

## Two Chinas

east Asia. Today Taiwan produces eighty-five percent of its food, and eighty-one percent of its farmers own all or part of their fields.

After the establishment of a good agricultural base, the government then led the effort to change the emphasis of Taiwan's economy into a more industrial one by upgrading the transportation system, restructuring the financial system, encouraging private investment, promoting research and development, and emphasizing the importance of labor-intensive industries for export purposes. That this development strategy was a highly successful one is obvious, for Taiwan's gross national product (after adjusting for inflation) has been growing at an average rate of more than nine percent a year since 1953. Per capita income reached U.S. \$2,278 in 1980, the fourth highest in Asia after Japan (\$8,906), Singapore (\$4,390) and Hong Kong (\$4,290), and 9.3 times higher than that on the mainland (\$246). Taiwan's wage scale is second only to Japan's, its unemployment rate is officially estimated at only 1.4 percent and according to government figures, the income distribution in Taiwan is one of the most equitable among all of the developing countries throughout the world (in 1979 the highest twenty percent of the country's income receivers received only 4.2 times that of the lowest twenty percent). Taiwan's two-way trade in 1981 reached a record high of U.S. \$43.8 billion. On a per capita basis, Taiwan's total trade exceeds that of the People's Republic by sixty times. Even in absolute terms, Taiwan's trade still tops that of the mainland by three or four billion dollars.

To complete the argument it is necessary to mention that the United States provided about \$1.5 billion of economic aid to the Nationalist government between 1950 and 1965. This figure does not include the more than two billion dollars charged in the same period to military aid, but in part channeled to the civilian economy. In 1965 Taiwan was judged capable of guiding its own economic future and US economic assistance was terminated.

### Taiwan — economic success story

It is also highly relevant for the present discussion to note that the market mechanism is permitted to solve most of the basic economic problems of production and distribution in Taiwan, but there is a large public sector, and there is considerable reliance on central planning. The Taiwanese approach to planning is to identify a number of major growth-inducing projects and set about these. Beginning in 1972 "Ten Major Construction Projects," ranging from an impressive steel mill and shipbuilding complex in Kaohsiung to a modern petrochemical complex and nuclear power plant, were completed in six years at a cost of nearly seven billion dollars. In March 1980 the Council for Economic Planning and Development announced a new series of "Twelve Major Projects." These projects, which are well underway, include the round-the-island railway, expansion of the steel mill, two more nuclear power stations, and large agricultural development projects, and more harbor and highway development. Careful, step-by-step development is the rule in Taiwan, and it's working.

Speaking generally, the people of Taiwan are well-fed, clothed and housed, and modern appliances like televisions, refrigerators and air conditioners are commonplace throughout the island, while a sizable number of families

also own automobiles and other luxury items. Because the nine years of compulsory school attendance required of all Taiwan's children has given the island's population a literacy rate of ninety percent, both fine and the applied arts are thriving in the Republic. Chinese traditions, philosophies and religions are also alive and well.

This bright picture is partially clouded by the fact that the Kuomintang government, while democratic in form, is authoritarian in substance. Effective power in Taiwan is wielded by President Chiang Ching-kuo (the late Generalissimo Chiang Kai-shek's son and successor), the Executive Yuan (Branch), the security services, the military and technocrats. Other yuans exist (covering legislative, judicial, and regulatory functions), other nominal "national" political parties exist (Young China and the China Democratic Socialist), other administrations exist (a "provincial" government for administering Taiwan and local governments for administering counties), but they do not normally interfere with the established channels of power. It should be added that most of the top positions in the Kuomintang party and a vast majority of seats in the Legislative Yuan are held by mainlanders. This is changing. But it remains.

In consequence, there is relatively little political activity in Taiwan, the press is not very critical and does not oppose government policy with any vigor (publications are occasionally banned), public demonstrations against the government are proscribed, labor unions are controlled by the Kuomintang and strikes and lockouts are outlawed, universities and colleges have limited academic freedom, and scholars are expected to keep their critical observations about the government within well-understood limits.

These restraints, as well as those controlling currency movements, interests rates and foreign trade, are imposed in the interests of "national security." As President Chiang explained in an interview with the Far Eastern Economic Review in 1981: "We are continuously stalked by the enemy. To assure our survival and development and also to keep alive the freedom hopes of the mainland people, we must continue to struggle, persevere and sacrifice."

Leaving aside the damaging consequences of economic and political controls (which appear to be wearing thin), Taiwan's prospects are bright. Although only twenty countries have full diplomatic relations with Taiwan today, the Nationalist government has "substantive" relations with nearly 150 countries. According to Euromoney Magazine, Taiwan's international standing as a credit risk improved from thirty-fourth in the world in 1980 to twentieth in 1981. Recently, Banker's Trust became the twenty-fourth foreign bank to open a branch office in Taipei. And the government is guiding the economy towards more technology-intensive industries and the export markets of the future — computer equipment and software, advanced electronic instruments and components. Taiwan has great faith in its ability to carry through this strategy and it seems likely that its self-confidence is justified.

### Reunification issue

We can best approach the problem of unification by noting that the goal of every Chinese government since the Ch'in dynasty (221-206 B.C.) has been to erect a feared, respected and united China. And if the history of that