

**February 3, 1955**

**Despatch No. 382 from American Embassy Taipei to  
the Department of State, 'General Report on  
Formosan Conditions'**

**Citation:**

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**Summary:**

This despatch provides an analysis of Taiwan's political and social situation through insights gathered from officials, military officers, and intellectuals. This document summary was generated by an artificial intelligence language model and was reviewed by a Wilson Center staff member.

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DEPT.

OPTIONAL FORM NO. 10 THIS SPACE

FOREIGN SERVICE DESPATCH

OFFICE OF CHINESE AFFAIRS

1. 793.00/2-3/55 DATE 3/1/55

FROM : AMEMBASSY, TAIPEI

TO : THE DEPARTMENT OF STATE, WASHINGTON

REF :

REASON(S)

TS. ATT.

DECLASSIFIED BY 12-1955

RELEASE DENIED BY 12-1955

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SUBJECT: General Report On Formosan Conditions

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Officer SBC

793.00/2-355

There is enclosed a lengthy memorandum, entitled, "A file General Report on Formosa". At the RO's request, this survey was prepared by a well-educated China mainlander, who has informative association with officials in the Chinese Government and Kuomintang and especially with those in education and journalism. The RO has a high opinion of the author of this memorandum and considers him, on the basis of four years' acquaintanceship, to be a person of probity and intelligence. The views presented in the memorandum are accordingly thought to be of real value.

The subjects for major consideration in the memorandum are (1) President CHIANG Kai-shek's position with reference to Free China's struggle against Communist China, (2) Formosa's potential as an operations base in a counterattack against the Communist-held mainland, (3) American influence and policy towards Free China, (4) relations between natives of Formosa and Chinese from the mainland, and (5) the outlook for Free China.

Among the conclusions of the memorandum are these:

- (1) President Chiang is a symbol of Chinese resistance to Communist China, he may be a military asset but he is a political liability to Free China.
- (2) The island's intelligentsia do not think that the United States will back a Chinese attempt to retake the mainland by force nor do they think that the United States will abandon Free China to the Communists.
- (3) Since the main hope for Free China to regain control over continental China seems to lie in becoming a real bulwark of democracy and freedom, some relaxation in war-time controls

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and a greater emphasis on economic and political development would be desirable.

Copy of despatch pouched to Hong Kong.

For the Ambassador:

*Robert W. Rinden*

Robert W. Rinden  
First Secretary of Embassy

Enclosure:

✓ 1. Memorandum

*1 encl. attached  
FR*

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MEMORANDUM

Taipei, February 3, 1955

This report represents several months of effort to talk to people and to find out how they feel about Free China's present situation and her future prospect.

People informally interviewed include incumbent government officials, party workers, military officers, college students, businessmen, school teachers, and newspaper and magazine editors. Their average age is about 35. All of them have received more than average education. Nearly all of them read one or two newspapers daily and are fairly well acquainted with domestic and international situations. Many of them are interested in politics. About a half of them are KMT members. In my opinion, some fifty of them may be considered representative of the young Chinese intelligentsia. Four of them are Formosans. From their conversations there should be little difficulty to gather a rough picture of the prevailing mood of Free China's educated class.

As a whole, they show a strong aversion to Communism and aspire for democracy, yet both their aversion and aspiration are often overshadowed by their skepticism. This is probably because their aversion and aspiration have largely grown out of a "scholarly" comparison between Soviet Russia and the United States. Only a few of them have lived for a short while under Communism, and most of them have never seen the actual working of democracy. Their aversion to Communism is to a great extent based upon an inference drawn from various kinds of reports on Communism as well as from anti-Communist propoganda, and so is their aspiration for democracy based. It may be noted that only a person who has suffered under Communism can see the true value of democracy and freedom. On the contrary, only a person who has seen and felt the actual working of democracy can better understand the vicious nature of Communism.

For centuries, the Chinese people have lived in a state of half-freedom and half-serfdom. Yet, strange as it may seem, the urge in the Chinese people for democracy and freedom has never been so apparent and strong as it is today. Many people are of the opinion that it is Dr. SUN Yat-sen's appeal for nationalism rather than democracy that overthrew the Manchu Dynasty. Only when the various forms of control were introduced in government

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from the Western nations, the Chinese intellectuals have begun to realize the need of democracy. In fact, they are rather immature politically, so to speak. They are naive, skeptical, idealistic and, sometimes, rather chauvinistic. They are easily upset and discouraged by any manifestations of "undemocracy" or immorality on the part of a democratic or a "self-styled" democratic government.

These are the qualities that largely determine their outlook and viewpoint on international and national affairs.

GIMO's Popularity

The future of Free China can never be fully explored without first putting the Gimo in the correct perspective.

It has been generally agreed that, without the coming back of the Gimo to the presidency in early 1950 Free China would have probably crumbled under the incessant Communist propaganda blasts with the realization that continued resistance would entail horrible consequence. The cause was already lost. Why should the people be called upon to fight for a lost cause?

Free China in the period between 1949 and 1950 really needed the Gimo's unwavering leadership. They needed him not because they wanted to preserve the KMT form of government but because they could count upon no one to save themselves from Communist liquidation. The Gimo had the duty as well as the obligation to do whatever he could to furnish them with the needed protection. It is rather doubtful that the Gimo then knew what to do. As a matter of fact, the people, mostly mainlanders, were quite aware that the Gimo, except as a psychological morale booster, could really do little to ward off a Communist invasion of Formosa. This by no means, however, indicated that the Gimo was popular at that time. When a man is drowning, he is likely to grasp any straw that he can lay his hand on.

As far as I can gauge, the Gimo has not gained much popularity since he resumed the presidency in March, 1950. The Korean war saved the KMT government. The shift of American policy has strengthened his hold on the government but has not increased his popularity. Is the Gimo indispensable in a successful struggle against Chinese Communism? This is the question put to these fifty-odd young intellectuals in order that the Gimo's popularity may be roughly ascertained. Here is a breakdown of their opinions:

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Over a half of them do not believe that the existence of the Gimo has any vitally important bearing upon the struggle against Communism. Militarily, he may be an asset. But, politically, he is definitely a liability. They reason that sheer military strength can no longer defeat Communism. This is true at least in the case of China. The Kuomintang had ruled the mainland for over twenty years, discounting the first fifteen years of the Chinese Republic. This is because during that fifteen years China was beset by uncontrollable civil wars. Out of the twenty-odd years of government, the Kuomintang enjoyed about ten years of comparative peace throughout the country. Despite the great publicity given to the Three People's Principles, the KMT government made little effort to put these principles into practice, even in places where the KMT authority was unopposed like Kiangsu and Chekiang. Military, he once symbolized national unity. But, politically, he has been a failure.

A small percentage of them even go so far as to claim that the Gimo is an obstruction to our return to the mainland. They hold that the great Chinese masses will never receive the Gimo and the KMT government with open arms. If the KMT government cannot even make the people here happy about the way it conducts administration, how can it make the mainland people happy who are almost sixty times as many. The present government is still plagued by corruption and ineptitude, though with much less publicity since there is little freedom of speech. A young office worker complained: "Look at the Control Yuan's gazette. Why does it always kick at the small fry and does nothing about the bigwigs? If the members of the Control Yuan do not have much freedom to exercise their powers, how can you and I expect to have much freedom of doing or saying anything?" Therefore, the Gimo may be able to exercise effective control over the government and the army, but that has nothing to do with his popularity. A successful return to the mainland depends primarily upon two things: 1) how well we can foster democracy and freedom in Formosa, and 2) how far the United States is willing to help us.

About a third consider that the Gimo is absolutely indispensable. They point out that despite his weaknesses the Gimo is still remembered by many here and on the mainland as the leader that kept warlords under his thumb and brought a great measure of peace to the nation. He it is also that led the nation to fight determinedly against the Japanese despite great odds and won. The oppressed people on the mainland will have to turn to him for salvation since they know of no other that could match with the Gimo in contributions to national welfare. Above all, the Gimo is the only one today that is able

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to hold the government and the people here together. This is especially important when the nation is engaged in a life and death struggle with a deadly enemy. Moreover, no other leader in the government enjoys such high prestige and respect in the world as the Gimo.

Generally speaking, there is little doubt that the Gimo can exercise more effective control over the government and command the armed forces with greater ease. But he is not indispensable. If he is not exactly popular in Formosa, how can he be popular on the mainland? Since there is no way to determine anyone's popularity on the other side of the Formosa Straits, anyone elected to the national leadership through the constitutional process will be just as effective and competent as the Gimo in rallying the nation to the anti-Communist cause.

It may be added that by placing great trust in his elder son Ching-kuo the Gimo has done great damage to his own prestige and popularity among government officials, military officers and educated people. In this way, he has alienated himself from some of his former trusted lieutenants. If he persists in such a manner in conducting state affairs, he will not only destroy himself but also the Kuomintang and the government as well.

The longer the KMT government stays in Formosa, the further will the Gimo's popularity diminish.

#### American Influence and Policy in Formosa

Never before have the Chinese been so influenced by American thought and culture as now in Formosa. Moreover, never before has China's destiny been so tied up with American high policy.

American influence in Free China is clearly discernible in the following respects:

(1) The wide circulation of American magazines and pocket books -- It is said that the Time magazine sells over 3,000 copies per issue and that the Newsweek between 2,000 and 3,000. These figures may appear rather insignificant in comparison with the millions of copies per issue sold throughout the world, but they should be scanned in their right perspective. In the first place, Formosa, having a population of less than ten million, is definitely no English-speaking country despite the ever-growing zeal of its population to learn English. In the second place, the average purchasing power in Formosa is very low in comparison with that of the other places where Time and Newsweek are sold. The average income of a family is said to be between 150 to 250 Taiwan dollars a month. The

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average income of the intellectuals, naturally, is much higher. It is about two to three times the national average; that is, between 500 and 740 Taiwan dollars, excluding housing and substance allowances. To spend an average of twenty-five Taiwan dollars per month on Time or Newsweek is none to small a burden for an intellectual. In the third place, even the most popular Chinese magazine nowadays sells no more than 5,000 per issue. A Chinese magazine can usually be self-supporting if it sells regularly between 3,000 and 4,000 copies per issue.

(2) The general interest in American democracy and political institutions -- It has become the practice of newspapers and magazines of a general nature to introduce from time to time American democracy and political institutions to the Chinese reading public. It is true that the U.S. Information Service has a hand in this, but one cannot fail to detect that there is a genuine enthusiasm on the part of the ordinary people to seek to know things American. Whenever any problem arises, it is usually studied with reference to an American standard or in the light of what American experts would do with it. Even the government picks up this line of argument in trying to sell some of its projects. For instance, the government wishes to increase the electric power rate, so it tells the people that the unit rate of Chinese electricity is much lower than the American rate. When a university president wishes to expand his university, he tells the people that in comparison with average American universities the university really requires greater staff and more equipment. However, this line of argument on the part of the government often draws repugnance from the intellectuals. They point out that it is all right to build our political and economic systems along the line of American political and economic development but it is not justified to regulate our efforts on the basis of the present American standards. There is such a vast difference in the standards of living between us and the Americans. Nevertheless, American economic and political thoughts have deeply penetrated into the minds of the young Chinese intelligentsia. There cannot be any doubt as to their efforts to absorb them. They have come to realize that although Chinese traditions and teachings can put China on the same moral level as any other Western power yet only American political and economic institutions, if adequately absorbed, will turn China into a powerful country. In size, geographical location and natural resources, the United States represents the best pattern of government and economy for China to copy.

(3) The general enthusiasm for study of the English language -- Throughout the island there are over a hundred extension schools giving English lessons. It is estimated that there are at least fifty thousand students presently studying English in various grades. These radio stations draw

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probably another fifty thousand students of English. It may be safely assumed that every day there are at least a hundred thousand persons of various ages studying English, considering the large numbers of college and high school students receiving normal education and the large numbers of government officials and military officers receiving government-provided English lessons in their respective units. This figure represents about one-hundredth of the total population on this island. It is true that to learn English has become a world-wide trend during recent years, but it is believed that Formosa has picked up greater impetus.

In social life, American influence is even more pronounced. This should require no further elaboration. Just look at those movie posters; stroll into a music shop; buy something in a grocery store; take a casual look at a drug store; visit a bookstore; and take a trip to a department store.

As regards American policy, well informed intellectuals are generally agreed on the following manifestations: (1) The United States has agreed to and insisted on a divided Korea; (2) she has agreed to a divided Germany; (3) she has agreed to a divided Vietnam; (4) she has left the door open for possible entente with Communist China; (5) she has a definite policy in Europe but appears to have none in Asia; (6) she seems to be bent on strengthening the policy of containment by meticulously building a strong military belt around the Iron Curtain; (7) she does show better understanding of the true nature of Communism; (8) she intends to build up Japan as the stabilizing force in Asia; (9) she will not fight Chinese Communism and will therefore try to establish an uneasy equilibrium in Asia; (10) she is quite willing to accept a divided China if it can be arranged to the satisfaction of all parties concerned.

Never in history was there a country that fought to save another country on purely moral grounds, says a young associate professor of logic in Taiwan University. The United States does have the moral obligation to help the Nationalist government fight back to the mainland, but there is a limit to the fulfillment of one's moral obligation unless other considerations are involved. It follows that while Free China can count upon American moral support it cannot expect the United States to disregard its own interests and give all-out assistance in the struggle against Chinese Communism. That is why the United States has been wavering and ducking at every turn in its dealing with Free China or whenever the China problem comes up for enquiry. The United States does not really know what to do with China and how to dispose of it, nor, in fact, can anyone provide a sensible yet workable answer to this problem. Educated Chinese who have some idea of international relations

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generally agree that the United States cannot possibly fight to save Free China. They do not quite blame it for inaction and hesitation, but they feel rather frustrated and depressed, knowing that without effective American assistance there is little hope of going back to the mainland.

The majority of the fifty-odd people informally talked to believe that the United States will do nothing more than keeping Formosa out of Communist hands. Recognizing the various manifestations of American China policy, they are of the opinion that the United States is presently pursuing a policy of "active" containment. This policy, as they see it, consists of "actively" maintaining the present boundary line between the Free World and the Communist World and "actively" building up the economic and military strength of the Free World, particularly the fringing areas. This, naturally, means that there may be an uneasy truce for many years to come until the Free World becomes so prosperous and strong as to make it unnecessary to use force to lift the Iron Curtain. On the other hand, if the Communist World chooses to fight, the Free World will be more than ready to meet the challenge. But there shall be an end to this kind of the divided world and to this kind of uneasy peace. A young lawyer asked: "How can a divided Korea and a divided Germany long remain in frustration? The day of reckoning must come. But you must wait. We should realize that we can destroy Communists by military force but cannot destroy Communism by military force alone".

However, quite a number of them insist that the United States is willing to sell out Free China if it can secure enough satisfactory concessions from Communist China. The Americans are merely using Free China as a trump card to make the necessary tricks. In international power politics, says a newspaper correspondent, justice is but a catchword used by big powers to deceive the weaker nations. What has the United Nations done to bear witness to the existence of justice in the world? The best we can hope, they argue, is American assistance to keep Formosa from being turned into a Communist naval base. But there is absolutely no guarantee that the United States will not someday make an about-face. If Communist China should agree to a unified Korea and a unified Vietnam on American terms, would not the United States think twice before insisting on a divided China? In other words, if Communist China is willing to give, sighs an air force colonel, the United States will also be willing to. Free China will certainly not stand in the way of a rapprochement between the United States and Red China.

Only a small percentage hold that the United States will be plunged into a general war with Red China whether it likes it or not. Peaceful co-existence with Communism is out of question. The problem for Free China is how to advance the date of that war.

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They base their belief on the assumption that the United States can never have peace in the Pacific with a hostile Chinese government on the mainland. The United States will have to find some way to eliminate it, and Free China aptly serves this purpose. This involves no moral consideration. It is purely a matter of self-interest.

All in all, a global war may come tomorrow. It may come in five or ten years. Or it may never come at all. All depends upon how long the Communist World is ready to give to the Free World to "arm" itself economically and militarily. So the big question for Free China is how long it can hold on and hold out.

It is generally agreed that without the outbreak of a general war Free China cannot hope the United States to assist single-handedly in the task of recovering the Chinese mainland.

#### General Situation on Formosa

To all appearances, Free China has attained a fair degree of military, political, financial, economic and social stability through the government efforts during the past five years. However, there still exists stresses and strains in all respects of government underneath this seeming stability, but such stresses and strains have been largely covered up or pushed aside by the overriding need of unity in the face of imminent Communist assault or in preparation for a counter-offensive against the mainland.

It is for the sake of upholding the anti-Communist cause that the nation or, more appropriately, Formosa, has been subjected to all forms of control by the government in all fields of life. If the anti-Communist cause is ever deprived of its urgency and supremacy either through a change of the international situation or through the emergency of some more critical domestic issue, it is doubtful that the KMT government can still hope to preserve the degree of stability as it apparently prevails today. It is common sense that no nation can long remain under a state of rigid control and high tension. It appears that the government is also aware of this situation. While it continues to shout for vigilance and preparedness, steps are being taken to relax the various kinds of control, notably in the economic field.

But how long can the government maintain the island in high gear without causing a devastatingly demoralizing effect upon the populace? A man may suffer a nervous breakdown under a long period of continued high tension. And so may a nation.

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The government has consistently maintained that militarily Free China has some 600,000 troops in the armed forces, but this was the figure given some years ago. Anyway, it may be assumed that the government still commands that many troops because of constant replacements. However, to have that many does not mean that they are all in combat readiness. In fact, at least a third of them serve in the quartermasters corps, the medical corps, the clerical corps, the engineering corps and such other units. That leaves no more than 400,000 men in the ground, air and naval forces. In the air arm, it is said that there is no trouble to take 2,000 aircraft of various types to the air. In the army, it is estimated that there are less than 100,000 well-trained, fully-equipped soldiers.

A colonel in the Ministry of National Defense says that in the event of an all-out counterattack the government can easily raise the existing strength to a million men. Yet a qualified observer points out that to raise a million men means that about one out of every three males of eligible ages will have to be drafted. At present, the army is composed almost entirely of mainlanders. As time goes by and as more soldiers are retired, there will be more and more young Formosans in uniform. By the time the government comes to have a million combat ready troops, at least two thirds of them will be Formosans.

Formosans may make good soldiers and may be made to abhor Communism, but this does not mean that they will be anxious to go to the mainland to exterminate Communism while leaving their homes behind on Formosa. Militarily, time is decidedly working against Free China although Formosa may be made more and more secure by the yearly increase of Formosan recruits.

As regards morale in the armed forces, it is said that it is best on the front-line. Any army long in peace and comfort will lose its combat effectiveness. The same is true of an army long in frustration and anxiety. Troop morale in the various military bases on the island has been kept in a fairly even level, but it is feared that it would be tapering off in the years to come. Morale among the younger officers is reported to be not entirely good because of the lack of chances of promotion and because of the hamstringing of their promotion by the army political officers.

While the government has not had much trouble in drafting new recruits as a result of the enforcement of the Conscription Law, it has, however, experienced great difficulty in inducting high school students into the armed forces academies. In making these academies more attractive, the government has (1) deliberately held down the number of available universities and

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colleges on the island; (This policy has been modified somewhat recently.) (2) placed all regular military academies on a university status by offering an academic degree of the Bachelor of Science to all officers upon graduation; (3) encouraged high school students to visit and inspect military camps during the summer vacation; (4) publicized the honor in joining the military services; and (5) liberalized military training in these academies. Some of these efforts may be made with a view to modernizing Free China's military education, but high school students who can find a university or a college to go to will invariably refuse to be attracted by these innovations.

The Air Force used to be the most attractive of the three services. Usually, the Air Force Academy had many more applicants than it could handle. Now on Formosa it has lost much of its past glamour and has seldom had enough applicants to meet the annual quota.

Nevertheless, it is generally agreed that greatest progress has been achieved in the military field during recent years. Soldiers are adequately taken care of, and officers are more qualified in moral conduct.

Politically While greatest progress has been made in the military field, least progress has been made on the political front. As the war against Communism, in the words of a high school superintendent, is both military and ideological, the Free Chinese are least prepared for the political phase of the war despite consistent government efforts to publicize the San Min Chu I as an ideological weapon.

Furthermore, the government is beset by corruptions and irregularities among both high-ranking officials and petty bureaucrats. Evasion of responsibility, lack of enthusiasm for work, perfunctoriness, procrastination, nepotism and discontentment have pervaded the entire bureaucracy. Nearly all government offices are overstaffed, but little can be done to eliminate the excess personnel without creating the problem of unemployment. As a result, an overwhelming number of civil employees have become perforce mere sinecurists and therefore do not even go to their offices regularly. The government, though not unmindful of these discrepancies, appears utterly incapable of finding a solution for this deplorable situation.

With the government in a state of uncontrollable confusion and procrastination, the San Min Chu I, the Kuomintang's supreme ideological weapon, has lost much of its appeal to the intellectuals. According to their understanding and reasoning, the San Min Chu I, being a moderate form of Communism, (Dr. SUN Yat-sen

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said, in his lecture on the Principle of People's Livelihood, "The Principle of People's Livelihood is Communism." This sentence has been deleted in the recent edition of the San Min Chu I.) is not a satisfactorily ideological weapon against Communism. They point out that notwithstanding its merits in the early 1900s the San Min Chu I is out of date and needs substantial revision in order to keep pace with the current world democratic trends. This is particularly evident in its political and economic aspects. They recall that during the Japanese war the KMT government had little trouble to rally the support of the whole nation. It is because that war was primarily nationalistic in character. As a matter of fact, whichever government that was in power then could also enjoy the same popular support. Yet the present struggle against Communism is more political and ideological than nationalistic though the government spares no effort to give it a dominantly nationalistic color. So they argue that the government would lose its cause if someday Communist Chieftain MAO Tse-tung should decide to become a Tito such as an increasing number of Western powers have been inclined to hope. Again, the government, thought not unmindful of the political and economic characters of the struggle, has failed to make much of a show in the political and economic fields.

Its temperament tends to be "authoritarian". The San Min Chu I is the bible of the whole nation; political freedom is curtailed; free enterprise is restricted; education is under party supervision; personal dignity is often ignore; and freedom of speech and press is halfheartedly upheld. At the moment, so long as the wartime atmosphere is being kept up, the government may continue to pursue its present mode of political and economic conduct. But, one may well ask, how could this wartime atmosphere be kept up in the high key for an indefinite period without creating political unrest and economic dislocation? However, hope of democracy and freedom has not vanished at all since all avenues leading to Western democracy have been kept open.

But many are worried about how the government could expect to run the mainland efficiently without repeating the same mistakes after the Japanese surrender when it is back to Nanking.

Financially and Economically The government is facing these difficult problems: (1) Gradual inflation - since the currency reform in June 1949, the Taiwan dollar has lost much of its original value. A 100-mile-long asphalt pavement cost NT\$200,000 in 1951; NT\$250,000 in 1952; NT\$300,000 in 1953; and now its costs at least NT\$350,000.

(2) Losing government enterprises - there are twenty-one enterprises operated by the government through the island with assets estimated worth over NT\$2,500,000,000. These enterprises promise to turn over to the government NT\$38,779,000 in FY-1954

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out of their profits and other incomes, yet last year they borrowed from the Bank of Taiwan some NT\$840,000,000.

(3) Huge government payroll -- out of a population of some nine millions on Formosa, nearly a third depend upon the support of the government. They include:

Officers and men in the armed forces and their dependents . . . . .	800,000
Civil employees, teachers and their dependents . . . . .	330,000
Office messengers and their dependents . . . . .	50,000
Students of all grades . . . . .	1,280,000

About every producer on the island has to feed a non-producer.

(4) Endless reconstruction projects -- the government is apparently determined to fight against Communism and, simultaneously, to make Formosa "a province built upon the principles as embodied in the San Min Chu I"; therefore, it has initiated quite a large number of reconstruction projects. But these projects cost money.

(5) Exorbitant unbedgetary expenditures -- emergency expenses for the Chushan evacuation, the Hainan evacuation, the convocation of the National Assembly, the return to Formosa of war prisoners from Korea, the convocation of the Overseas Affairs Conference, the establishment of the Mainland Recovery Planning and Research Committee and whatnot have run into billions throughout the past few years.

(6) Expensive education -- every college student costs the government NT\$4,500 per year; every high school student NT\$2,000; and every elementary school student NT\$1,200. According to a recent estimate, there are over 1,100,000 children attending public elementary schools; about 160,000 high school students; and about 12,000 college students.

(7) Too many government-sponsored civic bodies -- a look at the number of signboards hanging at the entrance of every government building should be enough to convince one that the government loves to create new organizations. Quite a number of them are overlapping. These organizations, while supposedly supported by the people, actually get money from the government directly and indirectly.

(8) Mainland operations : mainland operations : including

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guerrilla warfare, secret service and relief projects cost a lot of money though no outsiders know how much.

What are mentioned above are bills to be footed by the government. But where does the money come from? Wherever it comes from, it does not come easily.

(1) Poor national income -- in 1953 the people on Formosa received some NT\$15,000,000,000 or each received an average of 1,667 Taiwan dollars per year. Out of this amount, the government is taking away from them some NT\$450,000,000 for FY-1954, or roughly thirty percent of the gross national income.

(2) Low purchasing power -- an ordinary civil servant gets some four to five hundred dollars per month. Out of this amount, he has to spend some three to four hundred for meat and vegetables. That does not leave him much to spend on other things.

(3) Business slump -- credit is tight throughout the entire business world. No bank is willing to make a long-term loan to any private business. In a single month of last October, eleven apparently big, well-established business firms of long standing closed their doors due to lack of revolving funds. Their closure has not only affected their proprietors but has also brought misery to many other concerns and individual money lenders who depend largely upon the income derived from the interest for their living.

(4) Little savings -- most government workers do not have any savings at all. Everyday they live from hand to mouth. A recent paid advertisement by some ten thousand employees of government enterprises (which are about to be transferred to private hands) and their dependents demanding the government to provide adequate protection from unemployment should reflect the deplorable conditions of government employees.

This financial-economic picture of Formosa certainly does not look encouraging. It may be somewhat improved but not appreciably. Some qualified observers wonder what will become of this unpleasant situation once the government has the opportunity to unleash a counter-attack against the mainland. They doubt that this financial-economic structure could sustain any large-scale military operations.

Socially Few people in their middle thirties can deny the the big contrast in social life between the days in Chungking and the present on Formosa. At that time, people were content to bear the miseries of war; high officials often walked a couple of miles to their offices; living

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quarters were poorly furnished; there were fewer official banquets; only a few top-ranking officials sent their children abroad; most people wore Chinese long gowns instead of Western suits; clothing and shoes were made of poor material; entertainments were few; everyone appeared to have a sense of mission. One could easily sense that a war was going on and that the people were fighting hard. Now, look at Taipei. Is there any sign that suggests a wartime atmosphere? The government has appealed for austerity over a thousand times, but its officials go on entertaining one another in a big way just the same. A legislator-turned vice minister confided: "The number of dinner parties I am forced to attend in one month is more than I had in a year when I was a legislator. These parties have begun to show effects on my poor stomach."

Asked why he did not decline such invitations, the young vice minister shrugged his shoulder, "You've got to stay in business."

Taipei streets are congested with modern automobiles and other vehicles. New houses with modern conveniences are rising every day. What does all this mean?

During the Japanese war, there was no one entertaining the thought of a compromise with the Japanese. They had to fight on or suffer under Japanese tyranny. They had nothing to fall back on. There was no wide stretch of water barring a Japanese drive. The fight against Japanese imperialism was spontaneous. The people hated the Japanese from the bottom of their hearts. But, here, in Free China, the people actually just begin to recognize the vicious character of Communism. It may be mentioned that, aside from many other causes, inefficient and corrupt administration was a principal cause for the KMT government's defeat on the mainland. This factor has left a deep impression upon the minds of the mainlanders on Formosa. Some intellectuals still naively believe that the Communists may give China a better, cleaner government and make China more powerful. It is interesting to note the reaction of the intellectuals here to the successful Chinese Communist drive to Pusan in the early phase of the Korean war and also to the successful Chinese Communist maneuvers at the Geneva Conference. A Chinese interpreter on leave in Taipei from Korea whispered: "It gave us a mixed feeling of pride and humiliation to watch the Communist advance in South Korea."

Commenting on the Geneva Conference, a Formosa instructor at the Provincial Teachers College sighed: "Could the Nationalist Government ever hope to score such a victory at Geneva?"

The shadow of unemployment is threatening many an educated /people.

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(Classification)

people. There are not enough jobs for the able-bodied men on Formosa. The recent shutdown of many business firms has left a large number of people jobless. On the other hand, universities and high schools are yearly turning out thousands of job-hunters. For instance, last summer, universities and vocational colleges turned out some 3,900 graduates. The government managed to take care of some 2,600 while leaving the remaining 1,300 without knowing where to earn a living.

A friend of mine takes a side line in raising chickens. He is doing a thriving business in selling eggs and month-old leghorns. A couple of weeks ago, he decided that he should hire a helper to take care of the chicken shed. So he advertised for a helper in the Chung Yang Jih Pao. To his surprise, over thirty people in the first two days turned up for interviews, and many more poured in later. He said that he was really sorry to have to say "no more vacancy" to them. About ten of these applicants were college graduates. Nearly all of them had received high school education.

The problem of unemployment will become more and more serious as time drags on.

Many are genuinely worried over whether they will see their fathers, mothers, brothers or sisters again. Their hope of an eventual return to the mainland has been dampened by the conduct of the government and by the capricious international changes. However, in their daily conversations, they talk more about when the Communists will come over and what the Communists will do to them than about when and how to fight back to the mainland. Mentally, the people have become rather stagnant and morose.

There is the sentiment among the mainlanders here that one should not worry oneself with the problem of counterattack but should learn to enjoy oneself while one can.

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(Classification)

Formosan Attitude

Formosans outnumber mainlanders by almost eight to one. In the provincial and local governments, Formosan employees outnumber mainlanders by about two to one. In the Central Government there is only a negligible number of Formosans. The higher one goes in the officialdom, the fewer Formosans one finds. Yet, the Formosans virtually control all export, banking, wholesale and retail businesses. To put this situation in another way, while the mainlanders control politics, the Formosans control economy. With the current transfer of many government enterprises into the hands of Formosans as a result of the enforcement of the land-to-the-tiller program, it is expected that the Formosans will gain a more powerful and influential position in Formosa's economic life. A ranking government official said in private conversation that the Formosans stand to gain if the government sells all its enterprises. He added: "There is nothing wrong with the Formosans having them if the mainland were in our hands. Formosa would be just another province which controls its own economy. But, today, Formosa has a different role to play. You may be aware that the one who controls your purse usually influences your action." These remarks were made in reply to the popular demand of free enterprise.

Toward Communism. If the Formosans wholeheartedly support the anti-Communist cause, it is not because Communism is obnoxious but because with a successful military campaign the government may find its way back to Nanking, thereby relieving Formosa of all the political, economic and social strains. As regards their lack of interest in the anti-Communist cause, a Formosan reporter of the Tzu Li Wan Pao has this to say: The Formosans are not quite conscious of political equality. If the Kuomintang had been able to offer them a better, more efficient government than what they had under the Japanese occupation, they would be more inclined to keep what they have than to reach out for something which the Communists promise to offer. As it is now, the Formosans do not quite like what they have. Most of them are reminiscent of Japanese government when they could live securely and stably. A small number feel that if the coming of Communism does not bring them good days it can at least get rid of what they are having now. In short, the Formosans have not quite adapted themselves to the changing world.

Asked what could be done about the situation, the same reporter said: "Enforce the rule of law; give them liberal economic freedom; promote economic stability; give them clean government."

What about political freedom and equality? He believed that it is not absolutely necessary because to the common people freedom and equality are abstract terms. They will be satisfied so long as they can freely air their grievances and receive due redress and compensation.

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Toward the Government. American support of the KMT government has done much to stabilize its position in the minds of the Formosans. Generally, they are again indifferent to it. They dare not openly oppose it. If not for the presence of the Americans and the large number of government troops, it is doubtful that they will not try to get rid of it by themselves. It may be recalled that about three and a half years ago several city assemblymen and a mayor got elected because they told the Formosan voters that the KMT government was bad and should be replaced. The election of Kao Yu-shu to the Taipei mayoralty against the competition of the KMT-hand-picked candidate Wang Ming-ning may well indicate the existence of the same sentiment among the Formosans. Wang belongs to the group of Formosan leaders who came to Formosa from the mainland with the KMT government, while Kao is a native son.

Not a few educated Formosans regard the anti-Communist cause as the mainlanders' cause and the government as the mainlanders' government.

Relations between Formosans and Mainlanders. The relations between the Formosans and the mainlanders may be best described by these two phrases - "mutual indifference" and "peaceful coexistence". Take myself for instance, I lived for two and a half years under the same roof with a Formosan family of three - the man was a plumber, the woman a housewife, and their boy was five years old. We lived together peacefully and cordially. We talked to one another often, but our conversations were never lengthy. And there was a distance between us. This was partly due to the barrier of language. But we just did not mix.

When other mainlanders were asked about their situations, their answers were invariably the same. Actually, this should cause no surprise. I recall that when I first went to Yunnan I had the same experience with the Yunnanese. The difference may be that the situation here is more accentuated by the fifty years of Japanese occupation as well as by the hard-to-learn Southern Fukien dialect, which is in wide use on Formosa.

While the mainlanders are usually regarded by the Formosans as arrogant, aggressive, avaricious and superiority-conscious, the latter are looked upon by the former as aggressive, mean, stingy and lack of human feeling. However, with the coming of many local leaders into the political and business limelight, the situation has improved substantially. Furthermore, there is the constant lowering of the barrier of language. In the cities, the Formosans have gradually changed their way of life. Wooden sandals have disappeared in the main street; almost every girl has a permanent wave; wedding ceremony is simplified; more Formosans become Christianized; Chinese woman's long gown has become a necessity to a Formosan girl; more Formosans go to see Western movies and

CONFIDENTIAL

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sing popular songs. Now in the main street one can hardly tell the difference between a Formosan and a mainlander if no one speaks a word.

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In the school, the same kind of "cordial, peaceful coexistence" is in evidence. Formosans and mainlanders seldom play together. However, in the elementary school, the situation is no longer the same. However, in the elementary school, the situation is no longer the same. Elementary school children mix together freely and the distance has been greatly shortened between the Formosan and mainland children. It may be added that Formosan girls like to have mainland boys as friends.

In the armed forces, the situation is not quite clear but it is believed that the same kind of sentiment also prevails. As regards the relations between the mainland soldiers and the Formosan peasants, it is said that friendly relationship is in evidence, mainly because of the consistent government effort to promote better discipline. No soldier dares to take a thing from the people with impunity. The people simply do not hesitate to report him to his unit commander. As more and more Formosan recruits go to the army, the situation of "peaceful coexistence" will cease to exist.

In the government, the situation is slightly different. Most Formosans in the top level were either trained on the mainland or came from there. In life and in thinking, they are no different from the mainlanders. It is said that home-grown Formosan leaders have no love for them and consider them as a sort of "traitors".

In the lower level of government, it is Formosans working under Formosans, so there is no trouble. Generally speaking, mainland officials always carry an air of superiority. This situation is understandable because most mainland civil employees are more experienced in the office routine and official correspondence.

It is said that in the officialdom the gap is fast being closed although there is a kind of political strife.

Formosan businessmen are in almost complete control of the business world, however, with the industry largely in the hands of the mainlanders. With the recent transfer of certain government enterprises to the private hands, it is expected that there will rise a new generation of Formosan industrialists. Although competition is keen in the business world yet where there is good money and common interest the barrier is more easily penetrated than that in the other field.

Do the Formosans want independence? There are still many underground Formosan leaders secretly working for Formosan independence. These men, almost without exception, were trained in Japan and held good positions while the Japanese were here.

CONFIDENTIAL

CONFIDENTIAL  
(Classification)

Some observers wonder if this movement is not sponsored by the Japanese. However, according to a newspaper publisher of Formosan origin, if a plebiscite were taken today to decide among independence, United Nations trusteeship and the continued rule of the KMT government, it is quite possible that the Formosans will favor the first two courses. As a matter of fact, many mainlanders would not mind trusteeship at all, knowing that only a global war could solve the China problem. However, once the mainland is recovered and China becomes a world power, it is equally quite sure that the Formosans will favor a union with the mainland.

"This situation may be likened to a once rich but now impoverished elder brother relying upon one of his younger brothers for a living," said a Formosan school superintendent.

Most Formosans have come to accept the fact of "peaceful co-existence" so long as the stalemate remains. The initial shock to see the large number of incoming mainlanders share their food, houses and commercial interests has greatly receded.

On the other hand, many view the situation with favor. They point out that while the Japanese war served to bring about better integration of Yunnan, Szechuan, Kweichow and even Sikang with the seaboard provinces, the anti-Communist campaign has, to a great extent, brought Formosa closer to the heart of the mainland. Once the mainland is recovered, Formosa will stand as a full-fledged Chinese province in name as well as in fact; otherwise, it may take another thirty to fifty years to rid Formosa of Japanese influence. The fact that most Formosans can carry on an intelligible conversation with the mainlanders should attest to the assimilation of Formosa by the mainland.

#### Free China's Destiny

There is no longer any argument as to the "international character" of Free China's fight against Chinese Communism. To translate this official line into plain language, it means that Free China can hardly hope to go back to the mainland without another world war.

Most people have ruled out the possibility that the United States will singlehandedly provide enough air and naval support to enable the government to launch a successful counteroffensive against the Communist Peiping regime. It is plain common sense that while the Communists can sustain several setbacks, Free China can hardly survive one. Once Free China loses one single crucial battle, there is the danger that the Communists may take advantage of the Nationalist setback to direct a drive against Formosa itself. The Americans, first bound by President Truman's order and now bound by a security treaty, will have to try to ward off the Communist assault by their air and naval forces. Any American action in this

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part of the world will perforce set off a chain reaction of defense treaties which the United States has signed with practically all the free nations of the world. Many educated people are quite aware that Washington will have to be exceedingly careful in its action against Chinese Communism.

The recently concluded Sino-American mutual security treaty gives the people as much a sense of security as a sense of frustration. They reason that the Truman order, being unilateral in application, does not bind Free China as much as the security treaty. If Free China had had the power, she could have disregarded the order and attacked the mainland. But, now, even if she had, she could not without being held responsible for breaching an international agreement. The treaty gives mainland people here mixed feelings as to their future. They realize that Free China is further tied to international changes. They also realize that Free China has to try to hold out for as long as the Free World cares to toy with the idea of "peaceful coexistence" with Communism.

Most Chinese intellectuals do not believe that Free China can hold out that long without being adversely affected by the present political, military, economic and financial structures. Unless the government also realizes the consequences of its present policy and unless it makes fast changes, the people, having been keyed up by the government's war calls against the mainland, will suffer a nervous breakdown when the big show really comes up. No story can keep its readers long in suspense. There have got to be ups and downs in a good story. It is felt that the people on the mainland who genuinely welcome the return of the Nationalists have become rather tired of the KMT government's promises to fight back and, in a way, rather discouraged.

Young intellectuals have readjusted their thinking since the signing of the security treaty with the United States, although it is their general belief that the world cannot long remain divided and that it is impossible to maintain four divided nations - Korea, Germany, Vietnam and China - for an indefinite period of time. Therefore, a global war will turn out, as it appears to them, to be the final solution for the divided world. It goes without saying that this is good for Free China. They believe that at least Germany, Korea and Free China are counting on that day for their unification.

Free China will definitely fight against the idea of two Chinas, but most of the fifty odd intellectuals interviewed are ready to accept it because Free China can do nothing to stop it anyway.

There is little doubt in the minds of most intellectuals as to American determination to check and then tighten the circle around the Communist world. So the big question still is how long Free China can wait since World War III may come tomorrow or may come in ten to fifteen years.

CONFIDENTIAL

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While Free China will have to be kept in constant preparedness for the eventual big change, she will also have to plan her future on a long-range proposition. The KMT government should spare no effort to modernize its political philosophy and democratize its conduct if it wishes to survive the coming world tumult. Since it is already clear that the United States has wittingly or unwittingly committed herself to the future well-being of China by writing a security treaty with the KMT government, it is her obligation to see to it that the KMT government lives up to democratic standards. During the days on the mainland, not a few intellectuals hated the United States for her support of "old Chiang who tries stubbornly to improve the people's lot (perhaps, more his own lot) in his own way without regard to popular sentiment." The United States is liable to be so accused again for her support of the same old man if she does not realize that the KMT government is not exactly a popular government today on Formosa. Most people accept it because there is no alternative.

It would be a grave mistake if the Americans should feel that the security treaty is but an expedient by which Formosa may be kept as an American defense outpost while ignoring the necessity to press for political, economic, social and financial reforms.

While it is upon its achievements on Formosa that the rise or fall of the Kuomintang will hinge, it is the destiny of the United States that will spell life or death of Free China.

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Note: It must be emphatically pointed out that in reporting the "other side" of Free China I have not the slightest intention to minimize the various accomplishments of the Government on Formosa during the past few years. Inasmuch as these accomplishments have time and again been publicized by the Government, there is no reason to repeat them in this report.

It is also to be noted that in their conversations many people apparently feel that I may be in a position to convey their opinions to Americans. Some sample remarks: One noted magazine publisher asked me to tell "your American friends that the policy the present American Administration is pursuing toward Communism will lead to the United States to disaster."

An Air Force Colonel complained that the United States is harboring corrupt Chinese officials and thereby unwittingly encouraging corruption in China. He pointed out that Americans should be advised not to protect China's (in fact, any other backward country's) officials of questionable reputation. These officials may enrich the United States with their ill-gotten money, yet they have already incurred the wrath of the common people.

CONFIDENTIAL

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A newspaper editor asked that American officials in China be advised to apply justifiable pressure upon the Chinese government for necessary reforms.

Some people even suggested that American consular officers should be discreet enough not to issue visas to students coming from high official families. They pointed out that these students are invariably poor in school grades and cannot get into any college on Formosa.

Many have come to have an aversion against those who have long stayed in the United States without any intention of coming back to share the privations here. They complained: "When the mainland is recovered, they will come back to be the ruling class again. If not, they will become 'White Chinese' in the United States. Their loyalty is indeed questionable."

"The same is true of the high government officials," added a high school teacher, "half of whose families are residing in the United States." If the situation looks bad, they can always hop on a plane and join their families in the United States, leaving the people behind to face Communist persecution.

One correspondent asked: "Now that the United States is in such a favorable position to do something good for the Chinese people, why does she not make drastic reforms in government a condition in giving aid and support to the government?"

It is these remarks that prompted me to write this report which, I may say without pretension, does represent the prevailing sentiment of a section of the liberal-minded young Chinese intellectuals, although not very well written and presented.

Some of the figures given in the report were "plagiarized" from magazines, and others came from mere hearsay.

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