

January 1950

Collection of Ambassador Jessup's Memoranda of Conversation, January 1950

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Summary:

Includes Ambassador Phillip Jessup's schedule during a visit to Taiwan in January 1950, as well as memos of conversations with Yen Hsi-shan, C.K. Yen, K.C. Yeh, Yang Chao Chia, Hsu P'ing and Lin Ting-yi, Fu Ssu-nien, Chen Cheng, K.C. Wu, Chiang Kai-shek, Chiang Mon-lin, Sun Li-jen, and others.

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DEPARTMENT OF STATE A/CDC/MR

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1/15-1/17/50	Schedule for Ambassador Jessup's Visit	1
1/15/50	Memo of Conversation with Premier Yen Hsi-Shan	2
1/15/50	Memo of Conversation with C. K. Yen	3
1/15/50	Memo of Conversation with K. C. Yeh	4
1/15/50	Remarks of PC Jessup at Dinner given by Premier Yen Hsi-Shan	5
1/16/50	Memo of Conversation with Yang Chao Chia	6
1/16/50	Memo of Conversation with Hsu P'ing and Lin Teng-Li	7
1/16/50	Memo on Call by Dr. ^{Fu} Ssu-nien on Ambassador Jessup	8
1/16/50	Memo of conversation with General Ch'en Ch'eng	9
1/16/50	Memo of Conversation with Gov. KC. Wu	10
1/16/50	Memo of Conversation with Chiang Kai- Shek	11
1/16/50	Notes on Conversation with Chiang Mon- Lin and Dr. Baker, JCRR	12
1/16/50	Memo of Conversation with General Sun Li-Jen	13
1/15/50	Notes on Briefing by Consulate Officials	14
1/16/50	Notes on conversation with Dickson Missionary Group	15

CONFIDENTIAL

SCHEDULE

January 15 - Sunday

- 10:00 Arrive Sungshan Airfield.
10:30 Arrive residence No. 18, Chungshan Road North 2nd Section. Ambassador and Mrs. Jessup in Mr. Strong's car. Miss Anderson and Mr. Gibson in Mr. Martin's car.
11:00 Ambassador call on Premier Yen Hsi-shan accompanied by Mr. Strong and Mr. Gibson.
1:00 Lunch at the Consulate General: Ambassador and Mrs. Jessup, Mr. Gibson and Miss Anderson, plus Mr. and Mrs. Martin and Mr. Osborn.
2:00 Briefing by Attache's and ECA - JGRR: Col. Gabbert, Major Gault, Captain Manning, Mr. Baker, Mr. Ivy, Mr. Craig.

3:30 - 4:30 Drive in Taipei area.

5:00 Interview with C. K. Yen, former Finance Commissioner at Ambassador's residence.

6:00 Ambassador call on Minister of Foreign Affairs, Dr. George K.C. Yeh at Hsin Yi Lu, First Section, No. 14. Accompanied by Mr. Strong and Mr. Gibson.

7:00 Dinner given by Premier Yen Hsi-shan at Taipei P'ing Kuan - for the Ambassador, Mr. Strong, Dr. Wang Shih-chieh, Dr. Chang Ch'un, Dr. Chu Chia-hua (Vice Premier), Mr. Chen Li-fu, Mr. Wu Te-ch'en, Mr. Wang Kung-t'ui, Mr. Wang Sze-tseng, Dr. Han Li-wu.

Dinner for Mrs. Jessup, Miss Anderson and Mr. Gibson will be given by Mr. & Mrs. Martin.

January 16 - Monday

8:00 Breakfast in honor of Ambassador given by Columbia University Alumni at the Grand Hotel.

9:00 - 12:00 Interviews at Ambassador's residence:

9:00 Mr. Yang Chao-chia, Member, Provincial Administrative Council.

9:45 Dr. Dixon and Taiwanese group.

10:30 Mr. Hsu P'ing and Mr. Lin Teng-li.

11:15 President Fu Szu-nien of National Taiwan University.

12:30 Luncheon given by Governor and Mrs. K. C. Wu at their residence: Hsin Sheng Nan Road, 2nd Section, 30th Lane, No. 26 for the Ambassador and Mrs. Jessup, Mr. Gibson, Miss Anderson and Mr. Strong. To include conversation after lunch.

4:00 - 6:00 Interview with Generalissimo Chiang Kai-shek at Tsaoshan, including transit time.

6:00 Tea given by General Ch'ien Ch'eng with General Pai Chung-hsi, General Ho Shih-li and Mr. Tseng Tao-yu.

7:00 Buffet dinner at the Consulate General:

The Ambassador's party
Dr. George K.C. Yeh
Dr. Han Li-wu
Dr. Kuan Chi-yu
Governor & Mrs. K.C. Wu
Mr. & Mrs. C.C. Huang
Dr. Chiu Ch'ang-wei
Dr. & Mrs. Chiang Mon-lin
Mr. Hu Ch'ing-yu
Dr. Ch'en Tai-ch'u
Dr. Shih Chao-ying
Dr. Wang Kiding
Dr. J.C. Earl Baker
Mr. James T. Ivy
Mr. Loris F. Craig
Mr. & Mrs. Henry Tarring
Mr. & Mrs. Edward Mr. Martin
Col. John T.D. Li Gabbert
Lt. Col. A.W. White
Commander Nelson D. Salmon
Major James Gault, III
Major Harold Edler
Captain & Mrs. John Manning
Mr. & Mrs. Robert B. Sheeks
Mr. Kingdon W. Swayne

January 17 - Tuesday

7:00 Breakfast

8:00 Take off

NOTES

Ambassador & Mrs. Jessup and Miss Anderson will reside at No. 18, Chungshan Road, 2nd Section.
Mr. Gibson will reside at the Consulate General.
Vice Consul Swayne will be responsible for baggage to and from the airfield and will coordinate the use of the sedans, etc.

A press conference will be arranged by Mr. Sheeks at such time as the Ambassador may desire. Suggested times and place: 6:30 p.m. or 9:00 p.m. Monday, January 16, at the Consulate General (office).

Mrs. Martin will arrange all activities desired by Mrs. Jessup and Miss Anderson, and will be assisted by wives of the officers of the Consulate General.

Mr. Martin and Mr. Osborn will be present at interviews at the Ambassador's residence and will be assisted by Mr. P. H. Lee.

Quarters, meals and transportation will be arranged for the crew of the aircraft by the Attache's.

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vague and general terms stating that the task was to cooperate and work with and for the best interests of the people; to promote better living conditions for the army; and to improve relations with the people in Formosa. Economically, the Government's task was to increase production, raise living standards and balance as much as possible imports and exports. To deal with the people one must organize the people, explained the Premier. They must be taught to become resistant to communism. The Nationalist Government is for the welfare of the people while the communist government is for their liquidation, explained the Premier. Yet he felt progress must be like a staircase rather than like an electric lift--one step at a time. Ambassador Jessup inquired as to the fourth point and received evasive answers in terms of generalities as above. The Premier went on to say that success in dealing with all the points depended upon a good government and the creation of confidence in the people. The government could not be corrupt and was not corrupt at the present time. Ambassador Jessup inquired concerning the first of the steps to be taken -- was it not concerned with the ownership of the land? The Premier felt that problems of land reformation were only a small part of the whole problem and that it was more important at the moment to deal with the laborers and soldiers than with the peasants.

After concluding remarks on both sides, the interview was terminated.

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WMGibson:eva

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MEMORANDUM OF CONVERSATION WITH MR. C. K. YEN,
FORMER FINANCE COMMISSIONER - January 15, 1950 -
5:00 PM - Consulate - Taipei.

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Mr. Yen explained that he had been absent from Taiwan for four years but felt that he understood the country and its economic and political problems.

Under the Jap rule which lasted for 57 years the island became highly productive in rice and sugar. Yen explained that for the first 15 years of the Japanese occupation they failed to arrive at any healthy balance of trade but learned thereafter to increase Taiwan's agricultural productions, primarily rice and sugar, by using suitable fertilizer and developing an extensive irrigation system. In the peak years under the Japs, 1,400,000 tons each of rice and sugar were produced. In 1945 only 630,000 tons of rice and 30,000 tons of sugar were produced. This year a production of 1,200,000 tons of rice is expected and next year one of 630,000 tons of sugar. The increase is the direct result of use of fertilizer, the production of which on the island is now greater than under the Japs. Industry results have not been as favorable. Production is roughly 50% to 60% of prewar. A serious readjustment has had to take place as the industries developed here by the Japanese were tied in with Japanese home capacity and are not suitable for adaptation to a tie with the Chinese economy. The Japanese refined sugar in a semi-refined state which was suitable for the Japanese market while now it must be fully refined for export. Alcohol was another leading product formerly. Molasses was exported to Japan. Formosan tea was widely known and exported to the limit of productive capacity.

The population of Taiwan is now about seven million including the military while under the Japanese it was only six million. The island is obliged to support a military population of 600,000, a serious drain on its resources. Rice has now become a more important problem than sugar. If modern methods can be adapted, such as the tapping of underground sources for water, the yield can be increased enormously without any further use of land.

On the budget question, it was stated that the provincial budget was a level one while others were separate. The villages, for instance, have separate budgetary provisions and each village and small municipality not only collects its own taxes but is privileged to apply a portion to their own needs. Present tax revenues are much higher than in 1948 and 1947. In reply to Ambassador Jessup's question regarding price fixing, it was explained that there was none at the present time technically but in fact it did exist as a result of (a) collections in kind (rice), and (b) barter (the exchange of rice for fertilizer). Practically no rice is exported at the present time. The area is in fact importing. When the rice is received, it is distributed to cooperatives and rice shops

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where it is sold at government-fixed prices. The government follows the practice of releasing it into the market according to necessity. This policy, therefore, has the effect of stabilizing fluctuations in the market.

Financially the trend is favorable toward balancing the fiscal balance but it has not been actually possible to date because of the tremendous drain caused by the burden of the military. Regarding international balance payments, the situation is better and the island should soon be able to export more than it imports. Mr. Yen estimated the total value of exports for 1950 as \$60,000,000US. The main export items for the moment consist of sugar, which accounts for 80% of the total, and tea, accounting for approximately 10%.

Ambassador Jessup inquired whether the provincial government presents any part of its revenue to the central government, and was told that only customs revenue and the salt tax. All others were retained by the provincial government. Total tax revenues now amount to approximately \$5,000,000 Taiwan per month.

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Mr. Yen then spoke in strong terms of his opinion as to the immediate steps to be taken to assure the survival of Formosa. He felt that the Communist Government must immediately abandon all its ideas of a counter-offensive and should adjust the military plans of the Army and Navy to the present financial potential of the government. Military forces must be reduced to fit present capacity and military strategy must be adapted to the financial means of the government. He felt that these steps would not jeopardize any military plans because a smaller more effective army would be worth the present large ineffective force.

Philip C. Jessup
Ambassador at Large

Wm Gibson:eva

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MEMORANDUM OF CONVERSATION WITH DR. GEORGE K. C. YEH,
MINISTER OF FOREIGN AFFAIRS. - 6:00 PM - Jan. 15, 1950 -
Hsin Yi Lu, First Section, No. 14, Taipei. wan

After preliminary remarks, Dr. Yeh explained that the military budget of the Nationalist Government must be cut by two-thirds in the immediate future; that the only solution to their present important problems was one of retrenchment. He stated that there were now 600,000 troops under the control of the Nationalist Government, of which 300,000 were combat troops, the balance being in supply and administrative services.

Concerning the Government's immediate political problems in Formosa, the Foreign Minister appeared to be very optimistic. He explained that it was their plan to take as many Taiwanese as possible into the Central Government and that they should take advantage of the fact that the Formosan people were not hostile to the Central Government. Within the government itself he felt that the personnel and administrative setup should be cut to the bone in order to stretch out their funds to the maximum length.

Regarding Hainan Island, he felt that it was their greatest present military problem and stated that the government had decided to keep refugees from Hainan from coming to Formosa for that would only increase the problems here.

Regarding outside aid, the Foreign Minister stated unequivocally that they were no longer counting on any foreign aid of any kind. It was the Government's task, he stated, to "defend Taiwan to the last ditch." It was his opinion that the island could be held for a period of from six months to one year without further outside aid. He termed the members of the Assembly who were now such a drain on the Treasury as "constitutional parasites" who must be gotten rid of at all costs. [201 (6)]

Philip C. Jessup
Ambassador at Large

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WMB Gibson:eva

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REMARKS OF AMBASSADOR AT LARGE PHILIP C. JESSUP AT DINNER GIVEN
BY PREMIER YEN HSI-SHAN, AT TAIPEI P'ING KUAN - JAN. 15 - 7:00 PM

Mr. Premier, I deeply appreciate your courteous hospitality and the very gracious words which you have just spoken to me. Although it is true that this is my first visit to China, I have had many close contacts with China through many years. Some of these contacts which I value highly have been with Chinese students who attended my lectures at Columbia University. Others have been with other Chinese scholars, officials and business men in the United States and at international conferences. For many years Mrs. Jessup and I planned to visit China and hoped to spend a year in China when I had leave of absence from the University. Unfortunately, when the time for our long-awaited visit arrived, the Japanese had attacked Pearl Harbor and it was not a time when we could come. Now we are very happy to be able to visit here even though in the course of my present trip this visit must be very brief.

Mr. Premier, you have been kind enough to wish me wisdom and understanding. It is indeed understanding which I seek and which my Government seeks in regard to all of the problems of the Far East. The opportunity to meet and talk with you and your distinguished guests as well as similar opportunities in other countries will, we hope, contribute to such an understanding. We hope too that we shall be wise in our dealing with all of these problems. You have truly said that there is a long history of friendship between the American people and the Chinese people. We look forward to the continuation of that friendship. I shall consider it a privilege to make any small contribution in my power to that friendship between our peoples.

Again, I ask you to let me thank you on my own behalf and on behalf

behalf of Mr. Strong for this very delightful dinner and the
cordial hospitality you have extended to us.

PCJessup:eva 1/16/50

COMMUNICATIONS

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MEMORANDUM OF CONVERSATION WITH MR. YANG CHAO CHIA,
Member of the Provincial Administrative Council in Taiwan, Taipei, January 16, 1950.

A private interview was held by Ambassador Jessup with Mr. Yang in the Consular residence on January 16, 1950. Mr. Gibson and Vice Consul Osborn were present, the latter acting as interpreter.

Mr. Yang began by apologizing for not having had a reception for the Ambassador, but explained it would be unwise at this time. He then explained that he agreed thoroughly with the White Paper concerning corruption and rottenness generally. He commented that under 51 years of Japanese rule the Taiwanese were resentful and anxious to get closer to China, their ancestral home. They favored England and America in the war, rejoiced in Japanese defeats. After the war the Taiwanese received the Chinese with enthusiasm but it was not reciprocated as expected. They soon found that the KMT rule was more feudal and colonial than that of the Japanese. The Formosans on the mainland were very badly treated. He cited his own case. For thirty years he had led the exiled Formosans in China yet at the end of the war he was arrested in Shanghai and held prisoner for 42 months before being freed and allowed to return to Taiwan. Because of the oppression of the people an anti-Chinese movement has gained considerable momentum in Taiwan.

Under the four post-war Chinese Governors the KMT should have taken some Taiwanese into the Government. They failed to do so. The Government has failed utterly to use the talents of the Taiwanese or give them any authority. The Japanese built up a good economic framework in Taiwan with Japanese capital but only because of the sweat and tears of the Formosan people themselves.

The Japanese industrial capacity has been destroyed and despoiled by Chinese waste and pilferage. This is Taiwan's greatest tragedy. The Chinese refuse to employ the Taiwanese as anything but coolies. Taiwanese peasants are orderly and law abiding. The Japanese were therefore able to keep them under control relatively simply. Production in Taipei is not only 60% of pre-war. The financial situation is rapidly deteriorating - there is an increased circulation of money with lower purchasing power. Taiwan is grateful for ECA but they are making only a small contribution for the goods do not reach the consumer until they have enriched the middlemen enroute.

There were 110 uprisings in Taiwan in 51 years under Japanese rule. The February 1947 revolt was against the oppression and cruel methods of the KMT. People were arrested, imprisoned and even executed without trial. There were disappearances and Gestapo methods. It will take 20 years to replace the Taiwanese leaders lost at that time.

Because of the KMT methods the people of Taiwan have grown further and further away from China. He hopes that something will spring from the people to assure Taiwanese independence but is not too optimistic. He has told all this even to the Gimo. The military must be separated from the civilian

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CONFIDENTIAL

- 2 -
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Yang Chao Chia

Taipei, Jan. 16, 1950

administration. The Army did and is doing nothing to resist the Communists, is simply awaiting them.

Dr. Jessup inquired whether the Gimo agreed with him. No, he did not. He accused Mr. Yang of being a dissenter. Yang explained that he was the only one who told the Gimo the truth and that the Government must be based on truth. What he told the Gimo was new to him for no one had the courage to tell him that before.

Yang spoke of the tragedy of the Cairo Conference decision which gave Taiwan to the Chinese. He stated that we had a responsibility in the question for it was President Roosevelt's decision. Taiwan must, he believed, be separated from the mainland until lines could bring them together in the future. He drew a parallel with the American Revolution which separated two people of the same origin and did not prevent them from coming together for their mutual benefit at a later date. Mr. Yang hoped to plant the seeds which would lead to an eventual plebiscite of the people of Taiwan so that they might choose their own destiny.

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MEMORANDUM OF CONVERSATION WITH MR. HSU P'ING AND MR. LIN TENG-LI
Taipei, January 16, 1950.

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At the Consulate in Taipei on January 16, 1950 Dr. Jessup received Messrs. Hsu P'ing and Lin Teng-li. These gentlemen had been chosen by the Consulate as representatives of informed public opinion among native Taiwanese.

Mr. Hsu P'ing explained that Formosa was a very important part of China and as such must be protected by all democracies. It must be given military and economic aid for the sake of "world democracy". He stated that there were no communists in Taiwan as there were in Hainan. There were, moreover, no guerrillas. The recent success of conscription in Taipei is noteworthy. They joined willingly and were strongly anti-communist. He described the economy of Taiwan as sound and the prospects of increasing production as good. Taiwan has normally an export balance and will again. Good progress has been made since liberation and prewar standards can be surpassed.

Mr. Lin agreed with Mr. Hsu fully. He explained that Taiwan was all there was left of China, that the people were convinced they must resist communism. They could do so but must have aid. This should be in the form of financial help and military advisers. He hoped we would give serious consideration to the sending of a military mission here.

Mr. Lin referred to Governor Wu as a capable and enlightened man. Under him the Formosans can speak and there is not the suppression there had been under other Nationalist officials. He expressed his gratitude to the U. S. for having released Taiwan from the Japanese yoke and returned them to their fatherland, China. It is the fondest hope of all Taiwanese that the U. S. will not allow the communists to capture the Island.

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MEMORANDUM

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January 16, 1950.

Subject: Call by Dr. FU Ssu-nien on Ambassador Jessup.

Dr. FU, President of the National Taiwan University called on Ambassador Jessup at 11:15 a.m., as per appointment, bringing with him about twenty-five members of the faculty of his University and of the Taiwan Teachers College, a Provincial institution. All visitors were introduced to Dr. Jessup, and they presented him a scroll. The gist of the conversation which ensued thereafter follows:

Taiwan University is a National Government institution with an enrollment at present of 3,103 students. About 55% of the students are Taiwanese and 45% are mainlanders. There are six faculties--law, science, letters, medicine, engineering, and agriculture. Engineering is the most popular study with the students. During the Japanese period the University was called Taihoku Imperial University. At that time its student body was composed of 40% Taiwanese and 60% Japanese. Virtually the entire faculty was Japanese.

Mr. Shen, head of the English Department of the Taiwan Teachers College, mentioned the importance of his institution in view of the serious shortage of teachers on Taiwan, especially in the secondary schools. The student body of the Teachers College is nearly 60% Taiwanese. Mr. Shen said that his College

-2-

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Call by Dr. FU Ssu-nien

strove to cultivate the spirit of academic freedom in its students. He also mentioned the great demand there is for English studies and how low the standard of English is among the students.

Although Dr. FU stated that he and the professors had not come to press political views on the Ambassador but would be glad to answer any specific questions the Ambassador might have on Formosan problems, some political opinions were expressed by the visitors. Dr. FU felt that the question of Formosa was becoming a political party issue in the United States and that for this reason the facts were becoming more and more obscured. He hoped that the issue could be taken out of party politics entirely and dealt with on a non-political basis. He expressed the belief that Dr. Jessup's present visit to Formosa would be an opportunity to observe first hand the real situation and base policy on that. Dr. FU said that little publicity had been given in the U.S. to the progress made in Formosa under former Governor Ch'en Ch'eng, which included the land reform (rent reduction), currency reform and consequent monetary stability, and immigration control which had prevented overwhelming of Taiwan with refugees. Other expressions of opinion centered about the necessity for keeping Taiwan a free place where freedom of speech and academic freedom could exist.

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Call by Dr. FU Ssu-nien

and the need for sympathetic understanding on the part of the United States to bolster the spirit of those on Taiwan who were attempting to preserve its freedom. Miss CHAO of the English Department stated that during the year she had been on Taiwan she had seen the animosity of the Taiwanese towards the mainlanders turn to love and dependence upon them. A professor of law mentioned the lack of a legal system and trained judges and procurators in Communist China which gives people in those areas a feeling of deep insecurity. The professor pointed out that Taiwan is the only free Chinese territory left and that the will to fight to preserve it exists, as illustrated by the battles of Tengpu and Chinmen Islands.

EWM/wpm
 Taipei January 16, 1950

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MEMORANDUM OF CONVERSATION WITH GENERAL CH'EN CH'ENG,
Former Governor of Taiwan,
Taipei, January 16, 1950.

The interview was held at the General's residence on January 16, and was attended by Mr. Gibson, Consul Martin and a Chinese interpreter in addition to the General and Ambassador Jessup.

The General opened the interview by asserting that the Communists were their mortal enemy. In the past they and the people did not understand the menace of communism but now there were no doubts and the situation was clear.

The General spoke of his great cooperation with General Stillwell during the war, the training of his troops in Yunnan province. He spoke of his cooperation with the ECA officials at the present time. He spoke optimistically of the improvement in living conditions for Chinese troops in Taiwan over recent months. They are better housed, clothed and paid than in the past. This has resulted in better morale and increased military efficiency. In this regard the General referred to the recent victories on Huangchi Island off the Fukien coast near the Min river mouth. In Weichow Island the same is true while in Hainan communist bands are under attack. The General has great confidence in the possibility of holding Taiwan.

Dr. Jessup inquired whether the General could say anything with relation to the present situation in the Army. The General replied that two things had caused the defeat on the mainland: 1) the lack of coordination among various branches of the army, and 2) the fact that the soldiers were not paid for long periods of time and actually went hungry. The General spoke of outside defenses other than those of Taiwan. These include the Chusan Islands and others off Amoy. He said that these outer installations aided greatly in the blockade of Shanghai and are most effective in preventing the Communists from massing junks for any invasion of Taiwan.

The General spoke of three ways in which Taiwan could be conquered: 1) collapse from within, 2) infiltration, and 3) armed invasion. He feels that the first possibility is now extremely remote. In order to forestall the second many of the early refugees to the Island from the mainland have been returned and a rigid system of screening is now in effect. Moreover there is little progress in internal infiltration for the people themselves are opposed to it and report agents to the authorities.

With regard to armed invasion the General was now devoting his full attention to this problem. That was why he had resigned as Governor of Taiwan. He and Dr. Wu had an excellent working arrangement and enjoyed full cooperation with each other.

The General is in favor of a smaller and more efficient army. Numbers of troops must be decreased in order to lessen the burden on the people. From a purely military standpoint the defense of Taiwan will be simpler with a smaller force.

Dr. Jessup inquired whether the General had completed his plan for the reduction of the army. The General replied that he had. He explained that in reducing the number of troops he would be able to pay them more and have a more effective force generally.

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MEMORANDUM OF CONVERSATION WITH GOV. K. C. WU.

Taipeh, Jan. 16, 1950

After lunching with Governor and Madame Wu on January 16, the Governor and I retired to an anté-room where we proceeded with our discussions. We were accompanied by Charge d'Affaires Strong and Mr. Gibson.

Wu opened the interview by stating that Taiwan can be saved and that it will not be given up to the Commies. He described the Taiwanese as being very patriotic by instinct and not at all given to Communism. During the Japanese occupation there were 101 uprisings in 51 years. The Taiwanese thus proved their opposition to alien rule and this may explain partially their aversion to Communism. All other Chinese territory has always had Commie minorities but not Taiwan. The Taiwanese are emotional and the Japs took advantage of this in their policy of divide and rule. The Japanese gave them no responsibilities.

At the time of the Chinese restoration the Taiwanese were divided into three groups: 1) those who worked with the Japanese in order to make a living but were not collaborators, 2) the patriots who went underground and wanted the Island restored to the mainland, and 3) the patriots who left, went to the mainland and worked from there.

The Taiwanese gave those in group three a hearty welcome upon their return but their enthusiasm later changed because of: a) corruption, b) the bad discipline of the troops and police, and c) the monopoly of high offices by mainlanders. Wu explained that the Central Government had to rely on group 3 because they knew nothing of those in groups 1 and 2. They could not be sure of them until they were tested.

The elections after restoration were not really free because practical considerations made it impossible. They (the Central Government) were thus forced to rely even more on Group 3. They thus took office promptly and are, in great part, still in office. Wu described the uprising of February 1947 as being as much against them as against the Chinese.

In order to correct present ills there must be three steps taken: 1) political reform, 2) economic reform, and 3) military reform.

Under (1) the Central Government must assure that more Taiwanese take positions in the Government and take a United Front with the Central Government. Next they must eradicate the privileged classes and open Government owned industries to the Taiwanese. They must permit freedom of opinion. The press is now free, persons must be made free. The secret police must be purged. Free elections must be held as soon as possible. They must be timed properly to avoid any danger of coinciding with an attempted invasion.

Ambassador Jessup asked if the press is permitted to criticize the Central Government and was told it could with two exceptions: 1) it must not be pro-Communist, and 2) it must not divulge military secrets.

Regarding economic reform Governor Wu spoke of the need for more production, free enterprise and land reform. In regard to the latter he has

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Gov. K. C. Wu

- 2 -

Taipeh, Jan. 16, 1950

written General McArthur to ask for guidance in putting into effect a land reform program based on that used in Japan. Dr. Wu spoke of the desirability of putting a social security plan into effect.

The big snag in political and economic reform Wu stated is that they will be ineffective without military reform, the military budget is a very important item; the top men in the military are incompetent. They are not bad but are simply ignorant of modern means of warfare. The young officers, American and British trained, are much more capable but are powerless. The top military chiefs do not, for instance, even know what radar is, they have never seen it.

The caste system in the army and navy was described as very bad. The lower ranks cannot speak to the top ranks; their superior military knowledge must therefore remain useless.

The Gimo is aware of all this according to Wu and would like to do something about it but he is very proud and surrounded by people who fail to tell him the truth.

Wu's final conclusions were that:

1) Taiwan is not beyond hope, 2) as U. S. policy is definitely anti-communist the U. S. must do the following with regard to Taiwan:

a) Furnish economic aid, b) permit the Government to use a part of this economic aid to employ foreign military advisers. These men can break up the military clique and advise the Gimo and his officers that they must give up any thought of reinvading the continent (purely political in motivation in the first place and not really serious) and concentrate on defending Taiwan, then concentrate on the training of a small but effective force. Wu felt this policy could be followed without disturbing our policy regarding Formosa as recently stated by the President.

Dr. Jessup asked questions concerning the provincial and central government budgets. Wu explained that a limited portion of the provincial government tax receipts goes to the Central Government, that this limit is soon reached and cannot be surpassed as there simply isn't any more money. Wu claimed that he has been supported by the Gimo in his refusal to exceed the limit after being pressed to do so by the Central Government.

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MEMORANDUM OF CONVERSATION WITH GENERALISSIMO CHIANG KAI-SHEK
TAIPEI, TAIWAN - January 18, 1950

We called on the Generalissimo at 4:00 P.M. at his summer home at Tsoashan. Mr. Strong told the Foreign Minister that our whole group would call, this having been decided upon to give the meeting an informal social character rather than a confidential interview. The Gimo's house is located quite high in the mountains but only about a 20-minute drive from the center of Taipei. There was one pillbox with one sentry in one of the many curves of the mountain road, and we saw a few soldiers about but there was no great display of military protection. We were greeted by Ambassador James Yu, Chinese Ambassador to Rome, who had been on their Delegation at the last UNGA and who had previously been one of my students. Although someone else had been supposed to interpret, he had arrived late and Yu interpreted. Consul Edward Martin told me later that on the whole the interpretation was quite accurate and that there was no evidence of any attempt to color either my statements or the Gimo's. The Gimo and Madame Chiang came in shortly and we were seated so that I could talk with the Gimo while Mrs. Jessup talked with Madame Chiang. After the usual exchange of pleasantries in which I gave the Gimo the message of greeting from Sigmund Rhee, the Gimo began to ask a detailed series of questions about Japan. His central interest was the question of communism in Japan and his firm conclusion was that after the Occupation forces were withdrawn there would be great danger that Japan would go communist. He wanted to know about the extent of economic recovery, about the success of the land reform, the general lot of the farmer now as compared to prewar, the state of the export trade and particularly wanted to know about the rice supply, the amount we were contributing for the importation of food stuffs and the increase in the population. It was particularly in terms of the increase of population and the shortage of food that he based his conclusion that Japan was likely to go communist. I gave him as accurate a picture as I could of the progress of SCAP in the various reforms and the conviction of SCAP that communism was well under control. I told him particularly about the lack of success of the Soviet indoctrination of the returned prisoners of war. It seemed evident that the Gimo was determined to believe that the communists would take over in Japan. He asked me also about my present trip and the various places I was going. He talked about the British recognition of the Chinese communist regime and asked me what I thought of their policy. I told him that I could not undertake to comment on British policy either to defend it or to attack it. I said, however, that it did seem to me that regardless of what one thought of their policy of recognizing the Chinese communists two factors had to be kept in mind. One of these was that the British Government is clearly opposed to communism in the whole world situation. The second is that the British in the light of their history and traditions clearly did not ignore the importance of the Far East. The Gimo said that his interpretation of British policy was that they wanted the final fight against communism to take place in Asia rather than in Europe, and that their recognition of the communists was designed to strengthen them to the point where the final clash would come in Asia itself. I tried to make sure that the interpretation of these remarks was accurate and it seemed clear that the Gimo was talking in terms of motivation of British policy and not merely in terms of a diagnosis of its results. Although the Gimo referred from time to time to the assistance which the Russians were giving to the communists, he did not talk so much in terms of the Soviet Union as in terms of communism. The Gimo had already stressed his view that communism presented a world problem and that the struggle with world communism would probably be settled in Asia, particularly in China. He said that he could not agree with my interpretation since the British recognition of the communists would undoubtedly strengthen them throughout Asia and would thus contribute

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thus contributes to the success of communism throughout the world. In order to make sure that there was no misunderstanding, I repeated that I was not attempting either to attack or to defend the British recognition policy and that whether the Gimo's estimate was correct it seemed to me that the other two factors were basic in British policy as a whole. There was considerable sparring since it seemed to me that the Gimo was trying to lead the conversation to a point in which he could argue that further American aid to him was the only way in which the world could be saved. He said that he hoped I would convey to President Truman his view that the situation in China was the crucial one in the world struggle against communism. At one point in response to his saying that he hoped the United States would realize the communist menace, I told him there was no question that we recognized the world problem of communism. I told him that we had to face that problem not only in Asia but also in Europe and the Middle East, in Africa and in the Americas. I pointed out that there were necessarily short-range and long-range problems which had to be solved. (Mr. Martin told me later that the idea of "long-range problems" did not get over in the translation.) As the Gimo commented on the probability of the communists sweeping over Southeast Asia if not checked in China, I asked him whether the large Chinese communities in the Southeast Asian countries had turned communist and whether anything was being done to hold their allegiance. Again there was some confusion in the translation, but the Gimo's general idea was that, if the communists were successful in China, one could expect the overseas Chinese to stay loyal since they would of course follow the events on the mainland. He seemed to have no concept whatever of the possibility of influencing the opinions of these groups.

He insisted several times that he considered my mission to the Far East of great importance and said that I had the responsibility of determining whether China would be free or not and whether there would be peace or war. I pointed out to him in general terms the broad extent of the special consideration the United States was giving to the problems of Asia and the Far East and spoke of our conference in Bangkok. The Gimo was very particularly interested in knowing when I would be back in Washington. He asked for details concerning the further stops on the trip and how I planned to return to America. I told him that I expected to be back there the first part of March. In the course of the conversation, I was watching for indications of the Gimo's familiar view that war between the Soviet Union and the United States would break out soon. While much of his conversation was along this line, he did not say anything very definite on the subject before I stated that, while we were combating communism throughout the world, we did not believe that the solution was to be found through war and we did not expect war with the Soviet Union. Not in direct reply to this but rather soon afterward, the Gimo in again commenting on the danger arising from the loss of China suggested that war was bound to come "in a few years."

Just before it was time to break up the interview after an hour and a half, I talked briefly with Madame Chiang. She began at once with great bitterness to speak of the British recognition. She likened it to Munich and thought it was motivated by the search for the almighty dollar. Madame spoke with bitter contempt of the view that recognition had nothing to do with approval or disapproval. I tried to point out the general thinking in the views of some governments on the recognition question, but it was of course clear that there was no use in attempting to argue with her.

The Gimo

The Gimo seemed to be in excellent health. There is no question of the closeness with which he holds all the lines. For example, Mr. Jen² who lunched with us at K. C. Wu's told me that he had twice talked with the Gimo before he had agreed to accept K. C. Wu's invitation to serve as Commissioner of Finance of the Provincial Government. Jen wanted assurance that his financial administration would not be blocked by politics and that the Gimo would not appoint or defend people except on the basis of merits. (I was quite impressed with Jen. He is the one who had charge of the rice rationing in Shanghai when K. C. Wu was mayor. Mr. Strong told me that he considers he is as honest and as competent as his conversation indicates. He is evidently trying to do a good job and particularly to control inflation.) A variety of other incidental comments and bits of information further indicated the Gimo's wide range of political activity and control.

Philip G. Jessup
Ambassador at Large

* HSIEN-CHUN LÉN

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NOTES ON CONVERSATIONS WITH DR. CHIANG MON-LIN AND
DR. JOHN EARL BAKER, BOTH OF JCRR - January 16, 1950,

TAIPEI, TAIWAN

I talked separately with Dr. Baker and Dr. Chiang Mon-Lin about the work of the JCRR of which Dr. Chiang is the Chinese Chairman. Both of them feel quite well satisfied with the progress which has been made both on the land reform through rent reduction and in their other projects of irrigation, pest control, etc. I was struck by the fact that both of them emphasize very strongly the need for proceeding very slowly with such projects and also the inadvisability of trying to spend any large amount of money. I discussed with Baker the applicability of the JCRR experience to the Point Four Program. He thought there was a definite connection and that their experience would be useful. Like Dr. Moyer, he emphasized the need for careful preliminary surveys suggesting at one point that, even if you had people who knew the country well, it might take you two years before you could lay out your plans. It is necessary to find out what the people want and then let them do it to the greatest possible extent. For example, in China he had urged that instead of sending tools we should merely send iron and let their own blacksmiths hammer them out. Both Baker and Chiang spoke of the resistance which was to be expected to ~~the~~ unknown methods in the agriculture field. Thus they had difficulty in persuading them the value of the new fertilizer which was a different color from that which they were accustomed. Baker expressed the need for careful selection of personnel. He added that one would be lucky to find that ~~of~~ of those selected with the utmost care turned out to be the proper people. The National City Bank used to count on only 50% of their men turning out well. I asked Chiang whether they were getting adequate cooperation from the authorities. He said they were. I told him that someone else had told me that they had gotten excellent cooperation from the former Governor, General Ch'en Ch'eng, but that they had not had as much cooperation from Governor K. C. Wu. Chiang said that this might be true, but it was due to Wu's better appreciation of the situation. Wu realized that things could not be pushed too fast, but he was definitely sympathetic and helpful. One of these I talked to pointed out that a large unsolved problem was the responsibility for the maintenance of the irrigation ditches which had been installed with JCRR help. These represented a large financial investment of some million dollars, but no decision had been made on this question of responsibility for maintenance. A large number of people with whom I talked spoke very warmly of the whole ECA staff and of the skill of the J. G. White people. In a conversation with Mr. Harry Tarring, the J. G. White representative, I got the impression that he was pretty well satisfied with the progress being made.

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Ambassador at Large

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MEMORANDUM OF CONVERSATION WITH GENERAL SUN LI-JEN,
Buffet Dinner at Consulate General, Taipei - Jan. 16, 1950

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Mr. Strong told me when we first arrived that General Sun was down in the south and that he had felt it would be unwise to make a point of inviting him to come up to see me. However, immediately after we arrived he received word that General Sun was coming up to Taipei and would like to see me. He, accordingly, invited him to his large buffet dinner Monday night and also arranged that he would stay after the other guests left in order to talk briefly with me. I had about 45 minutes talk with him during most of which Mr. Strong was present.

General Sun devoted most of the time to giving me a picture of his training activities and his plans for the defense of the island. He thinks the morale of the troops is very good but is worried about the question of maintaining their pay. He said they were also short of rifles and uniforms. He mentioned the pillboxes which have been or which are being constructed along the coast (concerning which the military attache had already briefed me) and said that in many of them they did not have any machine guns. He confirmed the statements made by various others that the new Taiwanese recruits have a very good morale and feel that they are engaged in defending their homes. I questioned him as to the extent of his authority and he said his authority extended only over the ground troops and that he had none at all with respect to the Air Force or Navy. However, the cooperation between the three services was rather good. When an issue did arise which involved a conflict of authority or a difference of opinion on general strategy, General Sun told me in response to a direct question that he had no person of political importance at the top who would stand behind him or support him. The implication was obvious that the [Gimo] and his group are not fully backing General Sun and Sun has no confidence in the top command. He asked me particularly whether I had seen Mr. Krentz after the latter's visit to Taiwan. I told him that I had had an opportunity for a brief talk with him in Tokyo. Sun inquired whether Krentz had given me a report on their conversations. He was quite obviously hoping that I would have some statement to make to him and was obviously disappointed when I made no response to his feelers. As he was leaving, he told Mr. Strong that he would keep in touch with him and let him have any information he desired.

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Philip C. Jessup
Ambassador at Large

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NOTES ON BRIEFING BY CONSULATE OFFICIALS -
Taipei, Formosa --- January 15, 1950

The Military Attache cited the present strength of the Nationalist forces as between 560,000 and 600,000 not including dependents. There are 95,000 troops on Formosa. The balance are on Hainan and other coastal islands. The figures include 90,000 in the Air Force and 50,000 in the Navy. The armored force on Taiwan includes 25,000 men divided into four regiments. There are 200 odd tanks, 200 75mm. guns, some carriage vehicles and others en route from the United States. The Army has a tactical plan in the event of invasion. It involves the infantry holding the enemy at the beach while the tanks and Navy take over. They hope to hold the enemy in the water. It is his opinion that this was an extreme hope for they had no equipment heavier than mortars at the beaches and the tanks couldn't be brought into play until later.

The Chinese Nationalist Air Force is now meeting anti-aircraft fire for the first time. Groups on Formosa have a better morale than they had on the mainland due largely to their feeling of protection on the island and their higher standard of living. It is the Military Attache's opinion that, if it were not for the economic situation, present forces on the island could from a military standpoint hold on indefinitely. A military conference had been held the previous week at which the Gimo assisted but made no comment. He deplored the tendency of General Ch'en Ch'eng to order troop movements arbitrarily. There are more men on Chuson (?) than on Taiwan at the moment. They serve to harass traffic at the mouth of the Yangtze and to prevent any junk concentrations. Their tenure is difficult for everything they need must be imported.

The Naval Attache stated that the Chinese Nationalist Naval Commander expected any attack to come from the north with smaller concentrations coming from Muaris (?) Bay, north of Hong Kong. His opinion was that, if Hainan held out for four months more, it could not be taken and that Taiwan could hold on indefinitely. There were at the time four Chinese Nationalist ships tied up in the bay in the Yangtze River. There was conflict between the Chinese Navy and Army as the Admiral in command was loath to accept orders from his Army superior. He considered his primary task to maintain the blockade. There are said to be 1,000 mines in the hands of the Nationalists, 390 of which had already been sown. Their prime concern at the moment was concerned with the possibility that the 100 odd cargo vessels tied up in Hong Kong might fall into communist hands.

In answer to the Ambassador's question, the Naval Attache stated that the Chinese Nationalist intelligence services were very inadequate. Regarding communist infiltration into the Army, it was stated that very little progress had been made particularly since the arrival of the troops in Formosa. Despite the inadequacies of Chinese

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intelligence, it was felt that they would be able to provide accurate information in the event of any threatened invasion from the mainland. In any case, an invasion in the numbers required to make it successful would take from eight to ten days simply for the troops to cross in junks.

The Air Force Attache stated that Chinese Nationalist bombing was increasing in accuracy, that there were intelligence reports of its effectiveness in Shanghai. The Air Force has 394 useable planes, 80% of which are in commission. There is a gasoline supply for six months of which one month's supply (150,000 gallons) is on Hainan. On Taiwan itself there is a store of over 6,000,000 gallons, enough to last until June or July. The Nationalist Air Force is conserving its strength to stand off any commie attempt to take Hainan. There are 5,000 American-trained personnel in the Air Force. Maintenance service is good. There are eight useful fields on Taiwan, each no more than fifteen minutes apart from the other. They are desperately afraid of raids by a communist air force. They have no effective radar system and hope to obtain some equipment from the United States.

Little is known of the communist air force, but it is believed that they have 35 to 45 aircraft in operation and an additional 40 or 50 could be repaired and put in service parts were obtained. The pilots are all defected Nationalists. The Nationalists have 150 fighter planes which are all handicapped by a lack of radar. Intelligence sources report the receipt by the commies of planes from the Russians in Dairen and that five bombers are expected to arrive in Shanghai in the near future.

Mr. Craig, of ECA, reported that the island can hold on only a month and a half more before their currency goes to pieces. There are no budget estimates and no way of knowing what the military will demand from day to day. The authorities cannot make any plan under these circumstances. Tax collections are virtually nil. New taxes are levied constantly, but nothing is collected from them to speak of. The island has a favorable balance of trade, but much of its trade revenue is tied up in blocked dollars in Japan. The Ambassador inquired if a more effective cooperation between Nationalist and provincial governments would improve things and was told it would make little difference. Nor would it be possible for the Nationalist Government to carry more of the burden of military expenses unless the Gimo dug up some more gold and turned it over.

ECA shipments consist mostly of edible oils, textiles, and crude oil.

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Ambassador at Large

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NOTES ON CONVERSATION WITH DICKSON MISSIONARY GROUP
9:50 AM - January 16, 1950 - Taipei, Taiwan

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Mayor Yin of Taipei, who accompanied the group, was the first to speak. He has been Mayor of the city for the last two years and stated that Formosans do not wish to be colonials of any sort, whether under the Japanese or the Chinese. This is the opinion of the great majority of the people and applies equally to the Chinese Communists, whom they greatly fear. The hopes of the people can only be realized through assistance from international friends. Since China has become Red, their determination not to become a part of it is even more fixed. Formosa must, therefore, be definitely separated from China. Planning for the future is impossible under the presence of the military authorities and army. The Governor of Taiwan must be a Formosan and freely chosen by the people. The army must be indoctrinated in the belief that it is fighting for Formosa and not the mainland. The financial troubles of Formosa are overwhelming due to the cost of maintaining the Nationalist Government. A Formosan Government would give an enormous incentive to the Taiwanese. What help may she expect from her international friends? President Truman's statement that Formosa is not a part of the Chinese mainland was, in that sense, encouraging to its people. Their fear is not of a commie invasion but rather that the present Nationalist troop force of 200,000 will defect. If that should happen, the island would be powerless to resist. The Formosans have no confidence in the Nationalist Army and are convinced that it will give in to the communists there as it has on the mainland. The people are afraid to voice an opinion in public affairs because of the manner in which they were treated after the revolt of February, 1948. The people are not in a position to assert themselves, but it was said they could raise an army of 200,000 to 300,000 in a short time if supplied from abroad.

Mr. Wang, who had a distinguished army background, stated that he was in full accord with Mayor Yin. He noted that for the first time the Chinese Army was beginning to call up Formosan soldiers. Thirty-five thousand will be called this year and some are already in training. They are physically superior to the mainland Chinese. There are, however, very few officers in active service. In fact, there are only 20, all either Japanese or Chinese trained. An additional 90 graduated from officers' training school in China just prior to a communist advance. The opinion was expressed that a force of 100,000 properly trained and supplied Formosan troops would be capable of defending the island against the communists.

Mr. Tian Su Lee

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Mr. Tian Su Lee was described as a specialist in agriculture and mining. He stated that the psychology of the people is not one of division; they are a simple group and strongly unified. They were sorely disappointed in President Truman's statement which in effect sealed their doom, for they look to the United States to protect them from both the Japanese and Chinese. They expect nothing from the Nationalist Government. The laboring class particularly has no confidence in the Nationalist Government, and there is considerable danger in their dissatisfaction for they could easily turn communist although they have no tendency in that direction for the moment.

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