evident from the economic performance of its members. In 1979 the ASEAN economies on the whole are expected to expand between 6 percent to 8 percent in real terms. For Indonesia, the Gross Domestic Product in real terms is expected to grow by about 6.5 percent in fiscal year 1979. The Philippine economy expanded at a slower rate of 5.8 percent in real terms in 1978 compared to a target growth of the economy is 7.5 percent. The official estimates for Singapore indicate the economic growth of around 8 percent in 1979. In Thailand, the economy is expected to perform less favourably in 1979 due to the energy crisis and higher inflation although for the whole of 1978, the Thai economy grew at the considerable rate of 8 percent. For Malaysia, the growth rate for 1979 is estimated to be at least 8 percent.

ASEAN as a group can obviously contribute much toward the growth and advancement of the Pacific region. ASEAN has also achieved a level of group cooperation that is tangible. Its member states have been able to cooperate on a number of regional projects and to enhance trade where trade between some of the partners was almost non-existent before. The common stand on many issues of international concern is also evidence of their cohesiveness.

ASEAN economic cooperation is a by-product of the basic desire for a forum to solve problems and conflicts that are common among neighbours. The tackling of economic problems at these fora naturally progressed from solutions to programmed economic cooperation. Today ASEAN has emerged not only as a viable grouping but one which is economically dynamic and politically stable. Interdependence is something that ASEAN believes in. Consequently joint projects and tax policies in favour of members have become a feature of ASEAN cooperation. As they move away from the role of producers of primary commodities into industrialization, their interdependence assume greater significance.

The Pacific region is clearly a rich and advanced region with tremendous potential for development and for influencing the rest of the world. Yet it has not been as cohesive and coordinated in its development as the Atlantic region. The ocean which in the Atlantic region has linked Europe and the Americas seem to have failed to do the same for the Pacific countries. What is the cause of this failure?

The reason lies in the paucity of knowledge among the Pacific region countries about each other, their lack of contact and the conflict and competition between the big powers which tend to divide the countries of the region into confronting groups. It is a fact that even as we talk

of Pacific regionalism, countries like New Zealand, Australia, the U.S.A., and Russia consider themselves more European than anything else.

Can we then speak of the Pacific as a region at all? The optimist among us would certainly like to think of the Pacific as a potentially cohesive region. We would like to see the wealth and vastness of the region harnessed by the people in a massive joint effort for regional advancement that will benefit the rich and the poor, the big and the small alike. We would like to see the Pacific nations boost each others development just as the North Atlantic nations have done. But at this point in time the Pacific is far from being a recognizable region.

As the decade of the eighties begin, the only pointer toward a pan pacific movement is the fact that we are beginning to talk of it. In the United States and in Japan there have been studies and proposals. There has been a suggestion that the ASEAN countries study the possibilities. Indeed they have even been obliquely urged to take the initiative.

Before we take the first steps it is essential that we appreciate the delicacy and complexity of bringing so many ideologically, culturally and economically different nations together. Associations of nations do not metamorphose overnight, premised upon some experts economic programme. Association of nations are brittle and fragmentate easily under the slightest strain. Therefore it behooves us to move with circumspection, mindful of the sensitivities of everyone concerned.

The ASEAN experience could perhaps provide a guide and an inspiration for Pacific cooperation. ASEAN, by most criteria, is a successful sub-regional grouping. In the relatively short span of ten years, the ASEAN arrangement has become an effective grouping not bound so much by the dictates of contractual obligations as by a strong sense of community which developed its own momentum. In the pursuit of their national priorities, ASEAN Governments never fail to take into account the larger sub-regional interests. ASEAN is not premised on any grand design. There is no economic blueprint but the spirit of partnership continues to be nurtured on the basis of the simple objective of establishing a "firm foundation for common action to promote regional cooperation" set out in a Declaration. In essence, ASEAN is an embodiment of an almost telepathic belief in partnership for progress, interdependence and mutuality of interests.

In an age when groupings of nations are either based on security or economic considerations it is strange to find that ASEAN almost abhors these two primary concerns of nations. ASEAN is at pains to explain that it is not a military alliance. This is a most important contribution toward its viability. Had it been a military alliance it would have provoked so much hostility from its neighbours and the big powers that it would probably be most unstable.

Grand economic designs were disregarded at the formation of ASEAN because the differing and conflicting needs of the nations concerned would have made a formula for economic cooperation most difficult to agree upon. Any attempt to work out an economic formula would not only delay the formation of ASEAN but would have probably given rise to crinations and tensions. An economic community approach a la EEC would have made ASEAN a non-starter.

Instead, ASEAN was set up to meet the need for a forum to discuss problems between five neighbours whose historical backgrounds were not only very different but who were almost forcibly kept apart. The leaders of the ASEAN countries were strangers to each other, as were the people. Indeed, they were suspicious of each other, aggravated by territorial claims and confrontations.

Under such conditions the first contacts were almost social affairs of the getting-to-know-you kind. It was only gradually that barriers were broken, first between the leaders and then between the people. In time, however, it became a habit for ASEAN leaders to meet wherever international conferences take place. Then business leaders and other groups got into the act. Precedents and traditions were established as for example the customs of new leaders of ASEAN countries visiting the other leaders upon their assumption of office.

The differences and conflicts are still there but they have not hindered matters pertaining to economic development and international politics from being gradually coordinated. Much remains to be done but there is little doubt that ASEAN is a tangible grouping that has benefitted the members in their dealings with the rest of the world. Without really trying ASEAN has become an economic and political force that must be reckoned with in the Pacific area, if not the world.

What is the lesson to be learnt from the ASEAN experience? The single most important lesson is that people and nations cannot get on together until they know each other. If there is going to be cooperation among the countries of the Pacific region than the appalling ignorance even among neighbours in the region must be overcome.

Knowledge and appreciation of the people concerned is essential for successful cooperation. In a war knowledge is often deliberately stifled or twisted in order to create hatred of the enemy. Thus the "Pigdog Englanders" on the part of the Germans and the "Huns" of the British, the "Damn Yankees" and the "Nips." Conversely in peace twisted ideas and ignorance about other people must be straightened and clarified in order to promote friendship.

It follows that the first move toward a Pacific Community should not be a comprehensive economic plan or some such clear-cut formula for cooperation but the tedious one of getting to know each other. A forum should be created for the discussion firstly of non-controversial issues of interest to everyone, e.g., meteorology, rescue operations, charting the seas and the oceans etc. In time more and more subjects will be discussed and new areas of cooperation worked out. All the time the numerous contacts, formally or informally multi-literally or bilaterally will stimulate greater knowledge and appreciation of each other. In time a sense of community will emerge that will make mutual help and cooperation almost second nature. If in the meantime a deliberate program of studies and exchanges are instituted the process can be considerably hastened.

All these are time consuming and frustrating especially to those with the materialistic values of the West. How much easier it would be if a blueprint and a time-frame is agreed upon and these are systematically implemented. The economic achievement would be rapid and massive. And the Pacific region would attain that stature that was once the pride of the North Atlantic countries. But the strangers who inhibit

the Pacific Basin cannot come together merely because of the logic and material benefits of an economic plan. Man cannot live by bread alone. He needs more than that. He needs friendship, the company of people he knows and whom he likes. *Tak Kenal Maka Tak Cinta*. And so tedious and frustrating though it may be, the peoples and nations of the proposed Pacific Community, if it is desired must go through the process of getting to know each other.

The Pacific Community is at this juncture very much a thing of the future. If what I have said about the manner of its achievement is going to be true, it is going to take a long time indeed to materialize. In the meantime there are the realities of development and interdependence that we are all faced with in the Asia-Pacific area. Obviously we cannot wait for the emergence of the Pacific Community to tackle these problems.

The 1970's saw a concerned effort to solve the worldwide inequity between the north and the south. But by the end of the decade it was clear that the solution was nowhere in sight. The North-South dialogue reached a stalemate. Too many people were saying too many things without anyone really doing anything.

Possibly the cause of the stalemate is the fact that too many people and nations are involved. Perhaps if the area is reduced in size and the number of participants involved more limited, success is more likely. Whatever it is, there is no doubt that within the Asia-Pacific region the inequity of the north-south relationship is roughly a smaller version of the worldwide situation.

It may be worthwhile therefore to tackle the problems of north-south relations within the Pacific region first. There is in this region a greater number of pragmatic Governments, and the difference between the developed and some developing countries is not so great as to need radical adjustments or pure charity.

There is no need here to repeat the areas of disagreement between the north and south. It is more useful to focus on the solutions themselves.

The world is a very rich market place. There is enough purchasing power to be shared fairly by all. It is worthwhile to remember that when a man or a nation becomes rich because of the profits made through any transaction, a good customer is also created. Thus the riches that oil brought to the Middle East has created a super-rich market for the industrialized countries. Practically every dollar earned by the oil producers has in one way or another enriched the west. In other words the creation of wealth among the poor will enrich the rich eventually. If this is truly appreciated then the reluctance to help the developing countries to become developed would not be so great.

Competition is good but it can also be wasteful. Because the industrialization of some of the developing countries of the Asia-Pacific region has not been the result of an understanding between the developed countries and themselves there has been a great deal of wasteful competition. The response of the industrialized countries has been to either refuse to transfer technology to other developing countries or to increase their own efficiency in order to put the newly industrialized countries out of business. Failing this they have resorted to import restrictions. The net result is waste.

Since the world market is so rich surely there could be a division of areas in industries which will take advantage of the various assets found in both the developed and the developing countries. This way not only will wasteful competition be reduced but the developing countries could become rich and therefore better customers for the more industrialized nations.

A feature of modern industry is the innovation which constantly increases the products that are being marketed. Not only are improvements made to existing products but entirely new products are created all the time. And the more sophisticated the products the greater is the value added. Yet the old products continued to be needed. At the same time the production of intermediate products which usually have low value added grow in number corresponding to the increase in new products.

In a division of areas of industrialization it seems to make sense for the essential old products together with the intermediate products with lower value added to be manufactured in the newly industrializing countries. This would mean that textiles, footwear, tyres, furniture together with components for the motors, machines and electronic products should be manufactured by the newly industrializing countries. These should then be shipped to the centres in the industrialized countries where the final products are manufactured. As time goes on the industries in the developing countries would produce more sophisticated components and products but it is safe to assume that the industrialized countries through their extensive Research and Development would have moved on further ahead. Wasteful competition is thus eliminated and the developed countries would grow richer and become even more valuable customers of the rich industrialized nations.

There are some developing countries which are rich in energy, either fossil or hydroelectric. It is well-known that certain products whether intermediate or final consume a much greater proportion of energy than others. Aluminum and iron smelting fall within this category. There may be others that can be easily identified. If the energy potential of the developing countries are helped to develop it will be possible for certain manufacturing processes to be relocated there. The developed countries could continue to manufacture items which need little energy to produce relative to the value added.

Then of course there are the service industries, particularly transportation. For historical reasons these industries are very much the preserve of the developed nations. The developing countries are not only penalized in terms of ownership but they are literally at the mercy of the shipping companies owned by the old maritime nations. So powerful are these companies that the only way for the shipping companies of the developing countries to penetrate this field is to join them and work against the interest of their own countries.

In this area again it would be wasteful for the developing countries to set up their own service industries which compete with those owned by the developed nations. The better thing to do would be to allow the developing countries to have a share in the existing industries owned and operated by the developed nations. Thus there will be no wasteful excess of facilities and even if rates are high the benefits could be shared by all.

The north-south dialogue of course covers many other subjects. In the case of commodities and common funds, the problem is not as acute in the Pacific region as they are globally. They should not therefore hinder the kind of solutions that a Pacific North-South dialogues can identify. If these solutions should work for the Pacific region it is likely that they can be applied to the rest of the world. With enlightened sincere efforts progress would be made toward a new International Economic Order.

The world has shrunk. To paraphrase a popular saying no nation is an island. What happens in one corner of the world, however remote, will be felt in every corner. The periodic increases in the price of oil keep reminding us of this fact. Even the most powerful countries have now learned to understand this. And so we all have to talk of interdependence.

But interdependence is still very much an economic concept that has no reality for a lot of poor nations. True interdependence must mean not just being mutually dependent on each other but some degree of equality of strength to support each other. This can only come about when the poor countries have developed to the stage when their participation in the world economy is palpable and commensurate with their contribution to the well-being of the world. This is not an impossibility if we are prepared to help in this development. And if we succeed the disparities in development worldwide would be reduced and a more symmetrical interdependence would be achieved.

I hope that at the very least this Conference will help us to understand this problem and contribute to its solution.

JANUARY 11, 1980.

ANNEX 3

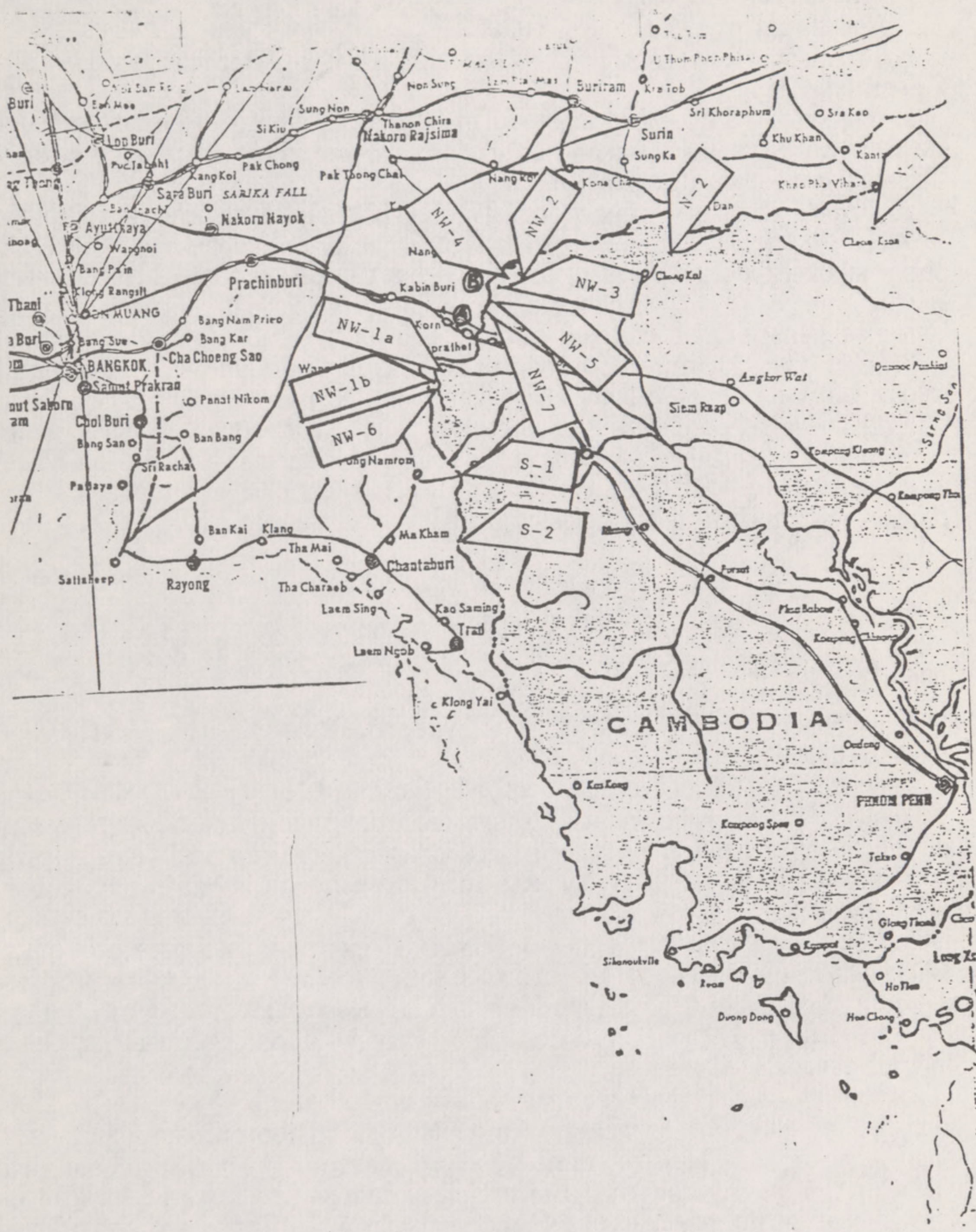


FIGURE 1A

Code and location: A—Sakaeo; B—Khao I Dang; N-1—Chnom Kson; N-2—O-Ambok; NW-2—Ban Sangae Area; NW-4—Phnom Chat; NW-3—Ban Nong Samet; NW-5—None Mak Moeun; NW-7—Nong Chan; NW-1a—Nong Prue; NW-1b—Taprik Area; NW-6—Klong Gai Thuen Area; S-1—Ban Laem Area; and S-2—Bo Rai Area.

SAKAE0

Population : 32,000—Closed to new arrivals.

Identity : Khmer Rouge.

Start of camp : October 24, 1979.

Administration : UNHCR—General; ICRC—Health; VOLAGs—Special feeding.

1. *General*.—The camp has been enlarged, and original over-crowded conditions have been eased; there have been great improvements in housing, water and sanitation.

2. *Food*.—Supply of general UNHCR defined ration is adequate. Distributed by Khmer camp leadership under direction of UNHCR supervisors. Cooked food is provided by VOLAGs to children, lactating women and old persons at supplementary feeding centers. Treatment feeding is also carried out for the most seriously malnourished.

3. *Health*.—Malnutrition was the major problem when the camp started but has been essentially eliminated as primary health concern. Current health concerns are pneumonia and diarrhea. Overall, death rate has been reduced to level comparable with rural Thailand. Water and sanitation facilities are adequate. Sakaeo had adequate medical personnel, including surgery capability.

KHA0 I DANG

Population : 84,382—Planned for 200,000/250,000.

Identity : Khmer Serei.

Start of camp : December 7, 1979.

Administration : UNHCR—General; ICRC—Health; VOLAGs—Special feeding.

1. *General*.—The Center is well planned and constructed. Sanitation is good. Water remains the most serious problem although recent developments are encouraging. At present center's well can supply 40 percent of the population with minimum needs; remainder of need is trucked in.

2. *Food*.—Supply of general UNHCR defined ration is adequate. Distribution is by UNHCR staff to Khmer sector leaders who complete distribution to households under UNHCR supervision. Supplementary feeding of cooked food distributed by VOLAG operated kitchens in each sector of the camp.

3. *Health*.—Arriving refugees have been in much better health than arrivals at Sakaeo. Neither malnutrition nor tuberculosis are considered significant. Health facilities and personnel including surgical capabilities are considered more than adequate and could handle on significant population expansion. Sanitation facilities are considered good but water is scarce.

NONG SAMET

(Border Concentration)

Population : 210,000 (rough estimate of feeding population).

Identity : Khmer Serei (In Sakham).

Start of concentration : Mid October 1979.

Administration : Khmer—General; ICRC—Health; ICRC/UNICEF—Food deliver to camp; VOLAG—Hospital.

1. *General*.—Camp is divided into sectors but there appears to be little physical planning in overall design. Area is low and subject to flooding. There is no principal water source on which the camp can depend during the entire dry season. Currently surface wells and truck deliveries are the only water sources.

2. *Food*.—ICRC/UNICEF supply rice, dried fish, vegetable oil, salt and occasionally other foods to center of camp from which Khmer leadership carry out in-camp distribution. ICRC/UNICEF personnel essentially do not supervise the in-camp distribution. Some supplementary feeding kitchens were started in camp on January 3 by CRS. If population estimates are believable, food ration has been approximately 40 percent below planning targets especially in terms of protein. Large scale malnutrition has not however appeared in the camp probably because camp population has supplemented the ration by purchasing foodstuff from local Thai and population estimate is inflated.

3. *Health*.—Some malnutrition exists but main problems are pneumonia and diarrhea. ICRC medical teams are now in camp, in addition to a German VOLAG hospital which began in early November. The medical facilities are just beginning to undertake an outreach/screening program throughout the camp. Water and sanitation facilities are very inadequate.

NON MAK MUN

(Border Concentration)

Population: 250,000 (rough estimate of feeding population).

Identity: Khmer Serei (Van Saren—The Prince).

Start of concentration: Early November.

Administration: Khmer—General; ICRC—Health; ICRC/UNICEF—Food deliveries to camps; VOLAG—Supplementary feeding.

1. *General*.—Physical planning is essentially non existent especially as a result of the recent 2 km shift of the camp. Water and sanitation facilities are very inadequate.

2. *Food*.—ICRC/UNICEF deliver main food ration to camp Khmer handle internal food distribution with essentially no ICRC/UNICEF supervision. Some food, perhaps 20 percent, is reported by Khmer leaders to be sent to the interior villages. The overall ration deliveries by ICRC/UNICEF have, however, been approximately 40 percent below the planning target for the estimated population. Shortages are especially critical in protein foods. CARE started five supplementary feeding kitchens on January 3. Large scale malnutrition has not appeared in the camp partly because population estimates may be inflated. Food going to interior is reported sold by camp leadership for 80–100 baht per 15 kilos of rice.

3. *Health*.—The main health problems are pneumonia, diarrhea and wounds from military action. Presently there are limited medical facilities available and serious cases are removed to Khao I Dang. Water and sanitation facilities are inadequate.

NONG CHAN

(Border Concentration)

Population: 110,000 (rough estimate of feeding population—2000 residents).

Identity: Khmer Serei (Kong Sileah).

Start of concentration: November.

Administration: Khmer—General; ICRC/UNICEF—Food delivery to camp; ICRC—Medical; VOLAG—Food distribution.

1. *General*.—This concentration is the primary point of supply for the people in the interior who come to the border to get food. The camp itself is small and its existence is tenuous as a result of having been attacked by rival soldiers from Non Mak Mun.

2. *Food*.—The ICRC/UNICEF food deliveries are distributed to bicyclists at the rate of 20 kilos per bicyclist; currently food deliveries are made on alternate days, although there are ample number of bicyclist for daily deliveries.

3. *Health*.—The ICRC operates a dispensary for those who need such treatment. The dispensary was burned down on December 31, as a result of the attack from Non Mak Mun. It has subsequently been reestablished.

Fact Sheet—Population Fed

Northern Border:	
Chaom Ksan (Ubol)	50, 000
O-Umbok (Surin)	10, 000
Subtotal	60, 000
North of Aranyaprathet:	
Ban Sangae area	30, 000
Phnom Chat	80, 000
Nong Samet	200, 000
Non Mak Mun	200, 000
Nong Chan	50, 000
Subtotal	560, 000
South of Aranyaprathet ¹	60, 000
Chantaburi/Trat:	
Ban Laem	10, 000
Bo Rai	² 30, 000
Koh Khong	20, 000
Subtotal	60, 000
Total along the border	740, 000
In holding centers (UNHCR):	
Sakaeo	31, 800
Khao I Dang	84, 382
Kamput	2, 300
Mai Rut	³ 76
Subtotal	118, 558
Total in holding centers	118, 558
Grand total	918, 558

¹ Prachinburi Province—Ta Phrik area Nong Pru, Klong Khai Thuen.

² Includes two locations south of Bo Rai.

³ Under UNHCR Supervision, 7,000 older refugees under MOI supervision.

FOOD—DELIVERIES TO BORDER CONCENTRATIONS (ICRC/UNICEF)

Item	Total quantity (MT)	Average daily per capita ¹ (grams)
Dec. 17-30, 1979:		
Rice.....	3,653.0	432.7
Soybean.....	375.0	44.4
Red beans.....	282.0	33.4
Dried fish.....	218.0	25.8
Fish paste.....	155.0	18.4
Vegetable oil.....	182.0	21.6
Salt.....	51.0	6.0
Children's food.....	28.0	-----
Nov. 1-30, 1979:		
Rice (including red beans).....	4,709.6	410.9
Dried fish.....	276.5	24.1
Vegetable oil.....	208.8	18.2
Salt.....	88.4	7.7
October:		
Rice.....	1,103.5	276.6
Dried fish.....	98.3	24.6
Vegetable oil.....	54.7	13.7
Salt.....	8.3	2.1

¹ Population figures were provided by ICRC/UNICEF, and do not correspond to population figures on previous page.

Note: ICRC/UNICEF official ration: Rice, 500 gm/refugee; fish, 70 gm/refugee; vegetable oil, 30 gm/refugee.

MEDICAL STAFF, AS OF DEC. 28, 1979

	Doctors	Nurses	Other
On border:			
Nong Samet.....	6	25	1
Non Mak Mun.....	7	37	2
Nong Chan.....	3	9	1
South of Aranyaprathet.....	3	16	1
Other.....	3	6	0
Total.....	23	95	5
In holding centers:			
Sakaeo.....	41	132	54
Khao I Dang.....	66	184	33
Kamput.....	11	47	11
Mai Rut.....	5	10	6
Other.....	4	1	1
Total.....	127	374	105
Grand total.....	149	467	110

WATER

Sakaeo.—Adequate water.

Wattana Nakorn.—Reservoir has 20-day reserve to draw from in supplying Khao I Dang and border concentrations.

Khao I Dang.—One well pumping 50 gallons per minute (sufficient for about 20,000 people). One more well being dug, but dry hole so far. Now two rigs in operation. UNHCR brings water on 81 tank trucks. Also contracts with Thai railroad to take water from Sakaeo to vicinity Khao I Dang.

Border Concentrations.—Only hand-dug shallow wells. Water trucked in by ICRC/UNICEF. No current exploration because of organizational problems.

UNHCR/UNICEF/ICRC spend a total of \$16,000 per day to truck water.

PHNOM PENH/KOMPONG SOM

1. Arrivals and Pipeline

- A. ICRC/UNICEF—Total deliveries to Kampuchea as of December 30, 1979:
- | | |
|--|--------|
| Food (mostly rice) (MTS)----- | 38,221 |
| Medical supplies (MTS)----- | 90 |
| Other, include tools and educational supplies (MTS)----- | 260 |
| Trucks----- | 117 |
- B. Oxfam—Tentative Oxfam deliveries to the end of 1979:
- | | |
|---|-------|
| Food (MTS)----- | 3,500 |
| Other, include approximately 130 trucks (MTS)-- | 7,000 |
- C. U.S.S.R.—We estimate that the U.S.S.R. had donated approximately 30–40,000 MTS as of mid-December. The Soviet press claims substantially higher figures.
- D. In the pipeline—The following supplies are scheduled to arrive in Kompong Som or Phnom Penh during January 1980:
- | | |
|--|--------|
| Food, include 9,584 MTS rice (MTS)----- | 14,150 |
| Other, include fertilizer and pumps (MTS)----- | 1,053 |

2. Distribution

Distribution of the following ICRC/UNICEF commodities for the period September to end of December 1979:

Food (MTS)-----	270
Medical supplies (MTS)-----	90

All medical supplies appear to have been distributed. Distribution of 360 MTS of a total of 38,570 MTS of all supplies delivered by ICRC/UNICEF conforms to reports indicating that 80 to 90 percent of ICRC/UNICEF deliveries remain in warehouses. In mid-December approximately half of the floorspace of Kompong Som warehouses was full.

ANNEX 4

FACT SHEET

JANUARY 14, 1980.

Subject: International Military and Education Training Program (IMETP).

Action agency: MAGTPB-TLN.

Key points: Royal Thai Armed Forces (RTARF) personnel receive training sponsored by U.S. grant aid funds under the International Military Education and Training Program.

Background: Development and management of IMET Program for Thailand is accomplished by the Training Liaison Section, Training & Programs Branch (MAGTPB-TLN).

Current status: Although the current/FY 80 IMETP allocation for Thailand represents a modest increase (\$50,000) over the previous year's budget, it will result in fewer RTARF students receiving CONUS training. This is directly attributable to the substantial increase in IMETP tuition cost over the past several years. Assuming that tuition costs continue to increase, at the present rate, and that the Thailand IMETP budget/allocation is not increased, we can expect a reduction of approximately 10 percent per year in Thai CONUS IMETP trainees. This reduction can be offset somewhat by substituting less effective/less costly training; however, in the long term, program effectiveness and total student enrollment will deteriorate with a resulting decrease in U.S. influence over the Thai Armed Forces leadership. The Thailand IMETP is currently experiencing a \$300,000 shortfall for the FY 80 program year, in hard core training requirements, with an additional \$500,000 in important but lower priority training needs. An annual IMETP allocation of approximately \$2,000,000 is needed and would adequately support an effective training program. All indications are that the Thai Armed Forces would finance their share/travel/per diem for an IMETP budget in the 2,000,000 range.

FACT SHEET—JAN. 14, 1980

	Fiscal year 1979			Fiscal year 1980	
Total IMETP budget (millions).....	\$0.85			\$0.9	
Total number of students.....	160			150	
Mobile training teams (MTT) employed.....	5			2	
	RTA	RTAF	RTN	MOD	Total
Fiscal year 1979 student breakout (officers 156, enlisted 4).....	35	40	54	31	160
Fiscal year 1980 student breakout (officers 145, enlisted 5).....	37	39	48	26	150

ANNEX 5

U.S. MILITARY ASSISTANCE TO THE PHILIPPINES FOR MILITARY EDUCATION AND TRAINING (IMET), MILITARY ASSISTANCE PROGRAM (MAP), AND FOREIGN MILITARY SALES (FMS)

[In thousands of dollars]

	IMET	U.S. military assistance grants (MAP)	U.S. military credits	FMS cash
Fiscal year:				
1955-66.....	23,871	327,250	0	4,646
1967.....	910	28,129	0	439
1968.....	1,327	21,319	0	237
1969.....	1,051	18,279	0	454
1970.....	795	15,600	0	852
1971.....	824	14,622	0	1,107
1972.....	994	13,156	0	468
1973.....	813	16,141	0	1,159
1974.....	579	14,626	8,600	4,339
1975.....	410	19,465	14,000	32,006
1976.....	825	21,590	17,400	35,347
1977.....	614	16,499	20,000	67,919
1978.....	704	18,100	18,500	33,250
1979.....	650	17,100	15,600	17,100
1980 ¹	700	25,000	50,000	20,000
1981 ¹	700	25,000	50,000	10,000

¹ Projected.

(AT CURRENT PRICES)

GROSS NATIONAL PRODUCT

(US\$ BILLION)

24.71



1978

1.33

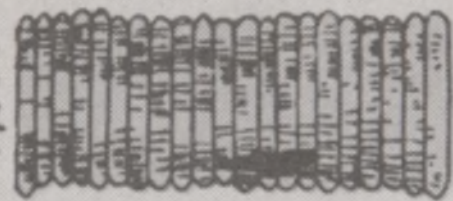


1952

PER CAPITA INCOME

(US\$)

1,304



1978

148

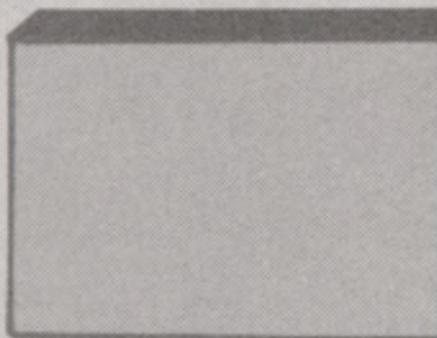


1952

REAL ECONOMIC GROWTH RATE

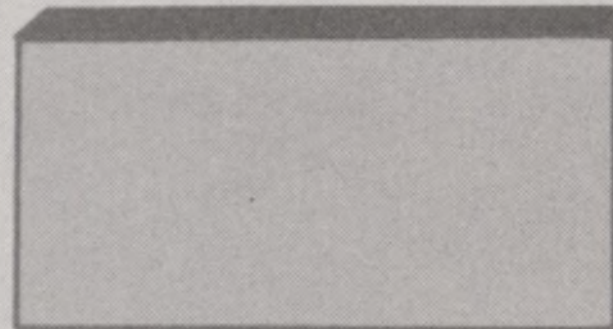
(AT CONSTANT PRICES) %

7.4



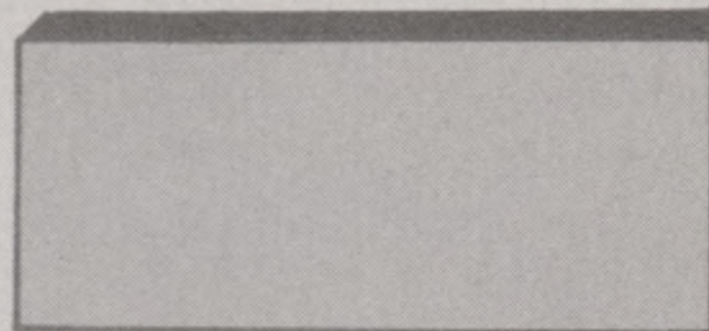
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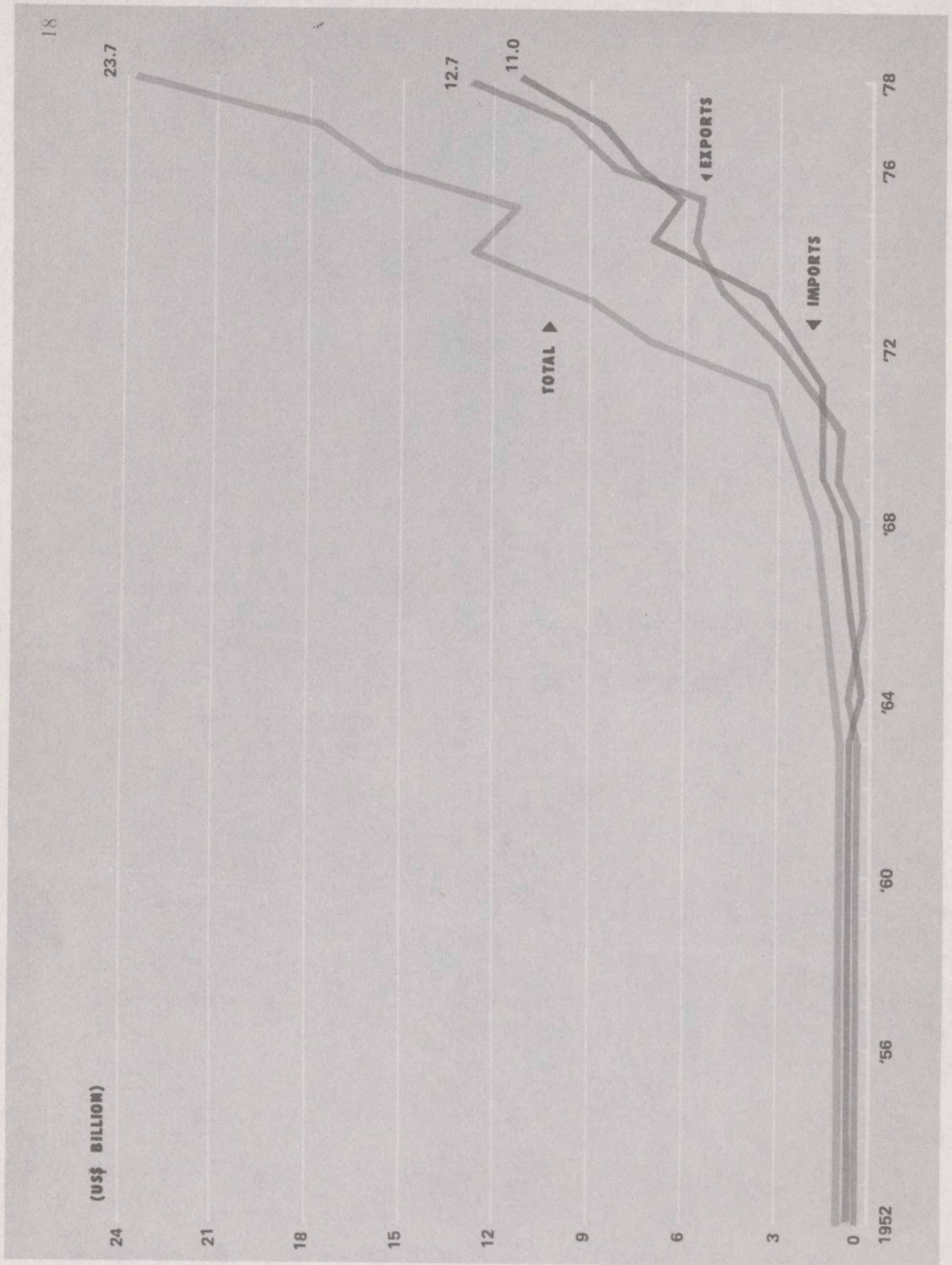


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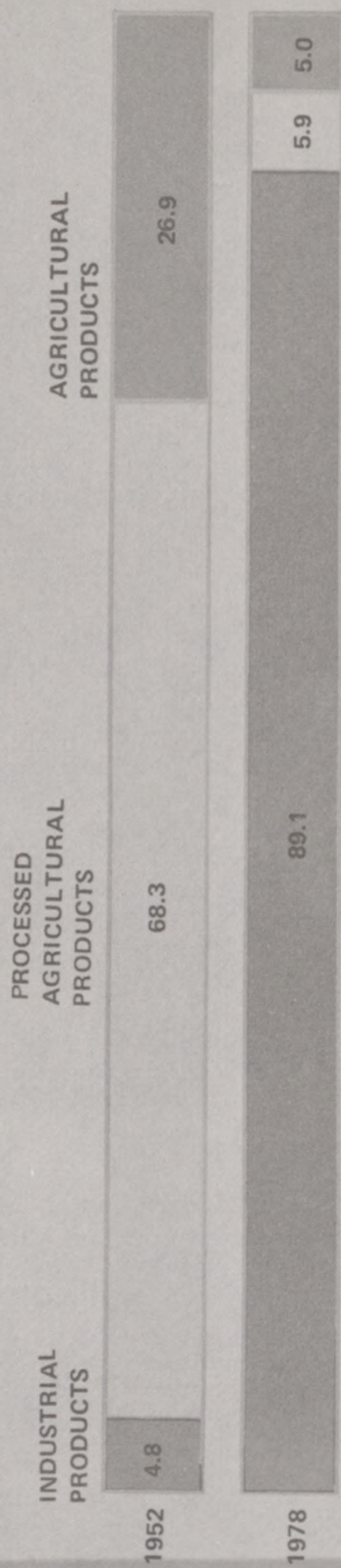
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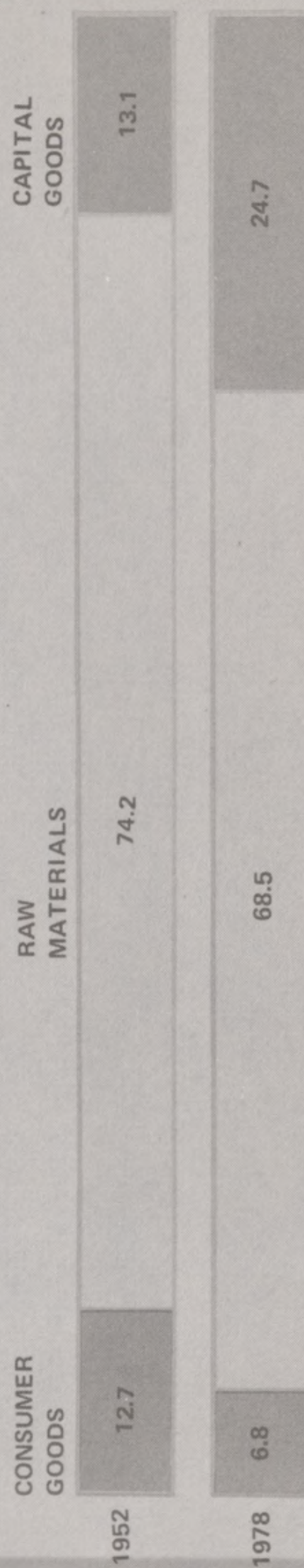
1978

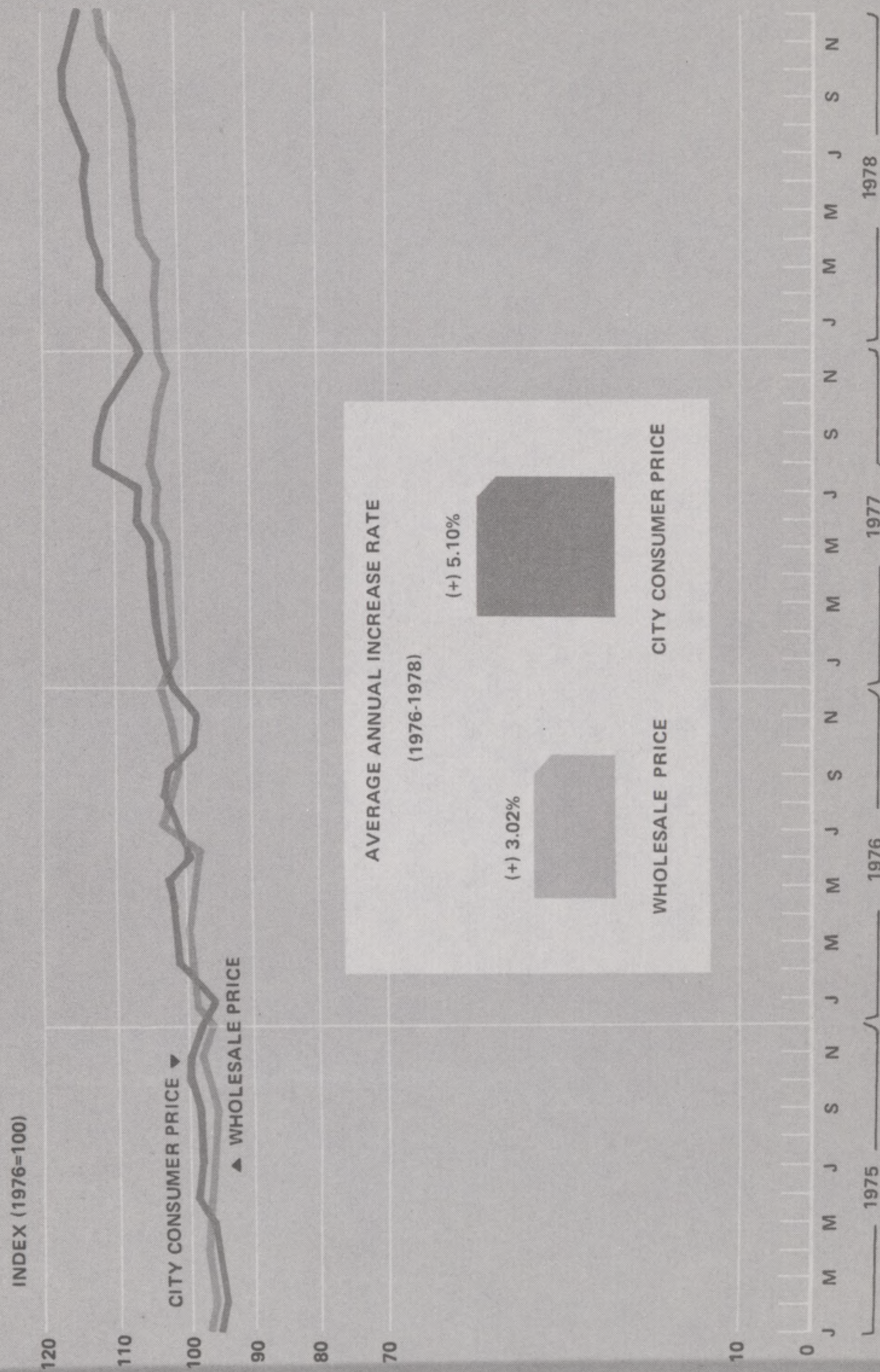


EXPORTS%

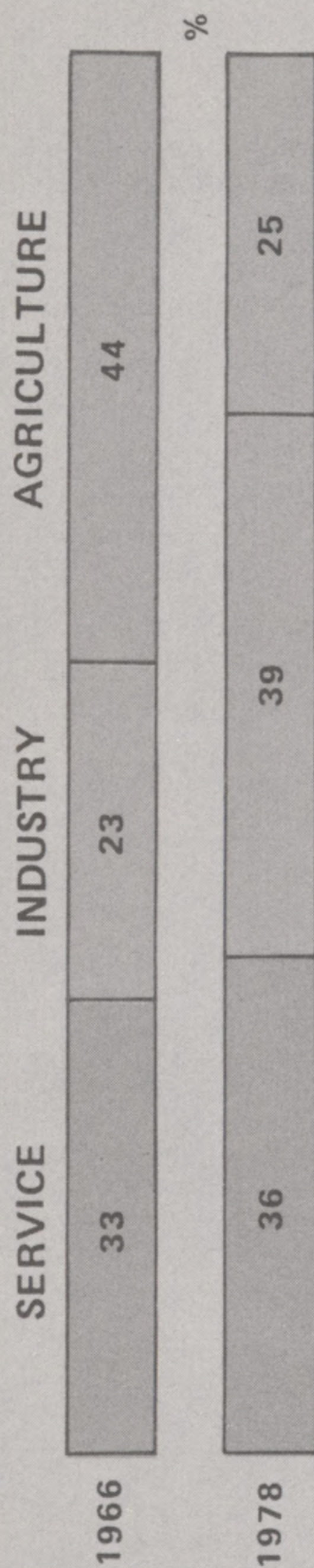


IMPORTS %





EMPLOYMENT STRUCTURE



MALE & FEMALE WORKERS (10,000 persons)

623

MALE
FEMALE

372

93

279

1966

205

418

1978

UNEMPLOYMENT RATE

3.12%

1.67%

1966

1978

COMPARATIVE RATIO OF FAMILY INCOME

