

## UP FROM DESPAIR

by *Gerald McBeath*

A week before Christmas, 1949, *Time* described Generalissimo Chiang Kai-shek's escape to Taiwan from the Communists on the mainland:

"For the stubborn aging (63) leader, the flight across the sampan-flecked Strait of Formosa was a time for bitter remembrance. . . . He had broken warlords, checked an early international Communist conspiracy, survived Japanese aggression, only to go down before [Mao Zedong's armies] and the corruption which grew up in his own wartorn regime. . . . Chiang would try to fight on Formosa though the U.S. and British governments had written off the strategic island . . ."

Aside from *Time's* publisher, Henry R. Luce, the Nationalist (Kuomintang) cause had few powerful sympathizers left in the United States. Washington's recriminatory debate over "who lost China" had yet to flower. President Harry Truman was ready to "let the dust settle."

Yet, as their well-disciplined troops occupied the mainland's coastal cities, the Communists were far from euphoric. Although Chiang had fled, along with more than 1 million of his cadres and troops, Mao Zedong still faced what Radio Peking called "Kuomintang remnants" and other guerrilla foes in the vast hinterland; much of China was suffering from famine, inflation, and the chaotic aftermath of both Japanese occupation and four years of civil war.

And the People's Liberation Army had already learned that across-the-water assaults were difficult. In October 1949, perhaps 10,000 Communist troops boarded a fleet of coastal junks in Fukien Province for an attack on Quemoy Island (known to the Chinese as Kinmen) just offshore. To everyone's surprise, the Nationalist garrison repulsed the invasion, killing 3,000 of their foes and capturing the rest (who were later "integrated" into the defense of Taiwan). It was clear that any attack across the 100-mile-wide Taiwan Strait would demand a major logistics build-up, more shipping, and sophisticated planning. Finally, in the

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spring of 1950, Mao Zedong's commander-in-chief, Marshal Chu Teh, announced that sizeable forces were being assembled to take Taiwan—"the most pressing task of the entire country."

During those grim days, the key to the survival of Chiang Kai-shek—and a non-Communist Taiwan—was the attitude in the White House, which soon changed from "hands off" to a revival of active support. First, Mao helped the Nationalists by announcing gratuitously that he would side with Russia against America in any new world conflict; his agents arrested or harassed U.S. diplomats still on the mainland, and, in effect, made it politically impossible for Washington to follow London's lead in recognizing the new regime in Peking. Indeed, under prodding from the famed "China Lobby" leader, Senator William F. Knowland (R-Calif.), Secretary of State Dean Acheson announced a modest economic aid program for Taiwan two months after Chiang's flight from China.\*

But the real change came with the start of the 1950–53 Korean War. As President Truman sent U.S. forces into Korea to help repel the Communist North Korean invaders, he also ordered the U.S. Seventh Fleet to patrol the Taiwan Strait. Thereafter, despite its heavy bombardment of Quemoy in 1958 and other pressures, Peking had to postpone its plans for the "liberation" of the Taiwanese.

After Chinese Communist troops entered the Korean War, U.S. military and economic aid to Chiang's regime vastly expanded; and American air, logistics, and advisory detachments were based in Taiwan for two decades. A 1954 Mutual Defense Treaty gave Chiang an official U.S. commitment. Until the 1970s, Washington, albeit with decreasing ardor, formally endorsed the Nationalists' claims as the legitimate government of China and kept Peking out of the UN.

Chiang, like France's Charles DeGaulle, was often upset by his overseas allies. American Presidents—Truman, Eisenhower,

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\* Knowland's championship of the Nationalist cause gained him the title of the "Senator from Formosa." His allies in the so-called China Lobby included U.S. Representative Walter Judd (R-Minn.) and William J. ("Wild Bill") Donovan, former head of the wartime Office of Strategic Services (OSS). No longer powerful, support for the Nationalists is now organized under the Committee for a Free China, whose Washington office is headed by Judd.

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Kennedy, Johnson—politely refused to join the Generalissimo in a crusade to recapture the mainland from Communism. And the Nixon-Kissinger rapprochement with Peking in 1971–72 (without advance notice to Chiang) meant that Taiwan would eventually lose her U.S. insurance policy, as she did last year when Carter officially recognized the Peking regime as the legitimate government of all China. Chiang died, a bitter man, in 1975. His son, Chiang Ching-kuo, then 65, succeeded him.

Yet the U.S. “umbrella”—and two decades of military and economic aid—were the external conditions allowing the Nationalists (or “Chinats,” as the GIs called them) to survive, to consolidate, and, over time, to produce an “economic miracle,” if not a showcase of democracy, out of the lassitude and despair that prevailed on the island in 1949.

#### **Land to the Tiller**

Although the Japanese had given the island a basic infrastructure (ports, railroads, power plants), Taiwan’s economy in 1949 was “preindustrial.” Most Taiwanese workers were landless villagers producing rice, camphor oil, sugar cane, vegetables. Few were educated beyond the third grade. The gross national product was \$95 million, which meant an annual income per capita of less than \$100. In economic terms, Taiwan was definitely among those countries now politely classified by the World Bank as “less developed.”

Thirty years later, Taiwan’s economy is industrial and highly complex (petrochemicals, ships, textiles, electrical equipment); its labor force is urban, educated to the ninth grade level or above, willing to work six days a week. If high technology is still scarce, talented managers and entrepreneurs are not. The GNP has increased nearly 7-fold, industrial production 20-fold, and the annual per capita income exceeds \$1,300—considered the takeoff point for a “developed” economy. Along with Brazil and South Korea, Taiwan has long since left behind most of the Third World.

What did it? There were some unusual assets. For one thing, before he fled the mainland, Chiang had prudently sent off to Taiwan the Nationalist treasury (including 500,000 ounces of gold). He also saved some 250,000 Chinese art treasures; the Nationalists, and most overseas Chinese, saw his regime both as the guardian-in-exile of China’s culture, religions, and Confucian traditions, and as promoter of the *San Min Chu I* (“Three Principles of the People”), the progressive teachings of Sun Yat-sen, architect of the first Chinese Republic of 1911.

### LAST OF THE CHIANGS?

Chiang Ching-kuo, the 69-year-old son of the late Chiang Kai-shek, and President of the Republic of China (Taiwan), has three undistinguished sons and a younger brother who seems content to head Taiwan's military staff college. There is no obvious successor to the aging Nationalist leader in sight.

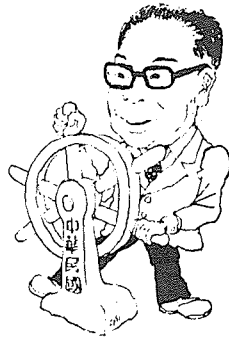
Chiang Ching-kuo himself was not the obvious candidate for the job he now holds. In 1925, at the age of 17, he was sent to the Soviet Union by his father as a pledge of the Nationalists' good intentions in their (temporary) alliance with Moscow. Chiang attended the Soviet Military and Political Institute, learned to speak fluent Russian, became assistant director of a tool factory in the Urals, and (it is thought) somehow fell victim to the Stalinist purges of the 1930s and was sent to Siberia. He came back to China in 1937 with a Russian wife.

The Generalissimo's son was received without fanfare upon his return. Yet, after an intensive "re-education" period, he proved himself in a number of key administrative posts on the mainland. His first job on Taiwan, in 1949, was as director of the China Youth Corps (an affiliate of the Nationalist Party). During the early 1950s, he spearheaded party reforms and reorganized the Secret Police. He became Defense Minister in 1966, Vice Premier in 1969, and Premier in 1972. When his father died in 1975, Chiang Ching-kuo already had the government in his hands.

Moreover, some hard lessons—about peasant support, mismanagement, inflation, corruption—had been learned from the mainland debacle. Those on hand in Taiwan to ponder them included perhaps the best of Chiang's Westernized administrators (the most corrupt Nationalist bureaucrats were either purged or chose a softer life in Hong Kong or the United States). There were enough such technocrats to run an underdeveloped island, and they were driven by their predicament. "Desperation is the mother of reform" said K. C. Wu, former mayor of Shanghai and Taiwan's new governor in late 1949. "We need new ideas and new men."

Perhaps the best new idea was land reform—without bloodshed. Politically, it was not divisive; few of the ruling Nationalist émigrés had any holdings in Taiwan, and native Taiwanese landowners lacked political power. Above all, Chiang correctly saw the support (or acquiescence) of the Taiwanese peasantry as essential to his regime's survival on the island.

*Chiang Ching-kuo, the helmsman, as depicted on the occasion of his inauguration as President of the Republic of China in Taipei in 1978.*



*A New Era by Wang Ting-tai. From the Torch of Victory, no. 282, June 1978.*

A hard-working leader, he often tours the countryside where, in the words of one diplomat, "he pumps hands and bounces babies like an American politician." He has quietly retired the Nationalist Party's elder statesmen of the 1940s, replacing them with younger, Western-trained technocrats, like Premier Y. S. Sun. And, by all accounts, he has reduced both official corruption and red tape in the mainland-dominated bureaucracy. Such measures—and a certain liberalization of political life—seem to have gained him support from Taiwan's ordinary citizens.

What happens when he dies? The people of Taiwan may heed Chiang Ching-kuo's motto: "Do not be disquieted during times of adversity. Remain calm with dignity."

Even before the final collapse on the mainland, Chiang ordered the reduction of rural rents, invoking Sun Yat-sen's call for "land to the tiller." Traditionally, tenant farmers had paid up to 70 percent of the total yield of their crops to absentee landlords, big and small. The Nationalists cut this to 37.5 percent. Then, in 1953, absentee landlords were compelled to sell their acreage to the state, which sold it back to the tenants on the installment plan.

With U.S. dollars and the technical assistance of the Sino-American Joint Committee on Rural Reconstruction, the \$100 million plan worked. Compensation to the old owners was in cash, rice bonds, or stocks in former Japanese-owned industrial enterprises. Thus, private funds flowed into industry and substantially "de-nationalized" it, and landlords became urban capitalists. Farmers' real income rose 94 percent from 1952 to 1967, and new markets were created for the output of Taiwan's factories. By 1971, nearly 90 percent of all arable land was

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owned by the farmers who tilled it.\*

On the industrial side, Chiang and his technocrats at first thought in terms of making Taiwan "self-sufficient." As the invasion threat waned, the American-equipped 500,000-man army was put to work building roads and modernizing the Japanese-built railways. Foreign imports were discouraged, and the new Taiwanese entrepreneurs were encouraged to produce foodstuffs and clothing for the small domestic market to replace imports. It took less than 10 years for the Nationalists to see that this orthodox strategy was getting them nowhere in terms of economic growth.

In 1958–59, the Nationalists, led by economist K. T. Li, decided to put their bets on exports, foreign investment, and less red tape. "Developing agriculture by virtue of industry, fostering industry by foreign trade" was the new slogan in Taipei. In 1966, duty-free export-processing zones for industry were set up in the ports of Kaohsiung, Nantze, and Taichung; import controls were liberalized, and foreign investors got tax breaks and other concessions.

### Round Two to the Technocrats

In 1968, the government made nine years of schooling compulsory and thus upgraded the labor force, which rapidly expanded. (The mechanization of agriculture, better education, and new factory jobs pulled peasants out of the lovely countryside into the grimy cities, producing complaints in the press over rising crime and the erosion of family ties.) Unions were permitted, but a no-strike law kept factory wages low. Price controls on food and rent reduced pressure for higher pay. Perhaps as much as anything, a relatively egalitarian wage-and-salary structure helped dampen worker discontent. (Distribution of income in Taiwan is less unequal than in Japan or the United States.)

Statistics tell part of the story. During the early 1950s, Taiwan's major exports were sugar, rice, tea, and bananas (as they were during the Japanese colonial era). Exports and imports comprised no more than 10 percent of Taiwan's GNP; of this figure farm crops contributed 24 percent, processed agricultural goods 63 percent, and manufacturing only 13 percent. By the late 1970s, Taiwan's major exports were textiles

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\*When rural incomes lagged behind those in the cities in the late 1960s, the regime in Taipei sounded the alarm; a reform program, including an increase in rice prices, a reduction of agricultural taxes, an easing of the terms of farm loans, reversed the decline.



### HOW "CHINESE" ARE THE TAIWANESE?



The people of Taiwan are ethnically Chinese (or *Han*), but the Taiwanese "identity," like the legal status of the island itself, is more difficult to define.

As a colony of Japan (1895–1945), Taiwan was cut off from the political ferment on the mainland that was marked in 1911 by Sun Yat-sen's proclamation of the first Republic of China and then by continued war and civil strife. Taiwanese schoolchildren were taught in Japanese and learned nothing of Chinese history. When Taiwan was "liberated" by the Chinese Nationalists in 1945, 75 percent of all Taiwanese were competent, if not fluent, in Japanese; many were illiterate in Chinese. The Nationalists began a drive for "re-Sinification" aimed especially at the young. Chinese history and geography became an important part of the school curriculum, and all pupils were instructed in the life and works of Sun Yat-sen.

Language was a problem. Taiwanese generally spoke one of two old South China dialects that had evolved independently of the mainland since 1895. But the 1 million mainlanders who fled to Taiwan in 1945–49 spoke Mandarin. The Nationalist regime launched a successful campaign—the National Language Movement—to make Mandarin the standard language of the island.

That removed one obstacle to the integration of mainlander and Taiwanese. Other barriers are falling. Taiwan's mainlanders, once confirmed city-dwellers, now live and work all over the island, mixing with Taiwanese in schools, social clubs, the workplace; intermarriage is common. Today, the vast majority of the island's population is Taiwan-born, including, of course, the younger sons and daughters of the mainland émigrés. Recent studies by U.S. scholars suggest that the children of both mainlanders and native Taiwanese now share virtually identical social and political attitudes. The inhabitants of Taiwan are slowly becoming a self-conscious "people."

But how "Chinese" are they? The only answer may be another question: Compared to whom? The Taiwanese have had contacts with mainland China during only four years (1945–49) of the past 83. Young Taiwanese reject many old Chinese social traditions, such as arranged marriages. They are somewhat "Western" in their dress and lifestyle. "Sinicity" is a complicated business. Culturally and linguistically, the Taiwanese are as Chinese as the people across the Strait. Politically, they are alienated from the mainland. By way of analogy, how "English" were the Americans in 1776?



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and machinery, electric equipment—including TV sets, appliances—lumber, and plastics. Exports and imports comprised more than 90 percent of Taiwan's GNP (perhaps the world's highest proportion). Of the exports, agriculture contributes only 7 percent, processed goods 10 percent, and manufacturing a whopping 83 percent. Two-thirds of this industrial production is in private hands, and four out of five capitalists are native Taiwanese.

Thus, in less than a generation, the economy shifted from using natural resources to produce food and clothing for the domestic market to using human resources to produce low-wage manufactured goods for the foreign market; and the average annual growth rate of over 12 percent in 1978 was among the highest in the world. International politics seemed not to matter; today, none of Taiwan's top trading partners (the United States, Japan, West Germany, Hong Kong, Indonesia, Australia, Canada, Britain, Singapore, the Netherlands) has diplomatic ties with the Nationalist regime.

Export promotion succeeded because management, money, and labor were available and committed to that strategy by the government. Massive aid from Washington was a crucial factor, making up the deficits in a Nationalist budget largely devoted to defense. The United States provided \$2 billion in economic aid through 1965, when the program ended. Military aid of more than \$4 billion also helped the civilian economy. U.S. economic aid accounted for 40 percent of Taiwan's net domestic investment through 1965, and it paid off as economic liberals, with American advice, successfully pressured military hardliners to modernize the economy. And, in the 1960s, Taiwan (like Japan, Singapore, and South Korea) got a special boost from Pentagon "off-shore" contracts for cement, sandbags, barbed wire, and other materiel needed for the U.S. effort in Vietnam.

### **A Layer Cake**

Foreign private investment of nearly \$2 billion played a strong secondary role. The big investors in 1975 were from the United States (33 percent, including Ford, General Instruments, RCA, Gulf Oil, Union Carbide, and IBM), Japan (16 percent) and overseas Chinese (mainly from Hong Kong, investing about 30 percent of the total in smaller projects, such as food processing plants and hotels).

Essential to this economic surge were political leadership and stability. These were by no means assured when the Nationalist leadership landed in 1949. Making up only 14 per-



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**COMPARISON: PER CAPITA GNP** (in constant 1972 dollars)

	1960	1970	1977
United States	5,460.0	7,027.9	8,188.5
Japan	1,587.6	3,983.0	5,342.8
Singapore	906.4	1,729.4	2,735.2
Hong Kong	791.5	1,620.9	2,456.6
<b>Taiwan</b>	<b>422.9</b>	<b>735.6</b>	<b>1,116.8</b>
South Korea	239.7	425.8	765.0
Peoples' Rep. of China	202.5	292.7	387.9
Indonesia	173.5	203.8	288.2

Source: *International Bank for Reconstruction and Development*, 1979.

cent of the population, the Nationalists were outsiders who, as the natives saw it, took the best jobs, even outside the government, and were not loathe to line their own pockets. Moreover, the Nationalists were committed not to developing the island but to "return to the mainland," a slogan they used to justify their claim to represent China in the UN and their rule over the "province" of Taiwan. It was a two-layered cake. The Nationalists sat on top with their increasingly anachronistic all-China parliament, while the Taiwanese, at best, participated in provincial affairs. Only slowly did the Taiwanese get a piece of the icing.

In 1979, a generation later, native Taiwanese (86 percent of the population) not only own the farms and most of private industry but also hold positions of influence in the Nationalist party and the government (particularly at the local level), and dominate the junior officer corps in the military. They do not yet exercise power equivalent to their numbers. Only one Taiwanese general, Chen Shou-shan, holds an important position in the Army, for example.\* But interest groups (such as the Farmers Association) created by the party have become autonomous, and old Taiwan hands doubt that the Nationalists still

\*In the 1950s, only half those taking civil service exams, and one-third of the civil servants, were Taiwanese. Twenty years later, more than 90 percent of those taking, passing, and scoring high on these entrance exams were Taiwanese; and two-thirds of the nonmilitary bureaucracy was Taiwanese.

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run politics from "the top down." They pay heed to Taiwanese sentiments, to local issues, to local leaders. Today, the ritualistic "recover the mainland" slogans have been largely replaced by official calls for "self-strengthening" through economic development, an end to corruption, and political reform. In the 1977 provincial and local elections, one-fifth of the Nationalist candidates actually lost to "non-partisan" opponents. Clearly, the old clichés of "Nationalist one-party rule" and "a police state" on Taiwan no longer fully describe the island's politics.

### A Kind of Freedom

Aside from its tight control of the press and TV, the Nationalist government has not intruded unduly on daily life in Taiwan. In contrast to the regime on the mainland (and to most Communist regimes), the Nationalists allow most ordinary citizens to *stay out* of politics, although they recruit heavily among Taiwanese businessmen and professionals. The growing middle class benefits greatly from the regime's economic policies. Farmers and factory workers appear only slightly less supportive. Some college students and intellectuals criticize the remaining political taboos, but their occasional protests have stirred more reaction from the regime than from the public.\*

The taboos have changed. During the 1950s and early 1960s, as the Western press often noted, the government was nervous, harsh on dissenters. Forbidden as "treasonous" were criticism of Chiang, published doubts about a "return to the mainland," any attempts to form an opposition political party, even the reading of Marxist texts. But after 1965, the area of permissible dissent seemed to widen. The regime has tolerated opponents whom, in other days, it would have sent to the Green Island prison camps.† "Constructive" criticism, which does not "transgress the constitution, injure national interest, oppose the anti-Communist policy, slander the government," is officially tolerated. In 1977-78, editorials in the *United Daily News* questioned the continued need for martial law; a non-partisan politician, Kuo Yu-hsin, called publicly for an end to the Nationalist political monopoly; and at Taipei Area University, professors and students could candidly discuss Taiwan's future, without fear of the police.

To some Western scholars, the apparent liberalization of

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\*In the 1977-78 academic year, 13,650 Taiwanese were studying in U.S. universities. Taiwan ranked second (after Iran) in the number of students in the United States.

†Recent estimates of the number of political prisoners on Taiwan range from 254 (the official government figure) to 8,000 (the émigré opposition's figure).

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Taiwan's domestic politics was a cynical device to strengthen Chiang Ching-kuo's succession to power. To others, it seemed designed to attract Western support by drawing attention to the contrast between Taiwan's relatively open local elections and everyday freedoms and the authoritarian excesses on the mainland. Whatever the Nationalists' motives, such changes have, willy-nilly, substantially softened the nature and style of Nationalist rule.

Chiang Ching-kuo's ascension to power has accelerated these trends. When appointed to the premiership in 1972, he selected a cabinet that was more Taiwanese, younger, and better educated than any previously. Chiang picked the popular, independent Taiwanese mayor of Taipei, Henry Kao, as a cabinet minister. Several of his new ministers were Western-educated scholars; the average age of members dropped five years—to 60. When "CCK" assumed the Presidency in 1978, he selected as his running mate a Taiwanese, Hsieh Tung-min.

Several outspoken Taiwanese critics of the Nationalist party have continued to win elections—such as legislator K'ang Ning-hsiang (who has called for full political democracy in Taiwan). And alleged irregularities in the 1977 Taoyuan county election led to a riot in Chungli that the Nationalist regime was forced to handle gingerly. Sensitive to its public image, the leaders of the party redoubled their efforts to find candidates and issues with voter appeal; this paid off in a string of Nationalist party victories in local elections in 1978 and 1979.

By world standards, Taiwan is definitely "freer" than most African or Asian states, notably the People's Republic of China. But one should not exaggerate the blooming of liberal politics on the island, or forget that old Nationalist dogmas persist. Martial law is still in force. The mainlander-dominated security bureaucracy remains vigilant—not only against Peking's infiltrators but also against the tiny independence movement. Chiang Ching-kuo, even as he makes hand-shaking tours of the villages, is determined that his regime will stay in power. By adapting, sometimes badly, more often well, to the island's realities, the Nationalists have survived and helped Taiwan to prosper. They have learned some lessons. No one would have thought it possible 30 years ago.