

The Republic of China must not go down the Tokyo road

by Mary McCourt Burdman

The Republic of China on Taiwan stands today at a crossroads. After years of intensive development, this relatively small nation of only 20 million has amassed the second largest dollar reserves in the world—some \$76 billion—and such economic power that the rulers of Beijing, who are presiding over one of the greatest economic disasters in history, are doing all they can to block the R.O.C.'s economic initiatives in Asia and Europe. The critical question is: How is the Republic of China going to use its wealth?

It could play the role Japan has failed to play in the last decade, of actually contributing to the development of the developing sector, especially in Southeast Asia. Or, it could go down the "Tokyo road"—following Japan's current policy of assiduously bailing out the bankrupt United States and trying to win first place as a policymaker in the black hole of the world financial system. The U.S. government, which so nastily sold out the R.O.C. politically, is now using every pressure tactic possible to force the R.O.C. to take the second road.

The choice before the Republic of China was described by *EIR* founder Lyndon LaRouche in an April 23 interview with the Bangkok newsletter *Off the Record*. The United States wants the R.O.C. to liberalize its economy to bankrupt them, LaRouche said. The real issue is, "How is the nation of China to be saved? If Taiwan follows the economic policies which are responsible for its successful economic development, under the leadership of Chiang Kai-shek, then Taiwan is the seed which can save the nation of China. If Taiwan follows the path of Deng Xiaoping, on the liberalization of Taiwan, in the way Deng has in his own way tried to adapt China to liberalization, then Taiwan has no significance for the salvation of China."

Unfortunately, steps taken in recent weeks by the government of President Lee Teng-hui has taken in the last weeks do not bode well for the future of Taiwan. On April 18, Premier Yu Kuo-hwa reiterated the government's recent formulation of policy towards the mainland: "Our mainland policy will be advanced steadily, step-by-step, and through democratic means," Yu said. Taiwan's purpose is to promote economic liberalization and political democratization on the mainland, he told a session of the legislature, the Taipei daily *China Post* reported April 19.

In the last few weeks, highest-level officials of the Kuomintang Party (KMT) government of the R.O.C., including

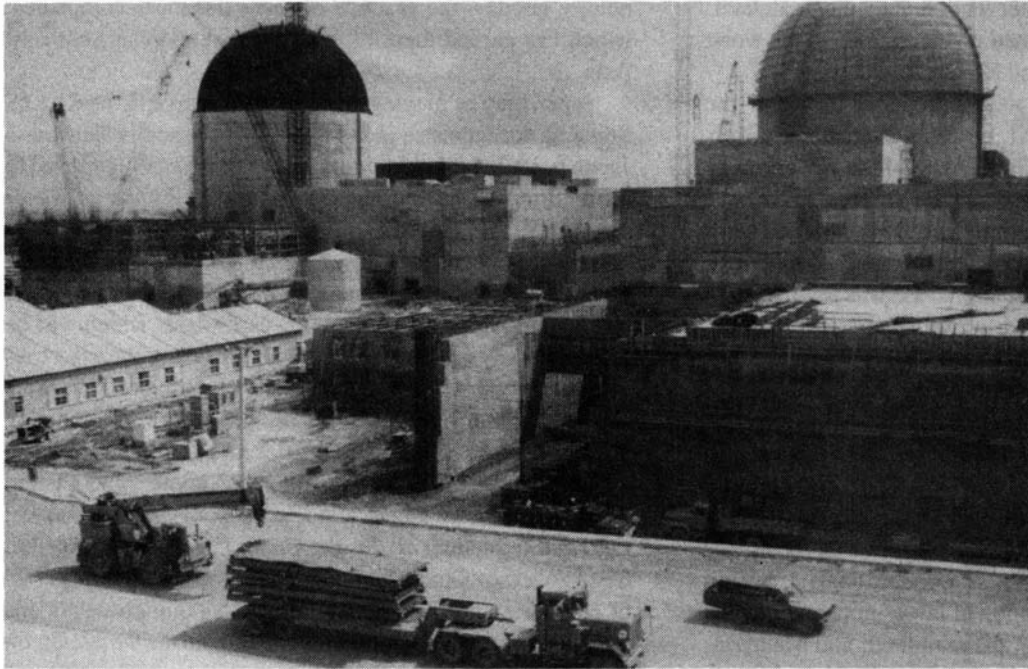
President Lee and Premier Yu, have publicly supported—personally at least—a policy of "one country, two governments," for China, which would give equal status to both the Communist regime in Beijing and the R.O.C. government in Taipei and mean "peaceful coexistence" with the Communists. Justice Minister Hsiao Tien-tsang made clear the implications of such a policy, meant to be a counterpole to Deng Xiaoping's "one country, two systems," the official term for the upcoming rape of the millions of miserable citizens of Hong Kong.

The "one country, two governments" proposal, Minister Hsiao said, could mean that the Temporary Provisions During the Period of Communist Rebellion could be abolished. This would effectively mean the KMT government giving up its determination to retake the mainland as China's only legitimately elected republican government. Hsiao amended his statement next day to say it was only his personal view.

On April 6, the R.O.C. government announced it would send Finance Minister Shirley Kuo to represent Taiwan at the annual meeting of the Asian Development Bank, to be held in Beijing May 4-6. This would be the first time in 40 years that an official of the R.O.C. visited the mainland. In an attempt to conform with the policy of "no contact, no compromise, no negotiation" with the Communists, the Foreign Ministry stated that Kuo will only go in her capacity as an ADB board governor. And, the R.O.C. government agreed "in principle" to allow Communist officials to attend international events in Taipei, the *China Post* reported April 8.

Premier Yu announced, "In the future, we will follow the pattern [set by the ADB decision] in attending civilian and official activities sponsored by international organizations on the mainland." This announcement came the same day that the Taipei Olympic Committee announced it had come to an agreement with the mainland Olympic Committee to use the name "Chinese Taipei" for R.O.C. athletic delegations, one of which is now visiting the mainland.

However, Yu said, "There will only be further relaxation of mainland policy if the result [of further openness] proves not to affect national security and successfully promotes the Taiwan experience" on the mainland. "The repeated intrusion of mainland fishing boats into R.O.C. waters and the Communists' deliberate degradation of our national status internationally all indicate they have not reduced their hostility towards us." President Lee promoted the decision to send



Government of the R.O.C.

Taiwan's intensive model of economic development has made it one of the most dynamic economies in the world, but those policies are now under fire. Shown here is a nuclear plant under construction.

Kuo to Beijing, despite opposition from Kuomintang conservatives.

Saving China

Whatever the leaders of the R.O.C. might want to do, their ability to choose is very strictly defined by the great task they have at hand: trying to save China. The People's Republic is disintegrating, as the current student demonstrations, the biggest in a decade, attest. Rice production has stagnated over the past five years, a visitor from the region reported, and individual provinces are on the verge of raising armed borders against each other. Canton state, the richest in China, will not allow any new people in from any other province, the observer reported, and Hunan province, which used to produce a rice surplus, will not sell rice to any other province—and the central government is helpless to prevent this.

Consider the tremendous problems the "boat people" of Vietnam are posing for the nations of Southeast Asia, as people flee, against all odds, the threat of starvation. There are "only" 10 million hungry people in Vietnam. What will happen, especially to Taiwan, when hundreds of millions starve in China?

Already, mainland China is exporting its economic disaster to Taiwan, in a very dangerous form. The People's Republic is one of the biggest arms exporters in the world—in value, it is number five, but in volume, as *Inside China Mainland* reported in its April issue, it is undoubtedly higher than that. The United States has just banned the import of semi-automatic Chinese weapons, after a hideous murder of schoolchildren by such a weapon. But mainland China, a citizen of Taipei said April 24, is certainly not willing to give up such a trade, its most important earner of foreign ex-

change. Until recently, Taiwan has enjoyed a very low crime rate, but in recent weeks, R.O.C. authorities have found several big arms caches in the hands of the local organized crime syndicates—of weapons from mainland China. The weapons are also reportedly going to the Communist insurgents in the Philippines and other Southeast Asian countries.

Crime is not the only issue here. The rulers of the People's Republic have *never* given up their threat to use force to take over the island of Taiwan.

KMT leaders have recently proposed means to deal with the crisis on the mainland. In December 1988, Gen. Chiang Wego, the younger son of the late President of the Republic of China, Chiang Kai-shek, described in an interview with *Deutschland Magazin* a "Marshall Plan" for retaking the mainland: using \$10 billion out of the R.O.C.'s reserves, and Taiwanese skills, to intervene in the economic chaos on the mainland brought on by Deng Xiaoping's "reforms." This offensive, which Chiang calls the "offensive of the ripe, falling fruit," is based on his father's assessment that war to retake the mainland would be 70% psychological warfare, and 30% actual war.

Under modern circumstances, Chiang said, this is probably 90%-10%. The Marshall Plan would create the basis for a federation, which could later become a coalition government of all China. Without the R.O.C., Chiang said, Deng's "new China" will never develop. Of course, the utmost caution must be used, he said: the communists, when weak, might make concessions; when they think themselves strong again, their aggressive nature will come to the fore.

Dealing with Wall Street

However, the policies of the Lee government do not

represent such a decisive intervention into the mainland. Rather, liberalization has opened up the R.O.C. to the worst influences of both the West and East.

On March 27, "reforms" were introduced to "float" the Taiwanese dollar and on April 3 foreign exchange controls were relaxed—immediately after U.S.-R.O.C. currency talks. After the concessions, Vincent Siew, vice-chairman of the Council for Economic Planning and Development, said, "the liberalization move is expected to reduce our risk of being included in the U.S. retaliation." He was referring to a "hit list" of countries subjected to exchange-rate manipulation, the *International Herald Tribune* reported March 30.

One of the chief U.S. pressure points, has been to force the sharp appreciation of the Taiwan dollar against the U.S. dollar, up 46% since January 1986. The effect has been to force up production costs on Taiwan, making its exports more expensive and less "competitive." This has created a situation where it is a "lot more encouraging" to move the country's high liquidity offshore, a City of London analyst said in March, and with the liberalization of laws, more and more is being invested in Hong Kong, the mainland, and Malaysia. There has been tremendous pressure from the United States for Taiwan to cut its tremendous trade surplus, which did fall by some \$8 billion last year.

But the problem is that many R.O.C. businessmen are investing abroad to get cheaper labor to produce low-tech-

nology goods—the practice of many Japanese companies, which has earned them little political support in Southeast Asia.

Japan may be playing an unproductive role in the R.O.C. Some of the Japanese industry formerly based in Taiwan—Japan holds huge investments there—is now being moved to the Philippines to find cheaper labor, the *Financial Times* reported April 17.

The floating of the Taiwan dollar last month will also put great pressure on the 90% of the R.O.C.'s industry which is small, family-owned, and export-dependent, which will be hit hard by any currency fluctuations. These are the industries which built the R.O.C.'s prosperity. International bankers are demanding that the R.O.C. abandon its small industry and instead turn its bigger industries into "multinationals"—and thus bring the American monster home. The Central Bank of China of Taipei announced it was raising interest rates and tightening credit, the *China Post* reported April 6. CBC governor Chang Chi-cheng said that the bank's policy of emphasizing price stability over economic growth is one commonly adopted by central banks around the world. Credit for bigger industry is being given priority over small and medium businesses.

Dealing with the Communists

With the mainland, R.O.C. relations have expanded tre-



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mendously in the past year—essentially the period since President Lee came to office after the death of President Chiang Ching-kuo, the elder son of Chiang Kai-shek.

Trade between the R.O.C. and the mainland hit \$2.722 billion last year, up 80% from the year before. The Board of Foreign Trade in Taipei said that already mainland China accounts for 2.4% of Taiwan's total bilateral trade. Although, an official said, the value of mainland trade as yet poses no threat to the overall trading system of Taiwan, if some individual mainland items flood the market, Taiwan could become vulnerable to manipulation from the mainland through supply reductions or price fluctuations.

The trade is of little value to the R.O.C., because most of the nominal \$1.77 billion R.O.C. trade surplus is funneled back to the mainland through business investments or families, the R.O.C. Board of External Trade said. Rather, mainland China earned some \$100 million in foreign exchange from Taiwan through smuggling by local fishermen.

Politically, unfortunately, the R.O.C. government could also go down the wrong road—right into those very international institutions which failed them so utterly in the past.

The ultimate goal of the R.O.C.'s "flexible foreign policy" is to re-join the United Nations, Foreign Minister Lien Chan told the legislature April 10. Seeking admission to regional and international economic association bodies is the present goal of R.O.C. foreign policy, Lien said. The R.O.C. was forced out of the U.N.—while George Bush was U.N. ambassador—by Henry Kissinger's "China card" policy in 1972.

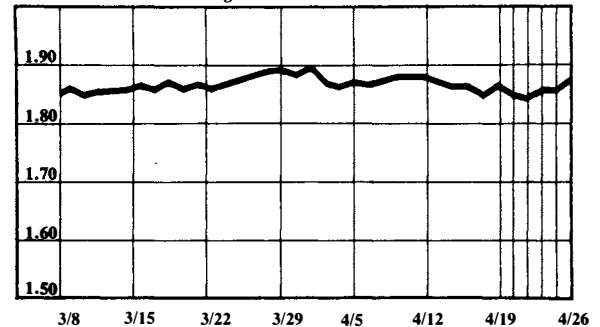
Politically, the United States is offering the R.O.C. only worse treatment now. George Bush's nominee for ambassador to Beijing, James Lilley, announced April 15 to the Senate Foreign Relations Committee that Washington will "furnish an environment for contacts" between Taiwan and mainland China, but will "refrain from acting as a mediator," the *China Post* reported April 15. Lilley also has been director of the American Institute in Taiwan, the ersatz U.S. embassy in Taipei. Washington welcomes encounters that will build up to the "peaceful reunification" of China, he said. Just before President Bush made his disastrous trip to Beijing in February, Foreign Minister Qian Qichen had called on the United States to assist in the process of reunifying China, which the U.S. has officially refused to do previously.

Ironically, Lilley then went on to support a policy—that both the R.O.C. and the mainland join GATT—that an official of the Beijing Central Institute of Finance and Banking, Feng Yushu, is also urging. Feng, who is researching GATT issues at Ushiba Memorial Foundation in Tokyo, wrote a commentary published in the *International Herald Tribune* April 18. Feng called Taiwan's decision to attend the Asian Development Bank meeting in Beijing and its "presence at all such forums desirable in all cases," but that GATT is "especially important," despite the fact that "the island's trade surplus relative to the economy's size is bound to make GATT members insist on substantial concessions."

Currency Rates

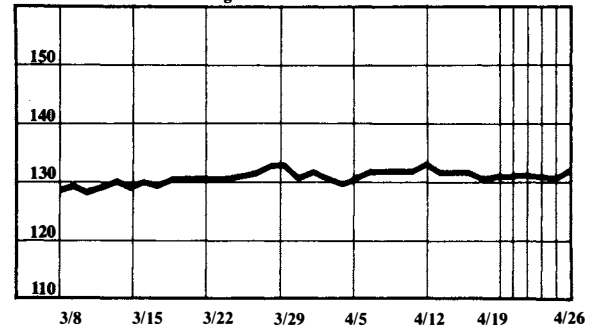
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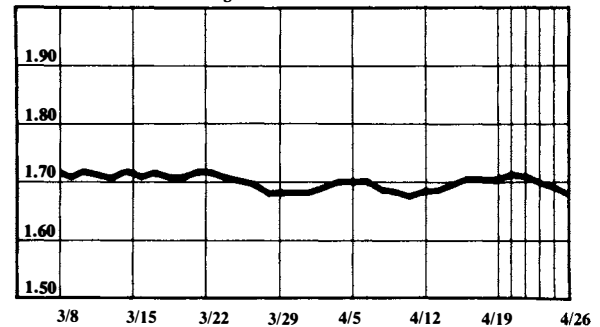
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

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