

Speech at the Chinese Consolidated Benevolent Association dinner: The political and economic future of Taiwan

Senator Spark M. Matsunaga Papers

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THE POLITICAL AND ECONOMIC FUTURE OF TAIWAN
AN ADDRESS BY
THE HONORABLE SPARK M. MATSUNAGA
AT THE CHINESE CONSOLIDATED BENEVOLENT ASSOCIATION DINNER
CHICAGO, ILLINOIS
OCTOBER 6, 1979

THANK YOU MR. YANG, FOR YOUR KIND INTRODUCTION.

VICE PRESIDENT ING, CONGRESSMAN DERWINSKI, REPRESENTATIVE SHAH,
DIRECTOR O'YOUNG, MADAM YU, DR. HUO, MR. FONG, MR. WENTLING,
MR. MATANO, MR. PARDEE, REPRESENTATIVE DIAGO, DR. MELPAS, MR.
MARTIN, OTHER DISTINGUISHED GUESTS, MEMBERS OF THE CHINESE
CONSOLIDATED BENEVOLENT ASSOCIATION, LADIES AND GENTLEMEN:

WHEN I DECIDED TO BE HERE WITH YOU TONIGHT, INSTEAD OF GOING TO
THE WHITE HOUSE UPON THE INVITATION OF PRESIDENT CARTER TO MEET
THE POPE, I THOUGHT I WAS MAKING A TREMENDOUS SACRIFICE, UNTIL I
CAME HERE TO FIND CONGRESSMAN DERWINSKI SHARING THE HEAD TABLE.

WHEN PRESIDENT JIMMY CARTER ANNOUNCED ON DECEMBER 15, 1978
THAT THE UNITED STATES WAS ESTABLISHING DIPLOMATIC RELATIONS WITH
THE PEOPLE'S REPUBLIC OF CHINA ON THE MAINLAND AND WAS AT THE SAME
TIME TERMINATING ITS DIPLOMATIC RELATIONS WITH THE TAIWAN-BASED

REPUBLIC OF CHINA, EFFECTIVE JANUARY 1, 1979, AMERICANS WERE SHOCKED, NOT SO MUCH BY THE ACTION HE TOOK AS BY THE PRECIPITOUSNESS OF HIS ACTION.

SINCE PRESIDENT NIXON'S LANDMARK VISIT TO CHINA, WHERE HE SIGNED THE SHANGHAI COMMUNIQUE IN FEBRUARY 1972, CLEARLY SIGNALLED AN AMERICAN INTENTION TO ESTABLISH A NEW RELATIONSHIP WITH CHINA, WHICH WOULD LEAD ULTIMATELY TO A DOWNGRADING IN OFFICIAL TIES WITH TAIWAN, AND HIGH-LEVEL AMERICAN OFFICIALS IN THE NIXON, FORD AND CARTER ADMINISTRATIONS HAD SINCE THEN AVOIDED VISITING TAIWAN, PRESIDENT CARTER'S ANNOUNCEMENT WAS NOT ALTOGETHER UNEXPECTED.

IMMEDIATELY FOLLOWING THE U.S.-P.R.C. NORMALIZATION ANNOUNCEMENT, THERE WAS A GREAT OUTCRY AND PROTEST DEMONSTRATIONS AGAINST AMERICANS IN TAIWAN, WHICH STRUCK A RESPONSIVE CHORD IN THE U.S. CONGRESS. THE OUTCOME WAS THE "TAIWAN RELATIONS ACT" WHICH WAS SIGNED INTO LAW ON APRIL 10. THIS ACT TAKES INTO ACCOUNT THE REALITIES OF A COMPLEX INTERNATIONAL CLIMATE WHILE AT THE SAME TIME REFUSING TO ABANDON A GOOD FRIEND AND ALLY.

THE CONDITION THAT HAS EMERGED OUT OF NORMALIZATION WITH COMMUNIST CHINA IS UNIQUE IN THE ANNALS OF AMERICAN FOREIGN POLICY. ALTHOUGH, ON THE ONE HAND THE UNITED STATES HAS SAID THAT IT NO LONGER LEGALLY RECOGNIZES THE GOVERNMENT OF THE REPUBLIC OF CHINA IT ON THE OTHER HAND HAS LEGISLATED ANOTHER ENTITY INTO BEING. THE NEW ENTITY IS CALLED "THE PEOPLE ON TAIWAN" AND AS STATED IN SECTION 4.(A) OF THE ACT "THE ABSENCE OF DIPLOMATIC RELATIONS OR RECOGNITION SHALL NOT AFFECT THE APPLICATION OF THE LAWS OF THE UNITED STATES WITH RESPECT TO TAIWAN, AND THE LAWS OF THE UNITED STATES SHALL APPLY WITH RESPECT TO TAIWAN IN THE MANNER THAT THE LAWS OF THE UNITED STATES APPLIED WITH RESPECT TO TAIWAN PRIOR TO JANUARY 1, 1979."

AFTER AN INITIAL RESPONSE OF GREAT HOSTILITY TO THE IDEA THAT THE UNITED STATES WAS OFFICIALLY SHIFTING THE RELATIONSHIP BETWEEN THE TWO COUNTRIES FROM GOVERNMENT TO GOVERNMENT TO ONE OF PEOPLE TO PEOPLE, THERE APPEARS TO BE A GROWING ACCEPTANCE OF THE IDEA. THIS PAST JULY

CHINA UPDATE, A PUBLICATION OF THE COORDINATION COUNCIL FOR NORTH AMERICAN AFFAIRS -- THE REPRESENTATIVE OF TAIWAN IN THE U.S. AND A COUNTERPART TO THE AMERICAN INSTITUTE IN TAIWAN -- PUBLISHED AN ARTICLE FROM THE WASHINGTON POST WHICH READ AS FOLLOWS: "SIX MONTHS AFTER MOBS STONED THE U.S. EMBASSY (IN TAIPEI) IN A RAGE OVER WASHINGTON'S PLAN TO RECOGNIZE PEKING, THE NEW SO-CALLED "UNOFFICIAL" U.S. RELATIONSHIP WITH TAIWAN SEEMS ACTIVE AND ECONOMICALLY HEALTHY, WITH FEW TRACES OF BITTERNESS TOWARD AMERICANS."

FRIENDS OF FREE CHINA CHARACTERIZED THE NEW RELATIONSHIP AS "A BIT LIKE WANDERING THROUGH THE MURKIER PARTS OF ALICE IN WONDERLAND." REGARDLESS OF HOW ONE VIEWS THE U.S. RELATIONSHIP WITH TAIWAN, ONE CANNOT DENY THE FACT THAT IT APPEARS TO BE WORKING REMARKABLY WELL.

LOOKING FIRST AT THE POLITICAL SITUATION IN TAIWAN, ITS PROSPECTS OF POLITICAL STABILITY ARE VERY ENCOURAGING. A GOOD, STRONG SIGN OF THIS IS THE APPARENT NARROWING OF

THE SOCIAL AND POLITICAL GAP BETWEEN THE INDIGENOUS
TAIWANESE AND THE MAINLANDERS WHO SOUGHT REFUGE IN 1949.
IN FACT, PRESIDENT CHIANG CHING-KUO HAS, ACCORDING TO
REPORTS COMING OUT OF TAIWAN, PUT ASIDE MUCH OF HIS
EARLIER AUTHORITARIANISM AND HAS BECOME A VERY POPULAR
POLITICAL FIGURE. ALTHOUGH HE IS 69 AND HAS A HISTORY
OF DIABETES, HE SEEMS VIGOROUS, AND HIS ABILITY TO
MANAGE TAIWAN'S POLITICS REMAINS UNQUESTIONED. ON THE
NEGATIVE SIDE THERE IS NO FIGURE IN TAIWAN WHO APPEARS
TO HAVE HIS STATURE, AND THEREFORE THE PROBLEM OF
SUCCESSION COULD RAISE A SERIOUS CHALLENGE.

ANOTHER CHALLENGE TO TAIWAN'S POLITICAL STABILITY
STEMS FROM ITS GROWING INTERNATIONAL ISOLATION AND, AT
THE SAME TIME, THE P.R.C.'S SIREN CALL ENCOURAGING
ISLAND LEADERS TO END ITS ISOLATION BY AGREEING TO REUNIFY
TAIWAN WITH THE MAINLAND. ALTHOUGH THE P.R.C.'S APPEALS
TO CHINESE NATIONALISM AND UNITY ENJOY SOME SUPPORT ON
TAIWAN, IT IS MORE THAN OFFSET BY THE STRONG HATRED THAT

THE PEOPLE HAVE FOR COMMUNISM AND THE REALISTIC EXPECTATION THAT THEIR STANDARD OF LIVING WOULD SUFFER A MAJOR NOSEDIVE IF PEKING SHOULD GAIN CONTROL.

ECONOMICALLY, TAIWAN HAS PERFORMED A MIRACLE, AND ITS ECONOMIC GROWTH HAS NOT BEEN SERIOUSLY DISRUPTED BY THE NORMALIZATION PROCESS. WHILE THE ECONOMY WILL BE UNABLE TO REPEAT LAST YEAR'S REMARKABLE PACE OF 12.8% REAL GROWTH, IT SHOULD, ACCORDING TO THE FAR EASTERN ECONOMIC REVIEW, ATTAIN A RESPECTABLE SHOWING OF AROUND 8% FOR THIS YEAR. UNDENIABLY, THERE WERE SOME DISTURBING ECONOMIC DEVELOPMENTS IN TAIWAN IN THE WEEKS FOLLOWING THE NORMALIZATION DECISION AS THE STOCK MARKET PLUMMETED AND THE ISLAND'S CURRENCY DEPRECIATED CONSIDERABLY ON THE LOCAL BLACK MARKET, BUT BY MID-1979 THESE SIGNS HAD LARGELY DISAPPEARED. MANY INVESTORS IN TAIWAN -- BOTH LOCAL AND FOREIGN -- HAD APPARENTLY LONG TAKEN TAIWAN'S DERECOGNITION IN STRIDE; SEVERAL HAVE STATED THAT THE U.S. ACTION ACTUALLY SERVED TO "CLEAR THE AIR" AND TO

SHOW CONCLUSIVELY THAT TAIWAN'S ECONOMY CAN INDEED WEATHER THE EFFECTS OF NORMALIZATION AND CONTINUE TO PROSPER. AT PRESENT, OBSERVERS IN TAIWAN AND ABROAD APPEAR RELATIVELY CONFIDENT THAT TAIWAN'S ECONOMIC DEVELOPMENT WILL CONTINUE TO ALLOW THE ISLAND TO ENJOY A FLOURISHING INTERNATIONAL TRADE, ONE OF THE HIGHEST PER CAPITA INCOMES IN ASIA, AND THE NARROWEST GAP BETWEEN RICH AND POOR OF ANY NONCOMMUNIST COUNTRY IN THE WORLD.

THE OMINOUS PAUSE THAT OCCURRED AS AN AFTERMATH OF DERECOGNITION IS CLEARLY OVER. DURING THE FIRST FOUR MONTHS OF 1979 FOREIGN INVESTMENT APPROVALS TOTALLED \$137 MILLION. THIS WAS AN INCREASE OF \$90 MILLION OVER THE SAME PERIOD IN 1978. OF THIS TOTAL \$18 MILLION CAME FROM U.S. SOURCES, AN INCREASE OF 35% OVER THE FIGURE FOR THE SAME PERIOD IN 1978.

TOTAL U.S. DIRECT INVESTMENTS IN TAIWAN ARE CURRENTLY NEAR THE \$600 MILLION MARK.

IT APPEARS TO BE STRANGELY PARADOXICAL THAT IN THE DECADE OF THE SEVENTIES, WHEN TAIWAN HAS BECOME INCREASINGLY ISOLATED DIPLOMATICALLY, THE ISLAND'S EXPORTS AND IMPORTS HAVE INCREASED TEN FOLD, ITS GROSS NATIONAL PRODUCT AND LIVING STANDARDS HAVE RISEN DRAMATICALLY, AND ITS ECONOMIC AND FINANCIAL STANDING HAS BECOME INCREASINGLY WELL REGARDED BY THE INTERNATIONAL COMMUNITY.

ONE OF THE INSTITUTIONAL FACTORS THAT HAS HELPED TO CUSHION THE EXPORT SECTOR OF THE ECONOMY AGAINST DIPLOMATIC SHOCKS IS A HIGH LEVEL OF FOREIGN INVESTMENT IN THE MANUFACTURING SECTOR, LARGELY U.S. AND JAPANESE. IN ADDITION TO INVESTMENT ROLES, THE U.S. AND JAPANESE MARKETS HAVE LONG FUNCTIONED AS LIFE SUPPORT SYSTEMS FOR TAIWAN'S ECONOMY, WHICH RISES AND FALLS TO THE BEAT OF FOREIGN TRADE LEVELS.

TAIWAN'S EXPORT PERFORMANCE HAS BEEN SO STRONG THAT IT HAS REGISTERED GLOBAL TRADE SURPLUSES IN SEVEN OF THE LAST NINE YEARS. AS A MATTER OF FACT FOREIGN TRADE

IN THE FIRST QUARTER OF 1979 INCREASED FOR THE SAME PERIOD IN 1978, BY OVER 40%, AND EXPORTS HAVE PROVIDED A TRADE SURPLUS OF \$239.6 MILLION.

ON THE MINUS SIDE, IF YOU CAN CALL IT THAT, THE TAIWAN ECONOMIC STRUCTURE IS OVERLY DEPENDENT ON THE U.S. MARKET, WHICH ABSORBED 39% OF TAIWAN'S EXPORTS TO THE TUNE OF OVER \$2.5 BILLION AND PROVIDED TAIWAN WITH A SURPLUS OF OVER \$1.5 BILLION. THUS, JAPAN AND THE UNITED STATES TOGETHER IN 1978 ACCOUNTED FOR SLIGHTLY OVER HALF OF TAIWAN'S EXPORTS.

AS IT COULD BE EXPECTED, FOLLOWING THE BREAK IN OFFICIAL DIPLOMATIC RELATIONS AND THE WIDELY TELEVISED ANTI-AMERICAN DEMONSTRATIONS WHICH SUBSEQUENTLY TOOK PLACE IN TAIWAN, AMERICAN TOURISM DECLINED BY 38% IN THE FIRST 5 MONTHS OF 1979. HOWEVER, AS THE MEMORY OF THESE INCIDENTS DIMS, TOURISM WILL NO DOUBT BEGIN TO INCREASE.

IN SUMMARY, THE ECONOMIC PICTURE FOR TAIWAN, DESPITE THE SEVERANCE OF OFFICIAL RELATIONS WITH THE UNITED STATES, CONTINUES TO BE PROMISING. ECONOMIC AND EMOTIONAL TIES BETWEEN THE PEOPLE OF THE UNITED STATES AND TAIWAN CONTINUE TO BE CLOSE, AND BUSINESSMEN, TRADERS, AND INVESTORS CONTINUE TO TRAVEL UNIMPEDED BETWEEN THE TWO COUNTRIES. PARTIES ON BOTH SIDES ARE OPTIMISTIC ABOUT THE FUTURE. THIS OPTIMISM IS EXEMPLIFIED BY THE VIEW AMONG SOME AMERICAN BANKERS IN TAIWAN THAT THE TWO WAY TRADE WHICH REACHED A RECORD \$7.5 BILLION IN 1978 WILL GROW TO AN EVEN GREATER \$10 BILLION IN 1979. PROSPECTS FOR THE FORESEEABLE FUTURE ARE THAT TAIWAN WILL CONTINUE TO RANK SECOND ONLY TO JAPAN AS A U.S. TRADING PARTNER IN ASIA. THIS OPTIMISM WAS ECHOED BY BOTH MR. DAVID DEAN, CHAIRMAN OF THE BOARD OF THE AMERICAN INSTITUTE IN TAIWAN, AND MR. CHARLES CROSS, TAIPEI DIRECTOR OF THE AMERICAN INSTITUTE IN TAIWAN, WITH WHOM I HELD DISCUSSIONS ABOUT TAIWAN OVER THE LUNCH TABLE ONLY THREE DAYS AGO.

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MY FRIENDS, THE PLANET UPON WHICH WE LIVE MUST WHIRL
ETERNALLY THROUGH THE VOID OF SPACE. IF EVER IT SHOULD STOP ALL
LIFE WOULD END. SO THE PEOPLE ON TAIWAN, CANNOT STOP TOO LONG
TO DWELL ON WHAT WAS, BUT RATHER MUST KEEP PACE WITH THE WORLD
AS IT IS. IMPORTANT DECISIONS ARE YET TO BE MADE, BUT IN THE
PROCESS OF MAKING THOSE DECISIONS I AM CONFIDENT THAT THE LEADERS
OF TAIWAN WILL DO WHAT IS RIGHT, BECAUSE AS CONFUCIUS SAID
TWENTY-FIVE HUNDRED YEARS AGO, "THE SUPERIOR MAN UNDERSTANDS
WHAT IS RIGHT."

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