ORAL ARGUMENT NOT YET SCHEDULED

08-5078

United States Court of Appeals

for the

District of Columbia Circuit

Roger C.S. Lin, *et al.*,

Appellants,

v.

United States of America,

Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

JOINT APPENDIX

Charles H. Camp
Law Offices of Charles H. Camp
1319 18TH Street, N.W.
Washington, D.C. 20036
(202) 457-7786
Counsel for Appellants

Melissa Nicole Patterson
Civil Division, Appellate Staff
U.S. Department of Justice
950 Pennsylvania Ave., N.W.
Washington, D.C. 20530
(202) 514-1201
Counsel for Appellee

JOINT APPENDIX*

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EXHIBIT 1

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

DR. ROGER C. S. LIN **No. 19 Beiping 2nd Street, Gaoxiong City, Taiwan,** **CHIEN-MING HUANG** **9th Floor, No. 15-8, Nanjing East Road, Sec. 5, Taipei City, Taiwan,** **CHOU CHANG** **2nd Floor, No. 7, Lane 55, Shenxi Road, Keelung City, Taiwan,** **CHING-YAO HOU** **2nd Floor, No. 13, Lising Road, Sec. 2, Taipei County, Taiwan,** **CHEN-HUA LIU** **10th Floor, No. 15, Min Ho Street, Taipei City, Taiwan,** **CHEN-NI WU** **2nd Floor, No. 13, Lising Road, Sec. 2, Taipei County, Taiwan,** **YANG-LUNG YANG** **No.10, Alley 1, Lane 296, Yanji Street, Taipei County, Taiwan,** **YAO-JHIH YE** **No. 34, Fongsing, Dapi Township, Yunlin County, Taiwan,** **CHING-WEN YEN** **3rd Floor, No. 21, Lane 31, Yijia Street, Taiping City, Taiwan,** **A-CHU YUCHIANG** **4th Floor, No. 61, Shihjian Street, Taipei City, Taiwan, and**	**Civil Action No. 06-1825** **Judge Rosemary M. Collyer**

THE TAIWAN NATION PARTY
9th Floor, No. 15-8, Nanjing East Road,
Sec. 5, Taipei, Taiwan,

Plaintiffs,

v.

UNITED STATES OF AMERICA,

Defendant.

AMENDED COMPLAINT FOR DECLARATORY RELIEF

Pursuant to Federal Rule of Civil Procedure 15(a) and with the written consent of Defendant United States of America ("Defendant"), Plaintiffs Dr. Roger C. S. Lin, Chien-Ming Huang, Chou Chang, Ching-Yao Hou, Chen-Hua Liu, Chen-Ni Wu, Yang-Lung Yang, Yao-Jhih Ye, Ching-Wen Yen, A-Chu YuChiang, and the Taiwan Nation Party on behalf of its more than 1,000 of members ("Plaintiffs") hereby file this Amended Complaint for Declaratory Judgment and allege as follows:

I.

PRELIMINARY STATEMENT

1. Following World War II and Japan's surrender, the Allied Powers[1] signed the Treaty of Peace with Japan on September 8, 1951, in San Francisco, California (the "SFPT").[2]

[1] The "Allied Powers" are defined as "Australia, Canada, Ceylon, France, Indonesia, the Kingdom of the Netherlands, New Zealand, Pakistan, the Republic of the Philippines, the United Kingdom of Great Britain and Northern Ireland, and the United States of America" in Article 23(a) of the Treaty of Peace with Japan (*see* n.2 *infra*).

[2] Treaty of Peace with Japan, Sept. 8, 1951, Allied Powers-Japan, 136 U.N.T.S. 46 (ratification advised by Senate, Mar. 20, 1952; ratified by President, Apr. 15, 1952; ratification deposited at Washington, Apr. 28, 1952; proclaimed by President Apr. 28, 1952; entered into force Apr. 28, 1952) (hereinafter "SFPT").

The SFPT entered into force on April 28, 1952, and it remains in force as of the filing of this Complaint.[3]

2. Prior to the SFPT, Japan had sovereignty over Taiwan. In Article 2(b) of the SFPT, however, Japan renounced "all right, title and claim to Formosa[4] and the Pescadores."[5] Neither the SFPT nor any other subsequent legal instrument transferred sovereignty over Taiwan to any state or changed the legal status of Taiwan.

3. Article 23(a) of the SFPT designated the United States as "the principal occupying Power" for the purpose of the territories covered by the SFPT.[6]

4. The Allied Powers led by the United States entrusted the Republic of China ("ROC") with authority to accept the surrender of the Japanese troops and to occupy Taiwan on behalf of the Allied Powers, according to General Order No. 1 issued by General Douglas MacArthur, Supreme Commander for the Allied Powers.[7] Neither the SFPT nor or any other subsequent legal instrument altered the agency relationship between the principal, the Allied Powers led by the United States, and the agent, the ROC, for the purpose of Taiwan's occupation.

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3 Treaties in Force 2006, at 495, *available at* http://www.state.gov/documents/organization/65540.pdf.

4 Today, Formosa is known as Taiwan.

5 SFPT, art. 2(b).

6 SFPT, art. 23(a).

7 Supreme Commander for the Allied Powers General Order No. 1, Sept. 2, 1945, J.C.S. 1467/2; *see also* Dep't of St. Bull., Feb. 1955, at 329; *see also* Y. Frank Chiang, *One-China Policy and Taiwan*, 28 Fordham Int'l L.J. 1, 35, n.158 (2004); Lung-chu Chen and W. M. Reisman, *Who Owns Taiwan: A Search for International Title*, 81 Yale L.J. 599, 611, 639 (1972).

5. The international community, including the United Nations and the United States, does not recognize Taiwan as a state.

6. Following the SFPT, Plaintiffs, all of whom reside in Taiwan, suffer as a result of being in a legal limbo, deprived of an internationally recognized citizenship and nationality.

7. Plaintiffs seek a declaration that they have fundamental rights under the United States Constitution and laws. In particular, Plaintiffs seek a declaration that they have rights and privileges as United States nationals (as opposed to citizens).

II.

PARTIES

8. Plaintiff Dr. Roger C. S. Lin is a spokesperson and member of the Taiwan Nation Party, whose address is No. 19 Beiping 2nd Street, Gaoxiong City, Taiwan.

9. Plaintiff Chien-Ming Huang is a chairman and member of the Taiwan Nation Party, whose address is 9th Floor, No. 15-8, Nanjing East Road, Sec. 5, Taipei City, Taiwan.

10. Plaintiff Chou Chang is a member of the Taiwan Nation Party, whose address is 2nd Floor, No. 7, Lane 55, Shenxi Road, Keelung City, Taiwan.

11. Plaintiff Ching-Yao Hou is a member of the Taiwan Nation Party, whose address is 2nd Floor, No. 13, Lising Road, Sec. 2, Taipei County, Taiwan.

12. Plaintiff Chen-Hua Liu is a member of the Taiwan Nation Party, whose address is 10th Floor, No. 15, Min Ho Street, Taipei City, Taiwan.

13. Plaintiff Chen-Ni Wu is a member of the Taiwan Nation Party, whose address is 2nd Floor, No. 13, Lising Road, Sec. 2, Taipei County, Taiwan.

14. Plaintiff Yang-Lung Yang is a member of the Taiwan Nation Party, whose address is No.10, Alley 1, Lane 296, Yanji Street, Taipei County, Taiwan.

15. Plaintiff Yao-Jhih Ye is a member of the Taiwan Nation Party, whose address is No. 34, Fongsing, Dapi Township, Yunlin County, Taiwan.

16. Plaintiff Ching-Wen Yen is a member of the Taiwan Nation Party, whose address is 3rd Floor, No. 21, Lane 31, Yijia Street, Taiping City, Taiwan.

17. Plaintiff A-Chu YuChiang is a member of the Taiwan Nation Party, whose address is 4th Floor, No. 61, Shihjian Street, Taipei City, Taiwan.

18. Plaintiff the Taiwan Nation Party, acting on behalf of approximately 1,000 of its other members, has its address at 9th Floor, No. 15-8, Nanjing East Road, Sec. 5, Taipei, Taiwan. The Declaratory Judgment sought in this action relates to the purposes for which the Taiwan Nation Party was founded. Participation of all of the unnamed individual members of the Taiwan Nation Party is not necessary for the prosecution of this lawsuit.

19. Defendant United States of America is and remains the "principal occupying Power" of Taiwan under SFPT Article 23(a).[8]

III.

JURISDICTION AND VENUE

20. This Court has Federal Question jurisdiction pursuant to 28 U.S.C. § 1331.

21. This Court has jurisdiction pursuant to the Administrative Procedure Act ("APA") §§ 702 and 704, 5 U.S.C. §§ 702 and 704.

22. This Court has jurisdiction as to the individual Plaintiffs pursuant to the Immigration and Nationality Act ("INA") § 360, 8 U.S.C. § 1503.

23. This Court is authorized to award declaratory relief under the Declaratory Judgment Act, 28 U.S.C. §§ 2201-2202.

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[8] SFPT, art. 23(a).

24. Venue is proper in this district under 28 U.S.C. § 1391, as well as 5 U.S.C. § 703.

IV.

HISTORICAL BACKGROUND

25. In the late XVII century, Taiwan (Formosa) was a part of the Chinese Empire.[9] The Chinese government exercised sovereignty over Taiwan and held title to its territory.

Treaty of Shimonoseki

26. In 1894, Japan and China engaged in the Sino-Japanese War in which Japan defeated China.

27. Following the Sino-Japanese War, the governments of China and Japan signed a peace treaty known as the Treaty of Shimonoseki on April 17, 1895. The Treaty of Shimonoseki entered into force on May 8, 1895.[10]

28. Pursuant to the Treaty of Shimonoseki, China ceded Taiwan to Japan. Article 2 of the Treaty of Shimonoseki provided, "China ceded to Japan in perpetuity and full sovereignty . . . [t]he island of Formosa, together with all islands appertaining or belonging to the said island of Formosa." Following the Treaty of Shimonoseki, Japan exercised sovereignty over Taiwan and held title to its territory.

Pacific War

29. On December 7, 1941, the Japanese naval and air forces attacked the United States naval base at Pearl Harbor, Hawaii.

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[9] Taiwan became part of the Chinese Empire in 1683 following the fall of the Ming Dynasty and the establishment of the Qing Dynasty. *See, e.g.*, Jonathan I. Charney and J. R. V. Prescott, *Resolving Cross-Straight Relations between China and Taiwan*, 94 A.J.I.L. 453, 453-456 (2000).

[10] Treaty of Peace, Apr. 17, 1895, China-Japan, 181 Consol. TS 217 (entered into force May 8, 1895).

30. On December 8, 1941, the United States Congress issued a Declaration of War against Japan. The United States President Roosevelt signed the Declaration of War against Japan the same day. The Pacific War began.

31. The Allied Powers defeated Japan, and it surrendered on September 2, 1945. The Japanese representatives signed the Instrument of Surrender aboard the battleship USS Missouri anchored with other United States and British ships in Tokyo Bay.

32. Shortly after the signing of the Instrument of Surrender, General Douglas MacArthur, Supreme Commander for the Allied Powers, issued General Order No. 1 ordering the "senior Japanese commanders and all ground, sea, air and auxiliary forces within . . . Formosa" to "surrender to Generalissimo Chiang Kai-shek."[11] Pursuant to the General Order No. 1, Chiang Kai-shek, a military and political leader of the ROC, was a "representative of the Allied Powers empowered to accept surrender[]" of the Japanese forces, himself or through a representative.[12]

33. On October 25, 1945, Chiang Kai-shek's representative in Taipei, Taiwan, accepted the surrender of the Japanese forces there.

34. The surrender and repatriation of the Japanese forces in Taiwan was carried out with substantial assistance of the United States armed forces.

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[11] Supreme Commander for the Allied Powers General Order No. 1, Sept. 2, 1945, J.C.S. 1467/2.

[12] *Id.*

35. Following the surrender and pending a peace settlement, Taiwan remained *de jure* Japanese territory. General Douglas MacArthur stated at a congressional hearing in May 1951, "legalistically Formosa is still a part of the Empire of Japan."[13]

36. The Allied Powers led by the United States, the principal occupying Power, authorized Chiang Kai-shek's ROC government to accept the surrender of the Japanese forces in Taiwan and to undertake the post-surrender occupation of Taiwan on behalf of the Allied Powers.[14] The ROC government occupied Taiwan on behalf of the Allied Powers (led by the United States) pending a peace treaty with Japan, which would change the legal status of Taiwan.

San Francisco Peace Treaty

37. On September 8, 1951, the Allied Powers and Japan signed the SFPT. The SFPT entered into force on April 28, 1952, and it remains in force as of the filing of this Complaint.[15]

38. Pursuant to the SFPT, Japan renounced its sovereignty over Taiwan and title to its territory. Article 2(b) of the SFPT provided, "Japan renounces all right, title and claim to Formosa and the Pescadores."[16]

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[13] *See* Statement by General Douglas MacArthur, N.Y. Times, May 5, 1951, at A7; *see also* Y. Frank Chiang, *One-China Policy and Taiwan*, 28 Fordham Int'l L.J. 1, 16, n.72 (2004).

[14] Lung-chu Chen and W. M. Reisman, *Who Owns Taiwan: A Search for International Title*, 81 Yale L.J. 599, 611 (1972).

[15] Treaties in Force 2006, at 495, *available at* http://www.state.gov/documents/organization/65540.pdf.

[16] SFPT, art. 2(b).

39. The SFPT did not designate the recipient of the "right, title and claim to Formosa and the Pescadores." Thus, no state received any right, title, or claim to Taiwan under the SFPT according to its terms.[17]

40. Japan and the Allied Powers—"Australia, Canada, Ceylon, France, Indonesia, the Kingdom of the Netherlands, New Zealand, Pakistan, the Republic of the Philippines, the United Kingdom of Great Britain and Northern Ireland, and the United States of America"—were the original parties to the SFPT as set forth in Article 23(a).[18] Currently, 46 countries are parties to the SFPT, but China is not one of them.[19]

41. China never became a party to the SFPT. Neither the ROC government, which occupied the island of Taiwan as agent for the "principal occupying Power,"[20] nor the government of the People's Republic of China ("PRC"), which controlled mainland China, signed, ratified, or adhered to the SFPT.

42. Article 25 of the SFPT specifically provided that the Treaty did "not confer any rights, titles or benefits on any State which [was] not an Allied Power [as defined in Article 23(a),]" subject to certain narrow exceptions set forth in Article 21.[21] Accordingly, China, a non-party, did not receive "any right, titles or benefits" under the SFPT except as specifically provided in Article 21.

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17 *See* Lung-chu Chen and W. M. Reisman, *Who Owns Taiwan: A Search for International Title*, 81 Yale L.J. 599, 642 (1972).

18 SFPT, art. 23(a).

19 *See* Treaties in Force 2006, at 495, *available at* http://www.state.gov/documents/organization/65540.pdf.

20 *See* SFPT, art. 23(a) ("the United States" is "the principal occupying Power").

21 SFPT, art. 25.

43. According to Article 21, China, a non-party, was entitled only to two benefits: one under Article 10(a),[22] which abrogated the Peking Protocol previously signed by China and Japan; and another under Article 14(a)(2),[23] which enabled China to seize the Japanese property within China's jurisdiction at the time of the SFPT's entry into force. China did not receive any other benefits under the SFPT according to its terms.

44. Specifically, China, a non-party, was not entitled to any benefits under Article 2(b) dealing with the territory of Taiwan.[24] The parties to the SFPT chose not to give any "right, title [or] claim to Formosa and the Pescadores" to China.

45. When the Allied Powers signed the SFPT on September 8, 1951, they did not intend to give any "right, title [or] claim to Formosa and the Pescadores" to China. Prior drafts of Article 2(b) show that the Allied Powers originally intended to give China sovereignty over Taiwan, but later affirmatively changed their intention. The drafts dated August 5, 1947, and January 8, 1948, provided: "Japan hereby cedes to China in full sovereignty the island of Taiwan and adjacent minor islands[.]"[25] By contrast, the final draft of the SFPT did not transfer "full sovereignty" in Taiwan and the Pescadores Islands from Japan to China.

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[22] Pursuant to Article 10(a) of the SFPT, "Japan renounce[d] all special rights and interests in China, including all benefits and privileges resulting from the provisions of the final Protocol signed at Peking on September 7, 1901 . . . , and agrees to the abrogation in respect to Japan of the said protocol . . . ." SFPT, art. 10(a).

[23] Pursuant to Articles 14(a)(2) and 21 of the SFPT, China had "the right to seize, retain, liquidate or otherwise dispose of all property, rights and interests of (a) Japan and Japanese nationals, (b) persons acting for or on behalf of Japan or Japanese nationals, and (c) entities owned or controlled by Japan or Japanese nationals, which on the first coming into force of the present Treaty were subject to its jurisdiction." Some limitations applied. SFPT, art. 14(a)(2).

[24] SFPT, arts. 21, 25.

[25] Memorandum from Hugh Borton to Charles E. Bohlen: Draft Treaty of Peace for Japan, State Dep't Decimal File No. 740.0011 PW (PEACE)/8-647 CS/W, State Dep't Records, Record Group 59 (Aug. 6, 1947); Memorandum, Background of Draft of Japanese Peace Treaty, State

46. While Article 2(b) of the SFPT did not designate a recipient of "all right, title and claim to Formosa and the Pescadores," Article 23 of the SFPT designated the United States as the principal occupying Power" with respect to the territories covered by the SFPT, including "Formosa and the Pescadores."[26]

47. Following the entry into force of the SFPT, the government of the ROC continued to occupy Taiwan as agent for the United States, "the principal occupying Power."

48. The Treaty of Peace between the ROC and Japan, which was signed on April 28, 1952, and entered into force on August 5, 1952 (the "Treaty of Taipei"), did not transfer sovereignty over Taiwan from Japan to China either.[27] Article 2 of the Treaty of Taipei merely acknowledged Article 2(b) of the SFPT, "[it] is recognized that under Article 2" of the SFPT "Japan has renounced all right, title and claim to Taiwan and Penghu (the Pescadores)."[28] The Treaty of Taipei did not designate China as a recipient of "all right, title and claim" to Taiwan.

49. In the aftermath of the SFPT, the governments of the leading Allies interpreted the SFPT to mean that no state acquired sovereignty over Taiwan and title to its territory. For example, United States Secretary of State John Foster Dulles told the Senate in December 1954, "[the] technical sovereignty over Formosa and the Pescadores has never been settled. That is

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Dep't Decimal File No. 740.0011 PW (PEACE)/1-3048 CS/W, State Dep't Records, Record Group 59 (Jan. 30, 1948); *see also* Seokwoo Lee, *The 1951 San Francisco Peace Treaty with Japan and the Territorial Disputes in East Asia*, 11 Pac. Rim L. & Pol'y 63, 124, nn.275, 14, 15 (2002).

[26] SFPT, art. 23. Also, Article 4(b) of the SFPT empowered the "United States Military Government" to direct the "disposition of property of Japan and Japanese nationals" in the territories covered by the SFPT, including "Formosa and the Pescadores." SFPT, art. 4(b).

[27] Treaty of Peace with Japan, Apr. 28, 1952, R.O.C.-Japan, 163 U.N.T.S. 38 (entered into force Aug. 5, 1952).

[28] *Id.*, art. 2.

because the Japanese peace treaty merely involves a renunciation by Japan of its right and title to these islands. But the future title is not determined by the Japanese peace treaty, nor is it determined by the peace treaty which was concluded between the [ROC] and Japan."[29] Likewise, British Foreign Secretary Anthony Eden told the British House of Commons, "under the Peace Treaty of April, 1952, Japan formally renounced all right, title and claim to Formosa and the Pescadores; but again this did not operate as a transfer to Chinese sovereignty, whether to the [PRC] or to the [ROC]. Formosa and the Pescadores are therefore, in the view of Her Majesty's Government, territory the de jure sovereignty over which is uncertain or undermined."[30] Similarly, in 1964, President Georges Pompidou (then premier) stated that "Formosa (Taiwan) was detached from Japan, but it was not attached to anyone" under the SFPT.[31] Thus the leading allies were in consensus that China did not acquire sovereignty over Taiwan or title to its territory pursuant to the SFPT.

50. The SFPT did not terminate the agency relationship between the United States, the principal, and the ROC, the agent, with regard to the occupation and administration of Taiwan. In 1955, United States Secretary of State John Foster Dulles confirmed that the basis for ROC's presence in Taiwan was that "in 1945, the [ROC] was entrusted with authority over [Taiwan]" and "General Chiang [Kai-shek] was merely asked to administer [Taiwan] for the

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29 *See* Statement by Secretary John Foster Dulles, Dep't St. Bull., Dec. 1954, at 896; *see also* Y. Frank Chiang, *One-China Policy and Taiwan*, 28 Fordham Int'l L.J. 1, 36, n.164 (Dec. 2004); Lung-chu Chen and W.M. Reisman, *Who Owns Taiwan: A Search for International Title*, 81 Yale L.J. 599, 644 (1972).

30 *See* Statement by Secretary Anthony Eden, 536 Parl. Deb., H.C., 5th ser., 1955, at 159; *see also* Y. Frank Chiang, *One-China Policy and Taiwan*, 28 Fordham Int'l L.J. 1, 36, n.167 (2004).

31 *See* Statement by President Georges Pompidou, N.Y. Times, Apr. 24, 1964, at 4, col. 4; *see also* Lung-chu Chen and W.M. Reisman, *Who Owns Taiwan: A Search for International Title*, 81 Yale L.J. 599, 645 (1972).

Allied . . . [P]owers pending a final decision as to their ownership."[32] In the words of British Prime Minister Winston Churchill, "Chiang Kai-shek . . . took refuge upon Formosa, where he still remains [in 1954]" after he "was driven out of [mainland China] by a Communist revolution."[33]

51. Following the entry into force of the SFPT on April 28, 1952, the ROC did not exercise sovereignty over Taiwan and did not have title to its territory.

V.

LEGAL STATUS OF TAIWAN FOLLOWING THE SAN FRANCISCO PEACE TREATY

52. Following the Pacific War, Taiwan has been an occupied territory of the United States, "the principal occupying Power." Currently, Taiwan is an occupied territory of the United States, and Taiwan's statehood status is disputed and uncertain.

53. Neither the SFPT nor the Treaty of Taipei nor any other subsequent legal instruments changed the status of Taiwan.

54. The agency relationship between the United States, the principal, and the ROC, its agent in Taiwan, never terminated.

55. General Douglas MacArthur's General Order No. 1 empowering the government of ROC to accept the surrender of the Japanese troops in Taiwan and to occupy Taiwan on behalf of the Allied Powers led by the United States following the Pacific War is still valid.

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[32] *See* Statement by Secretary John Foster Dulles, Dep't St. Bull., Feb. 1955, at 329; *see also* N.Y. Times, Feb. 7, 1955, at A1; Y. Frank Chiang, *One-China Policy and Taiwan*, 28 Fordham Int'l L.J. 1, 35, nn.158, 159 (2004).

[33] *See* Statement by Prime Minister Winston Churchill, 530 Parl. Deb., H.C., 5th ser., 1954, at 494; *see also* Y. Frank Chiang, *One-China Policy and Taiwan*, 28 Fordham Int'l L.J. 1, 35, n.162 (2004).

56. The United States as the principal occupying Power never issued a formal statement or declaration that the occupation of Taiwan has ended. It never transferred the sovereignty over Taiwan or title to its territory to any other government. The United States as the principal occupying Power is still holding the sovereignty over Taiwan and title to its territory in trust for the benefit of the Taiwanese people.

57. Neither the SFPT (the supreme law of the land and highest ranking legal instrument defining the relationship between the United States and Taiwan), nor the Mutual Defense Treaty of 1955,[34] nor the Taiwan Relations Act of 1979 ("TRA"),[35] nor any other legal instrument affected the legal status of Taiwan, or terminated the agency relationship between the United States and the ROC for the purpose of the occupation and administration of Taiwan.

58. The Mutual Defense Treaty, in view of the Unites States Senate's Committee on Foreign Relations, did not modify or affect the existing legal status of Taiwan. The committee specified, "nothing in the [] treaty shall be construed as affecting or modifying the legal status or sovereignty of the territories referred to in the [treaty,]" namely Taiwan.[36] "The committee decided that this treaty was not a competent instrument to resolve doubts about sovereignty over Formosa."[37]

59. The TRA did not affect the legal status of Taiwan. Indeed, the TRA indicated that "the future of Taiwan" is still not "determined."[38]

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34 Mutual Defense Treaty, March 3, 1955, U.S.-ROC, 6 UST 433, TIAS No. 3178, 248 UNTS 213.

35 Taiwan Relations Act, 22 U.S.C. §§ 3301-3316 (2006) (hereinafter "TRA").

36 *See* 101 Cong. Rec. 1379, 1381 (1955).

37 *See* 101 Cong. Rec. 1381 (1955).

38 TRA § 3301.

60. The Taiwanese people never issued a declaration of self-determination and never formed their own government.

61. The international community does not recognize Taiwan as a state.

62. The United Nations never recognized Taiwan as a state and has never granted Taiwan's (ROC's) application for membership.

63. Most importantly, the United States does not recognize Taiwan as a state.[39]

64. Pursuant to the TRA, which embodies the United States congressional policy towards Taiwan, there is an "absence of diplomatic relations and recognition with respect to Taiwan."[40] The United States does not maintain inter-state relations with Taiwan.[41] Instead, "the people of the United States" maintain "commercial, cultural, and other relations" with "the people of Taiwan."[42]

65. In July 1982, the United States gave "Six Assurances" to the Taiwan authorities, including that the "United States would not alter the terms of the Taiwan Relations Act[,]" "would not alter its position about the sovereignty of Taiwan[,]" and "would not formally recognize Chinese sovereignty over Taiwan."[43]

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39 Independent States in the World, U.S. Department of State Bureau of Intelligence and Research (listing Taiwan not as a state, but as "other"), *available at* http://www.state.gov/s/inr/rls/4250.htm.

40 TRA § 3303.

41 TRA §§ 3301-3316.

42 *Id.* § 3301.

43 The "Six Assurances to Taiwan," *available at* http://www.taiwandocuments.org/assurances.htm.

66. The United States President Clinton's Executive Order No. 13014 did not affect the status of Taiwan and did not alter the "commercial, cultural, and other relations between the people of the United States and the people of Taiwan without official representation or diplomatic relations[.]"[44]

67. On October 25, 2004, United States Secretary of State Colin Powell confirmed the United States' continuing policy towards Taiwan. He stated, "Taiwan is not independent. It does not enjoy sovereignty as a nation, and that remains our policy, our firm policy."[45]

VI.

LEGAL STATUS OF PLAINTIFFS

68. Considering that the international community—including the United Nations and the United States—does not recognize Taiwan as a state, the Taiwanese people do not have an internationally recognized citizenship and nationality.

69. Considering that the United States is holding de jure sovereignty over Taiwan, the Taiwanese people owe permanent allegiance to the United States and have the status of United States nationals (as opposed to citizens).

70. Because of their status as United States nationals following to the SFPT, individual Plaintiffs are entitled to United States national passports, as long as they meet the statutory requirements.

71. The American Institute in Taiwan ("AIT")[46] or its officials denied individual Plaintiffs' rights and privileges as United States nationals.

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44 Executive Order No. 13014, 61 FR 42963 (August 15, 1996).

45 *See* Statement by Secretary Colin Powell, *available at* http://usinfo.state.gov/eap/Archive/2004/Oct/26-277540.html.

72. The AIT is a department or independent agency of the United States.

73. On February 21, 2006, Plaintiffs' spokesperson Roger C.S. Lin attended meetings with the AIT officials, after which he submitted evidence of Plaintiffs' United States nationality status.

74. On March 29, 2006, individual Plaintiffs in good faith attempted to submit DS-11 passport applications to the AIT.

75. Their passports applications (including attachments) established a substantial basis for their entitlement to passports.

76. All individual Plaintiffs at some time prior to their applications for passports have been physically present in the United States.

77. The AIT refused to accept and process the passport applications, without providing an explanation setting forth the reasons for the refusal.

78. The AIT's refusal to accept and process the individual Plaintiffs' passport applications constituted a denial of their status as United States nationals, and of their rights and privileges as United States nationals.

79. Plaintiffs' subsequent attempts to persuade the AIT to accept and process the individual Plaintiffs' passport applications proved to be futile. The individual Plaintiffs could not even gain admission to the AIT for the purpose of resubmitting their passport applications.

80. The AIT's agency action constituted a final administrative denial of the individual Plaintiffs' rights and privileges as United States nationals.

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[46] The AIT was formed pursuant to the Taiwan Relations Act and performs functions typically reserved for embassies and consulates (*e.g.*, processing passport and visa applications).

81. The United States waived sovereign immunity from this action by specific statutory consent embodied in the INA § 360, 8 U.S.C. § 1503; and the APA § 702, 5 U.S.C. § 702.

VII.

RELIEF REQUESTED

Considering that this case does not present a nonjusticiable political question and instead requires treaty, statutory, and constitutional interpretation; and considering that this Court has the constitutional power and duty to interpret treaties, statutes, and the Constitution, Plaintiffs respectfully pray that this Court enter an Order declaring that:

(a) By refusing to accept and process individual Plaintiffs' passport applications, the AIT wrongfully denied individual Plaintiffs' United States nationality status and wrongfully denied their rights and privileges as United States nationals.

(b) Individual Plaintiffs are United States nationals and have rights and privileges as United States nationals, including those set forth below.

(c) Plaintiffs have the Fifth Amendment right against deprivation of life, liberty, or property, without due process of law.

(d) Plaintiffs have the Fourteenth Amendment right against deprivation of life, liberty, or property, without due process of law.

(e) Plaintiffs may not be deprived of the Fifth Amendment right to travel, without due process of law, which requires a notice and a hearing.

(f) Plaintiffs have the Eighth Amendment right against cruel and unusual punishment in the form of deprivation of a recognized nationality.

(g) Plaintiffs have the Fourteenth Amendment right of equal protection of the laws.

(h) Plaintiffs have the First Amendment right to petition the government for a redress of grievances.

Respectfully submitted,

Charles H. Camp (D.C. Bar No. 413575)
LAW OFFICES OF CHARLES H. CAMP
1725 Eye Street, N.W., Suite 300
Washington, D.C. 20006
Telephone: (202) 349-3905
Facsimile: (202) 349-3906
E-mail: ccamp@charlescamplaw.com

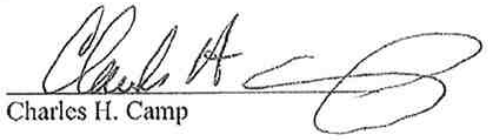
Counsel for Plaintiffs

March 19, 2007

CERTIFICATE OF SERVICE

I hereby certify that the foregoing paper was served upon the following counsel for Defendant electronically via the Court's Electronic Case Filing system this 19th day of March 2007:

Adam D. Kirschner, Esquire
Trial Attorney
U.S. Department of Justice
Civil Division, Federal Programs Branch
P.O. Box 883
Washington, D.C. 20044



Charles H. Camp

EXHIBIT 2

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

DR. ROGER C.S. LIN, *et al.*,	
Plaintiffs,	
v.	**Civil Action No. 06-1825 (RMC)**
UNITED STATES OF AMERICA,	
Defendant.	

MEMORANDUM OPINION

In this case, the Plaintiffs, residents of Taiwan and the Taiwan Nation Party, ask the Court to interpret treaties, statutes, and other legislative and executive pronouncements to determine to what extent the Immigration and Nationality Act ("INA"),[1] the Administrative Procedure Act ("APA"),[2] and the United States Constitution apply to them. The United States moves to dismiss, arguing that the suit presents a non-justiciable political question and that the Court lacks subject matter jurisdiction. *See* Def.'s Mot. to Dismiss ("Def.'s Mem.") [Dkt. #17].

I. BACKGROUND FACTS

A short history lesson is provided by the Complaint. *See* Am. Compl. [Dkt. #16]. In 1894, Japan and China engaged in the Sino-Japanese War in which Japan defeated China. Am. Compl. ¶ 26. Both governments signed the Treaty of Shimonoseki on April 17, 1895. *Id.* ¶ 27. Pursuant to the Treaty, China ceded Taiwan (then known as Formosa) to Japan in perpetuity and full

[1] 8 U.S.C. §§ 1101-1777 (2007).

[2] 5 U.S.C. §§ 701-706 (2007).

sovereignty. *Id.* ¶ 28.

On December 7, 1941, Japan attacked the United States naval base at Pearl Harbor, Hawaii, and as a result the United States Congress issued a Declaration of War on December 8. *Id.* ¶¶ 29-30. After an intense war, Japan surrendered on September 2, 1945. Japanese representatives signed the Instrument of Surrender aboard the battleship USS Missouri, anchored in Tokyo Bay. *Id.* ¶ 31. On that same day, General Douglas MacArthur, Supreme Commander for the Allied Powers,[3] issued General Order No. 1, ordering the "senior Japanese commanders and all ground, sea, air and auxiliary forces within . . . Formosa" to "surrender to Generalissimo Chiang Kai-shek." *Id.* ¶ 32; *see also* Supreme Commander for the Allied Powers General Order No. 1, Sept. 2, 1945, J.C.S. 1467/2. According to the Complaint, "[p]ursuant to the General Order No. 1, Chiang Kai-shek, a military and political leader of the [Republic of China ("ROC")], was a 'representative of the Allied Powers empowered to accept surrender[]'" of the Japanese forces. Am Compl. ¶ 32. On October 25, 1945, Chiang Kai-shek's representative in Taiwan accepted the surrender of the Japanese forces there, although "[t]he surrender and repatriation of the Japanese forces in Taiwan (Formosa) was carried out with substantial assistance of the United States armed forces." *Id.* ¶¶ 33-34.

On September 8, 1951, the Allied Powers and Japan signed the San Francisco Peace Treaty ("SFPT"), which entered into force on April 28, 1952. *Id.* ¶ 37. Article 2(b) of the SFPT provided, "Japan renounces all right, title and claim to Formosa and the Pescadores." *Id.* ¶ 38; *see also* Treaty of Peace with Japan, art. 2(b), Sept. 8, 1951, 136 U.N.T.S. 46 (entered into force Apr.

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[3] The Allied Powers included Australia, Canada, Ceylon, France, Indonesia, the Kingdom of the Netherlands, New Zealand, Pakistan, the Republic of the Philippines, the United Kingdom of Great Britain and Northern Ireland, and the United States of America. *See* Am. Compl. ¶ 40.

28, 1952). However, the SFPT did not indicate to whom sovereignty over Taiwan was to be transferred. *See* Am. Compl. ¶ 39. The Complaint alleges that "[n]either the ROC government, which occupied the island of Taiwan (Formosa) as agent for the 'principal occupying Power,'[4] nor the government of the Peoples' Republic of China ("PRC"), which controlled mainland China, signed, ratified, or adhered to the SFPT." *Id.* ¶ 41. "The parties to the SFPT chose not to give "any right, title [or] claim to Formosa and the Pescadores" to China. *Id.* ¶ 44.

According to the Plaintiffs, the decision not to cede Formosa to China was a considered judgment.

> Prior drafts of Article 2(b) show that the Allied Powers originally intended to give China sovereignty over Taiwan (Formosa), but later affirmatively changed their intention. The drafts dated August 5, 1947, and January 8, 1948, provided: "Japan hereby cedes to China in full sovereignty the island of Taiwan (Formosa) and adjacent minor islands[.]" By contrast, the final draft of the SFPT did not transfer "full sovereignty" in Taiwan and the Pescadores Islands from Japan to China.

Id. ¶ 45. Instead, Article 23 designated the United States as "the principal occupying Power," with the government of the ROC as its agent. *Id.* ¶¶ 46-47.

A separate Treaty of Peace between the ROC and Japan, signed on April 28, 1952 and entered into force on August 5, 1952 (the "Treaty of Taipei"), also did not transfer sovereignty over Taiwan from Japan to China. *Id.* ¶ 48. It merely recognized that "Japan has renounced all right, title and claim to Taiwan (Formosa) and Penghu (the Pescadores)." *Id.*; *see also* Treaty of Peace with Japan, Apr. 28, 1952, R.O.C.-Japan, 163 U.N.T.S. 38 (entered into force Aug. 5, 1952).

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[4] *See* SFPT, art. 23(a) ("the United States is 'the principal occupying Power'"). Am. Compl. at 9, n.20.

> In the aftermath of the SFPT, the governments of the leading allies interpreted the SFPT to mean that no state acquired sovereignty over Taiwan (Formosa) and title to its territory. For example, United States Secretary of State John Foster Dulles told the Senate in December 1954, "[the] [sic] technical sovereignty over Formosa and the Pescadores has never been settled. That is because the Japanese peace treaty merely involves a renunciation by Japan of its right and title to these islands. But the future title is not determined by the Japanese peace treaty, nor is it determined by the peace treaty which was concluded between the [ROC] and Japan." Likewise, British Foreign Secretary Anthony Eden told the British House of Commons, "under the Peace Treaty of April, 1952, Japan formally renounced all right, title and claim to Formosa and the Pescadores; but again this did not operate as a transfer to Chinese sovereignty, whether to the [PRC] or to the [ROC]. Formosa and the Pescadores are therefore, in the view of Her Majesty's Government, territory the de jure sovereignty over which is uncertain or undet[er]mined." Similarly, in 1964, President Georges Pompidou (then Premier of France) stated that "Formosa (Taiwan) was detached from Japan, but it was not attached to anyone" under the SFPT.

Am. Compl. ¶ 49. Further, the Complaint alleges that "[i]n 1955, United States Secretary of State John Foster Dulles confirmed that the basis for ROC's presence in Taiwan was that 'in 1945, the [ROC] was entrusted with authority over [Formosa and the Pescadores]' and 'General Chiang [Kai-shek] was merely asked to administer [Formosa and the Pescadores] for the Allied . . . [P]owers pending a final decision as to their ownership.'" *Id.* ¶ 50.

The Plaintiffs allege that this state of affairs has never changed: the United States remains the principal occupying Power, "holding sovereignty over Taiwan and title to its territory in trust for the benefit of the Taiwanese people," *id.* ¶ 56; the Taiwanese people have never declared their own sovereignty or formed their own government, *id.* ¶ 60; no one in the international community, including the United Nations and the United States, recognizes Taiwan as an

independent state, *id.* ¶¶ 61-63; under the Taiwan Relations Act ("TRA") of 1979, 22 U.S.C. §§ 3301-3316 (2006), "the people of the United States" maintain "commercial, cultural, and other relations" with the "people of Taiwan,"[5] because "the future of Taiwan" is still not "determined,"[6] *Id.* ¶¶ 59 & 64; in July 1982, the United States gave "Six Assurances" to Taiwan, including that it "would not formally recognize Chinese sovereignty over Taiwan," *id.* ¶ 65; and as late as October 25, 2004, United States Secretary of State Colin Powell confirmed that "Taiwan is not independent. It does not enjoy sovereignty as a nation, and that remains our policy, our firm policy." *Id.* ¶ 67.

Plaintiffs claim that they have rights and privileges as United States nationals including: fundamental rights under the U.S. Constitution, including a First Amendment right to petition for redress of grievances, a Fifth Amendment right to due process of law, an Eighth Amendment right against cruel and unusual punishment in the form of deprivation of a recognized nationality, and Fourteenth Amendment rights to due process and equal protection. *See id.* § VII.

II. LEGAL STANDARDS

Federal courts are courts of limited jurisdiction and the law presumes that "a cause lies outside this limited jurisdiction." *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994). Because subject matter jurisdiction is an Article III as well as a statutory requirement, "no action of the parties can confer subject[]matter jurisdiction upon a federal court.'" *Akinseye v. District of Columbia*, 339 F.3d 970, 971 (D.C. Cir. 2003). On a motion to dismiss for lack of subject matter jurisdiction pursuant to Rule 12(b)(1), the plaintiff bears the burden of establishing that the court has subject matter jurisdiction. *Evans v. B.F. Perkins Co.*, 166 F.3d 642, 647 (4th Cir. 1999);

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[5] TRA, 22 U.S.C. § 3301.

[6] *See supra* note 5.

see also McNutt v. Gen. Motors Acceptance Corp., 298 U.S. 178, 182-83 (1936).

Because subject matter jurisdiction focuses on the court's power to hear the claim, however, the court must give the plaintiff's factual allegations closer scrutiny when resolving a Rule 12(b)(1) motion than would be required for a Rule 12(b)(6) motion for failure to state a claim. *Macharia v. United States*, 334 F.3d 61, 64, 69 (D.C. Cir. 2003). Moreover, the court is not limited to the allegations contained in the complaint. *Hohri v. United States*, 782 F.2d 227, 241 (D.C. Cir. 1986), *vacated on other grounds*, 482 U.S. 64 (1987). Instead, to determine whether it has jurisdiction over the claim, the court may consider materials outside the pleadings. *Herbert v. Nat'l Acad. of Scis.*, 974 F.2d 192, 197 (D.C. Cir. 1992).

A motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6) challenges the adequacy of a complaint on its face, testing whether a plaintiff has properly stated a claim. *Browning v. Clinton*, 292 F.3d 235, 242 (D.C. Cir. 2002). Although a complaint "does not need detailed factual allegations, a plaintiff's obligation to provide the 'grounds' of his 'entitle[ment]to relief' requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." *Bell Atl. Corp. v. Twombly*, 127 S. Ct. 1955, 1964-65 (2007) (internal citations omitted). The court must treat the complaint's factual allegations — including mixed questions of law and fact — as true, drawing all reasonable inferences in the plaintiff's favor. *Macharia,* 334 F.3d at 64, 67; *Holy Land Found. for Relief & Dev. v. Ashcroft*, 333 F.3d 156, 165 (D.C. Cir. 2003). The facts alleged "must be enough to raise a right to relief above the speculative level." *Twombly*, 127 S. Ct. at 1965. The court need not accept as true inferences unsupported by facts set out in the complaint or legal conclusions cast as factual allegations. *Browning*, 292 F.3d at 242. In deciding a 12(b)(6) motion, the Court "may only consider the facts alleged in the

complaint, documents attached as exhibits or incorporated by reference in the complaint, and matters about which the Court may take judicial notice." *Gustave-Schmidt, v. Chao*, 226 F. Supp. 2d at 196 (D.D.C. 2002) (citation omitted).

III. ANALYSIS

The basis for Plaintiffs' claims that they are nationals of the United States is that the United States is allegedly exercising sovereignty over Taiwan. *See* Am. Compl. ¶69 ("[c]onsidering that the United States is holding de jure sovereignty over Taiwan, the Taiwanese people owe permanent allegiance to the United States and have the status of United States nationals (as opposed to citizens)"). The Plaintiffs would have the Court address a quintessential political question and trespass into the extremely delicate relationship between and among the United States, Taiwan and China. This it is without jurisdiction to do.

The determination of who is sovereign over specific territory is non-justiciable. "Who is the sovereign, *de jure* or *de facto*, of a territory, is not a judicial, but a political, question, the determination of which by the legislative and executive of any government conclusively binds the judges, as well as all other officers, citizens, and subjects of that government. This principle has always been upheld by this court, and has been affirmed under a great variety of circumstances." *Jones v. United States*, 137 U.S. 202, 212 (1890) (citing cases as far back as 1818); *see also Boumediene v. Bush*, 476 F.3d 981, 992 (D.C. Cir. 2007), *cert. denied*, 127 S. Ct. 1478 (2007), *rehearing granted, order vacated*, 127 S. Ct. 3078 (2007) ("[t]he determination of sovereignty over an area, the Supreme Court has held, is for the legislative and executive departments") (internal citations omitted).

Neither *Ungar v. Palestine Liberation Org.*, 402 F.3d 274 (1st Cir. 2005) nor *Rasul*

v. Bush, 542 U.S. 466 (2004), on which Plaintiffs rely, grants the Court jurisdiction to determine whether the United States exercises sovereignty over Taiwan. *Ungar* involved statutory interpretation of the Antiterrorism Act which "neither signaled an official position on behalf of the United States with respect to the political recognition of Palestine nor amounted to the usurpation of a power committed to some other branch of government." *Ungar*, 402 F.3d at 260. Similarly, *Rasul* relied on "the express terms of [U.S.] agreements with Cuba," made by the Executive Branch, to define the scope of the U.S. relationship with Guantanamo Bay Naval Base. *Rasul*, 542 U.S. at 480-81. Plaintiffs ask the Court to interpret General Order No. 1, which was issued by General MacArthur as Supreme Commander of the Allied Powers—not by the Executive Branch of the United States Government. They acknowledge that the treaty actually negotiated and signed by the United States, the SFPT, only recognized that Japan had ceded sovereignty over Taiwan and did not address post-war sovereignty over Taiwan. "Interpreting" the SFPT, therefore, is of no assistance in this matter and the Court is without standards or boundaries to guide it in "interpreting" General Order No. 1.

In *Baker v. Carr*, 369 U.S. 186 (1962), the Supreme Court enumerated six factors that may render a case nonjusticiable under the Political Question doctrine: (1) textually demonstrable constitutional commitment of the issue to a coordinate political department; (2) a lack of judicially discoverable and manageable standards for resolving it; (3) the impossibility of deciding without an initial policy determination of a kind clearly for nonjudicial discretion; (4) the impossibility of a court's undertaking independent resolution without expressing lack of respect due coordinate branches of government; (5) an unusual need for unquestioning adherence to a political decision already made; or (6) the potentiality of embarrassment of multifarious pronouncements by various

departments on one question. *Baker*, 369 U.S. at 217; *see also Schneider v. Kissinger*, 412 F.3d 190 (D.C. Cir. 2005). "To find a political question, [the Court] need only conclude that one factor is present, not all." *Schneider*, 412 F.3d at 194. In the instant matter, at least four of the factors counsel against the exercise of jurisdiction over Plaintiffs' claims.

A. Textually Committed to Coordinate Branches

Plaintiffs' suit raises policy questions that are textually committed to coordinate branches of government.

> As the Supreme Court suggested in *Marbury* [*v. Madison*, 5 U.S. (1 Cranch) 137, 2 L.Ed. 60 (1803)] and made clear in later cases, "The conduct of the foreign relations of our Government is committed by the Constitution to the Executive and Legislative—'the political'—Departments of the Government, and the propriety of what may be done in the exercise of this political power is not subject to judicial inquiry or decision. *Oetjen* [*v. Cent. Leather Co.*, 246 U.S. 297, 302 (1918)]. Otherwise put, "foreign policy decisions are the subject of just such a textual commitment," as contemplated in *Baker v. Carr. Comm. Of United States Citizens v. Reagan*, 859 F.2d 929, 933-34 (D.C. Cir. 1988).

Schneider, 412 F.3d at 412. Article I, Section 8 of the Constitution "is richly laden with delegation of foreign policy and national security powers" to the legislature. *Id.* "Article II likewise provides allocation of foreign relations and national security powers to the President, the unitary chief executive. . . . Indeed, the Supreme Court has described the President as possessing 'plenary and exclusive power' in the international arena and 'as the sole organ of the federal government in the field of international relations . . . .'" *Id.* at 413 (quoting *United States v. Curtiss-Wright Export Corp.*, 299 U.S. 304, 320 (1936)).

As the sources cited by Plaintiffs make plain, at the end of World War II, the

sovereignty of Taiwan was an undecided question. It remains a very delicate issue in international relations. Plaintiffs want the Court to ignore intervening events[7] and catapult over the Executive and Legislative Branches, which have obviously and intentionally *not* recognized any power as sovereign over Taiwan. That inaction is as much committed by the Constitution to those "political" branches as their actions are. "The political question doctrine excludes from judicial review those controversies which revolve around policy choices and value determinations constitutionally committed for resolution to the halls of Congress or the confines of the Executive Branch." *Japan Whaling Ass'n v. Am. Cetacean Soc'y*, 478 U.S. 221, 230 (1986). Thus, the Court is without jurisdiction to adjudicate Plaintiffs' Complaint.

B. Judicially Discoverable and Manageable Standards

The second criterion of the *Baker* six brings under the nonjusticiable umbrella of political question any case as to which there is "a lack of judicially discoverable and manageable standards for resolving it." 369 U.S. at 217. Plaintiffs argue that the Court need only perform a traditional judicial task: interpret treaties, laws and the Constitution. Certainly the Plaintiffs have identified a traditional judicial task but they misapprehend the nature of their own Amended Complaint. Fundamentally, they assert that General Order No. 1 made Chiang Kai-shek an agent for the principal occupying Power, *i.e.*, the United States, and that nothing since has withdrawn that agency or substituted any other Power over Taiwan. In order to examine the bases for Plaintiffs' claims, the Court would be required to interpret the *meaning* of General Order No. 1, the *authority* for the issuance of General Order No. 1, whether it had or has any *binding nature* on the Allies'

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[7] *See, e.g.*, Executive Order No. 13014 of August 15, 1996, 61 Fed. Reg. 42963 (superseding Executive Order No. 12143 of June 22, 1979, 44 Fed. Reg. 37191), and the Taiwan Relations Act of 1979, 22 U.S.C. § 3301, *et seq*.

and/or the United States' foreign policy, and its *continued viability*.

Judges are not soldiers or diplomats. General Order No. 1 was entered very shortly after Japan signed the Instrument of Surrender and long before all Japanese soldiers actually laid down their arms. During the course of the 14-year Japanese invasion of China (1931-45), Chiang Kai-shek as head of the Kuomintang (KMT or "Chinese Nationalist People's Party") had continued to wage war against Mao Zedong, head of the Chinese Communist Party ("CCP"). China Page, U.S. Dept of State, http://www.state.gov/r/pa/ei/bgn/18902.htm (last visited Mar. 17, 2008) ("China Page"). It was not until 1949 that Chiang Kai-shek fled with the remnants of his KMT government and military to Taiwan, "where he proclaimed Taipei to be China's 'provisional capital' and vowed to re-conquer the Chinese mainland." *Id.* Thus, the purpose, language, and intentions behind General Order No. 1 might have been entirely blunted by later events. What is clear is that the judiciary is not equipped to interpret and apply, 50 years later, a wartime military order entered at a time of great confusion and undoubted chaos.

C. Initial Policy Determination for Nonjudicial Discretion

Plaintiffs have essentially been persons without a state for almost 60 years. The last completely clear statement of authority over Taiwan came from General MacArthur in 1945. One can understand and sympathize with Plaintiffs' desire to regularize their position in the world.

That Plaintiffs remain in an international limbo is not, however, because they have been ignored by the United States or the rest of the world. The ascendency of Mao Zedong and the CCP dramatically changed the situation in the Taiwan Straits and created a long-standing tension between mainland China and the United States. "Any remaining hope of normalizing relations ended when U.S. and Chinese communist forces fought on opposing sides in the Korean conflict."

China Page at 17. Not until President Richard Nixon traveled to Beijing in February 1972 did the two nations pledge to work toward full normalization of diplomatic relations. *Id.* Finally,

> [i]n the Joint Communique on the Establishment of Diplomatic Relations dated January 1, 1979, the United States transferred diplomatic recognition from Taipei to Beijing. The United States reiterated the Shanghai Communique's acknowledgment of the Chinese position that there is only one China and that Taiwan is a part of China; Beijing acknowledged that the American people would continue to carry on commercial, cultural, and other unofficial contacts with the people of Taiwan.

Id. at 18. With passage of the Taiwan Relations Act, 22 U.S.C. § 3301, *et seq.*, and establishment of the American Institute of Taiwan, the United States has maintained unofficial relations with Taiwan.

In the face of these years and years of diplomatic negotiations and delicate agreements, it would be foolhardy for a judge to believe that she had the jurisdiction to make a policy choice on the sovereignty of Taiwan. The foreign relations of the United States are conducted by the President of the United States and the Executive and Legislative Branches will decide whether and under what circumstances the United States will recognize a sovereign government over Taiwan.

D. Respect for Coordinate Branches of Government

This Court could not decide Plaintiffs' case without addressing the intentional and careful way in which the Executive Branch has *not* pressed forward on Taiwanese sovereignty, over these many years. Any effort on the part of the judiciary to declare Plaintiffs' rights under the U.S. Constitution, if any, would be impossible "without expressing a lack of respect due to [the Court's] coequal Branches of Government." *Schneider*, 412 F.3d at 198.

IV. CONCLUSION

Finding that four of the six *Baker* factors apply here, the Court concludes that the Political Question Doctrine bars its consideration of Plaintiffs' Amended Complaint. The government's motion to dismiss will be granted. A memorializing order accompanies this Memorandum Opinion.

/s/
ROSEMARY M. COLLYER
United States District Judge

DATE: March 18, 2008

EXHIBIT 3

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

DR. ROGER C.S. LIN, *et al.*,	)	
Plaintiffs,	)	
v.	)	**Civil Action No. 06-1825 (RMC)**
UNITED STATES OF AMERICA,	)	
Defendant.	)	

ORDER

For the reasons stated in the Court's Memorandum Opinion filed simultaneously with this Order, it is hereby

ORDERED that Defendant's Motion to Dismiss [Dkt. #17] is **GRANTED**; and it is

FURTHER ORDERED that this case is closed. This is a final appealable order. *See* Fed. R. App. P. 4(a).

SO ORDERED.

/s/
ROSEMARY M. COLLYER
United States District Judge

DATE: March 18, 2008

EXHIBIT 4

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

DR. ROGER C. S. LIN, et al.,	
Plaintiffs,	
v.	**Civil Action No. 06-1825 (RMC)**
UNITED STATES OF AMERICA,	
Defendant.	

NOTICE OF APPEAL

Notice is hereby given this 31st day of March 2008, that all Plaintiffs appeal to the United States Court of Appeals for the District of Columbia the United States District Court for the District of Columbia's March 18, 2008, Memorandum Opinion and Order granting Defendant's Motion to Dismiss.

Respectfully submitted,

Charles H. Camp (DC Bar No. 413575)
Law Offices of Charles H. Camp
1319 Eighteenth Street, N.W.
Washington, D.C. 20036
Tele. (202) 457-7786
Fax (202) 457-7788

Date: March 31, 2008

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Notice of Appeal was served upon the following counsel for Defendant electronically via the Court's Electronic Case Filing system this 31st day of March 2008:

Adam D. Kirschner, Esquire
Trial Attorney
U.S. Department of Justice
Civil Division, Federal Programs Branch
P.O. Box 883
Washington, D.C. 20044

Charles H. Camp

EXHIBIT 5

23 of 35 DOCUMENTS

U.S. Treaties on LEXIS

MULTILATERAL

TREATY OF PEACE WITH JAPAN

TIAS 2490

3 U.S.T. 3169; 1951 U.S.T. LEXIS 516

September 8, 1951, Date-Signed

April 28, 1952, Date-In-Force

STATUS:
[*1] Signed at San Francisco September 8, 1951; ratification advised by the Senate of the United States of America March 20, 1952, with a declaration; ratified by the President of the United States of America April 15, 1952, subject to declaration; ratification of the United States of America deposited at Washington April 28, 1952; proclaimed by the President of the United States of America April 28, 1952; entered into force April 28, 1952. With declarations by Japan signed at San Francisco September 8, 1951. And exchange of notes signed at San Francisco September 8, 1951.

TREATY OF PEACE WITH JAPAN

TRAITE DE PAIX AVEC LE JAPON

TRATADO DE PAZ CON EL JAPON

TEXT:
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS the Treaty of Peace with Japan was signed at San Francisco on September 8, 1951 by the respective Plenipotentiaries of the United States of America and 47 other Allied Powers, and Japan;

WHEREAS the text of the said Treaty, in the English, French, Spanish, and Japanese languages, is word for word as follows:

Whereas the Allied Powers and Japan are resolved that henceforth their relations shall be those of nations which, as sovereign equals, cooperate in friendly [*2] association to promote their common welfare and to maintain international peace and security, and are therefore desirous of concluding a Treaty of Peace which will settle questions still outstanding as a result of the existence of a state of war between them;

Whereas Japan for its part declares its intention to apply for membership in the United Nations and in all circumstances to conform to the principles of the Charter of the United Nations; to strive to realize the objectives of the Universal Declaration of Human Rights; n1 to seek to create within Japan conditions of stability and well-being as defined in Articles 55 and 56 of the Charter of the United Nations and already initiated by post-surrender Japanese legislation; and in public and private trade and commerce to conform to internationally accepted fair practices;

n1 Senate doc. 123, 81st Cong., 1st sess., p. 1156

Whereas the Allied Powers welcome the intentions of Japan set out in the foregoing paragraph;

The Allied Powers and Japan have therefore determined [*3] to conclude the present Treaty of Peace, and have accordingly appointed the undersigned Plenipotentiaries, who, after presentation of their full powers, found in good and due form, have agreed on the following provisions:

CHAPTER I

PEACE

Article 1

(a) The state of war between Japan and each of the Allied Powers is terminated as from the date on which the present Treaty comes into force between Japan and the Allied Power concerned as provided for in Article 23.

(b) The Allied Powers recognize the full sovereignty of the Japanese people over Japan and its territorial waters.

CHAPTER II

TERRITORY

Article 2

(a) Japan, recognizing the independence of Korea, renounces all right, title and claim to Korea, including the islands of Quelpart, Port Hamilton and Dagelet.

(b) Japan renounces all right, title and claim to Formosa and the Pescadores.

(c) Japan renounces all right, title and claim to the Kurile Islands, and to that portion of Sakhalin and the islands adjacent to it over which Japan acquired sovereignty as a consequence of the Treaty of Portsmouth of September 5, 1905.

(d) Japan renounces all right, title and claim in connection with the League of Nations Mandate System, and accepts [*4] the action of the United Nations Security Council of April 2, 1947, extending the trusteeship system to the Pacific Islands formerly under mandate to Japan.

(e) Japan renounces all claim to any right or title to or interest in connection with any part of the Antarctic area, whether deriving from the activities of Japanese nationals or otherwise.

(f) Japan renounces all right, title and claim to the Spratly Islands and to the Paracel Islands.

Article 3

Japan will concur in any proposal of the United States to the United Nations to place under its trusteeship system, with the United States as the sole administering authority, Nansei Shoto south of 29 [degrees] north latitude (including the Ryukyu Islands and the Daito Islands), Nanpo Shoto south of Sofu Gan (including the Bonin Islands, Rosario Island-and the Volcano Islands) and Parece Vela and Marcus Island. Pending the making of such a proposal and affirmative action thereon, the United States will have the right to exercise all and any powers of administration, legislation and jurisdiction over the territory and inhabitants of these islands, including their territorial waters.

Article 4

(a) Subject to the provisions of paragraph [*5] (b) of this Article, the disposition of property of Japan and of its nationals in the areas referred to in Article 2, and their claims, including debts, against the authorities presently administering such areas and the residents (including jurisdical persons) thereof, and the disposition in Japan of property of such authorities and residents, and of claims, including debts, of such authorities and residents against Japan and its nationals, shall be the subject of special arrangements between Japan and such authorities. The property of any of the Allied Powers or its nationals in the areas referred to in Article 2 shall, insofar as this has not already been done, be returned by the administering authority in the condition in which it now exists. (The term nationals whenever used in the present Treaty includes juridical persons.)

(b) Japan recognizes the validity of dispositions of property of Japan and Japanese nationals made by or pursuant to directives of the United States Military Government in any of the areas referred to in Articles 2 and 3.

(c) Japanese owned submarine cables connecting Japan with territory removed from Japanese control pursuant to the present Treaty shall be [*6] equally divided, Japan retaining the Japanese terminal and adjoining half of the cable, and the detached territory the remainder of the cable and connecting terminal facilities.

CHAPTER III

SECURITY

Article 5

(a) Japan accepts the obligations set forth in Article 2 of the Charter of the United Nations, and in particular the obligations

(i) to settle its international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered;

(ii) to refrain in its international relations from the threat or use of force against the territorial integrity or political independence of any State or in any other manner inconsistent with the Purposes of the United Nations;

(iii) to give the United Nations every assistance in any action it takes in accordance with the Charter and to refrain from giving assistance to any State against which the United Nations may take preventive or enforcement action.

(b) The Allied Powers confirm that they will be guided by the principles of Article 2 of the Charter of the United Nations in their relations with Japan.

(c) The Allied Powers for their part recognize that Japan as a sovereign nation possesses the inherent [*7] right of individual or collective self-defense referred to in Article 51 of the Charter of the United Nations and that Japan may voluntarily enter into collective security arrangements.

Article 6

(a) All occupation forces of the Allied Powers shall be withdrawn from Japan as soon as possible after the coming into force of the present Treaty, and in any case not later than 90 days thereafter. Nothing in this provision shall, however, prevent the stationing or retention of foreign armed forces in Japanese territory under or in consequence of any bilateral or multilateral agreements which have been or may be made between one or more of the Allied Powers, on the one hand, and Japan on the other.

(b) The provisions of Article 9 of the Potsdam Proclamation of July 26, 1945, n1 dealing with the return of Japanese military forces to their homes, to the extent not already completed, will be carried out.

n1 Senate doc. 123, 81st Cong., 1st sess., p. 49

(c) All Japanese property for which compensation has not already been paid, [*8] which was supplied for the use of the occupation forces and which remains in the possession of those forces at the time of the coming into force of the present Treaty, shall be returned to the Japanese Government within the same 90 days unless other arrangements are made by mutual agreement.

CHAPTER IV

POLITICAL AND ECONOMIC CLAUSES

Article 7

(a) Each of the Allied Powers, within one year after the present Treaty has come into force between it and Japan, will notify Japan which of its prewar bilateral treaties or conventions with Japan it wishes to continue in force or revive, and any treaties or conventions so notified shall continue in force or be revived subject only to such amendments as may be necessary to ensure conformity with the present Treaty. The treaties and conventions so notified shall be considered as having been continued in force or revived three months after the date of notification and shall be registered with the Secretariat of the United Nations. All such treaties and conventions as to which Japan is not so notified shall be regarded as abrogated.

(b) Any notification made under paragraph (a) of this Article may except from the operation or revival of a treaty [*9] or convention any territory for the international relations of which the notifying Power is responsible, until three months after the date on which notice is given to Japan that such exception shall cease to apply.

Article 8

(a) Japan will recognize the full force of all treaties now or hereafter concluded by the Allied Powers for terminating the state of war initiated on September 1, 1939, as well as any other arrangements by the Allied Powers for or in connection with the restoration of peace. Japan also accepts the arrangements made for terminating the former League of Nations and Permanent Court of International Justice.

(b) Japan renounces all such rights and interests as it may derive from being a signatory power of the Conventions of St. Germain-en-Laye of September 10, 1919, and the Straits Agreement of Montreux of July 20, 1936, and from Article 16 of the Treaty of Peace with Turkey signed at Lausanne on July 24, 1923.

(c) Japan renounces all rights, title and interests acquired under, and is discharged from all obligations resulting from, the Agreement between Germany and the Creditor Powers of January 20, 1930, and its Annexes, including the Trust Agreement, dated May 17, [*10] 1930; the Convention of January 20, 1930, respecting the Bank for International Settlements; and the Statutes of the Bank for International Settlements. Japan will notify to the Ministry of Foreign Affairs in Paris within six months of the first coming into force of the present Treaty its renunciation of the rights, title and interests referred to in this paragraph.

Article 9

Japan will enter promptly into negotiations with the Allied Powers so desiring for the conclusion of bilateral and multilateral agreements providing for the regulation or limitation of fishing and the conservation and development of fisheries on the high seas.

Article 10

Japan renounces all special rights and interests in China, including all benefits and privileges resulting from the provisions of the final Protocol signed at Peking on September 7, 1901, n1 and all annexes, notes and documents

supplementary thereto, and agrees to the abrogation in respect to Japan of the said protocol, annexes, notes and documents.

n1 Treaty Series 397

Article [*11] 11

Japan accepts the judgments of the International Military Tribunal for the Far East and of other Allied War Crimes Courts both within and outside Japan, and will carry out the sentences imposed thereby upon Japanese nationals imprisoned in Japan. The power to grant clemency, to reduce sentences and to parole with respect to such prisoners may not be exercised except on the decision of the Government or Governments which imposed the sentence in each instance, and on the recommendation of Japan. In the case of persons sentenced by the International Military Tribunal for the Far East, such power may not be exercised except on the decision of a majority of the Governments represented on the Tribunal, and on the recommendation of Japan.

Article 12

(a) Japan declares its readiness promptly to enter into negotiations for the conclusion with each of the Allied Powers of treaties or agreements to place their trading, maritime and other commercial relations on a stable and friendly basis.

(b) Pending the conclusion of the relevant treaty or agreement, Japan will, during a period of four years from the first coming into force of the present Treaty

(1) accord to each of the Allied Powers, [*12] its nationals, products and vessels

(i) most-favored-nation treatment with respect to customs duties, charges, restrictions and other regulations on or in connection with the importation and exportation of goods;

(ii) national treatment with respect to shipping, navigation and imported goods, and with respect to natural and juridical persons and their interests - such treatment to include all matters pertaining to the levying and collection of taxes, access to the courts, the making and performance of contracts, rights to property (tangible and intangible), participation in juridical entities constituted under Japanese law, and generally the conduct of all kinds of business and professional activities;

(2) ensure that external purchases and sales of Japanese state trading enterprises shall be based solely on commercial considerations.

(c) In respect to any matter, however, Japan shall be obliged to accord to an Allied Power national treatment, or most-favored-nation treatment, only to the extent that the Allied Power concerned accords Japan national treatment or most-favored-nation treatment, as the case may be, in respect of the same matter. The reciprocity envisaged in the [*13] foregoing sentence shall be determined, in the case of products, vessels and juridical entities of, and persons domiciled in, any non-metropolitan territory of an Allied Power, and in the case of juridical entities of, and persons domiciled in, any state or province of an Allied Power having a federal government, by reference to the treatment accorded to Japan in such territory, state or province.

(d) In the application of this Article, a discriminatory measure shall not be considered to derogate from the grant of national or most-favored-nation treatment, as the case may be, if such measure is based on an exception customarily provided for in the commercial treaties of the party applying it, or on the need to safeguard that party's external financial position or balance of payments (except in respect to shipping and navigation), or on the need to maintain its essential security interests, and provided such measure is proportionate to the circumstances and not applied in an arbitrary or unreasonable manner.

(e) Japan's obligations under this Article shall not be affected by the exercise of any Allied rights under Article 14

of the present Treaty; nor shall the provisions of this Article [*14] be understood as limiting the undertakings assumed by Japan by virtue of Article 15 of the Treaty.

Article 13

(a) Japan will enter into negotiations with any of the Allied Powers, promptly upon the request of such Power or Powers, for the conclusion of bilateral or multilateral agreements relating to international civil air transport.

(b) Pending the conclusion of such agreement or agreements, Japan will, during a period of four years from the first coming into force of the present Treaty, extend to such Power treatment not less favorable with respect to air-traffic rights and privileges than those exercised by any such Powers at the date of such coming into force, and will accord complete equality of opportunity in respect to the operation and development of air services.

(c) Pending its becoming a party to the Convention on International Civil Aviation in accordance with Article 93 thereof, Japan will give effect to the provisions of that Convention applicable to the international navigation of aircraft, and will give effect to the standards, practices and procedures adopted as annexes to the Convention in accordance with the terms of the Convention.

CHAPTER V

CLAIMS AND PROPERTY [*15]

Article 14

(a) It is recognized that Japan should pay reparations to the Allied Powers for the damage and suffering caused by it during the war. Nevertheless it is also recognized that the resources of Japan are not presently sufficient, if it is to maintain a viable economy, to make complete reparation for all such damage and suffering and at the same time meet its other obligations.

Therefore,

1. Japan will promptly enter into negotiations with Allied Powers so desiring, whose present territories were occupied by Japanese forces and damaged by Japan, with a view to assisting to compensate those countries for the cost of repairing the damage done, by making available the services of the Japanese people in production, salvaging and other work for the Allied Powers in question. Such arrangements shall avoid the imposition of additional liabilities on other Allied Powers, and, where the manufacturing of raw materials is called for, they shall be supplied by the Allied Powers in question, so as not to throw any foreign exchange burden upon Japan.

2. (I) Subject to the provisions of sub-paragraph (II) below, each of the Allied Powers shall have the right to seize, retain, liquidate or [*16] otherwise dispose of all property, rights and interests of

(a) Japan and Japanese nationals,

(b) persons acting for or on behalf of Japan or Japanese nationals, and

(c) entities owned or controlled by Japan or Japanese nationals, which on the first coming into force of the present Treaty were subject to its jurisdiction. The property, rights and interests specified in this sub-paragraph shall include those now blocked, vested or in the possession or under the control of enemy property authorities of Allied Powers, which belonged to, or were held or managed on behalf of, any of the persons or entities mentioned in (a), (b) or (c) above at the time such assets came under the controls of such authorities.

(II) The following shall be excepted from the right specified in subparagraph (I) above:

(i) property of Japanese natural persons who during the war resided with the permission of the

Government concerned in the territory of one of the Allied Powers, other than territory occupied by Japan, except property subjected to restrictions during the war and not released from such restrictions as of the date of the first coming into force of the present Treaty;
(ii) all real property, furniture [*17] and fixtures owned by the Government of Japan and used for diplomatic or consular purposes, and all personal furniture and furnishings and other private property not of an investment nature which was normally necessary for the carrying out of diplomatic and consular functions, owned by Japanese diplomatic and consular personnel;
(iii) property belonging to religious bodies or private charitable institutions and used exclusively for religious or charitable purposes;
(iv) property, rights and interests which have come within its jurisdiction in consequence of the resumption of trade and financial relations subsequent to September 2, 1945, between the country concerned and Japan, except such as have resulted from transactions contrary to the laws of the Allied Power concerned;
(v) obligations of Japan or Japanese nationals, any right, title or interest in tangible property located in Japan, interests in enterprises organized under the laws of Japan, or any paper evidence thereof; provided that this exception shall only apply to obligations of Japan and its nationals expressed in Japanese currency.

(III) Property referred to in exceptions (i) through (v) above shall be returned subject [*18] to reasonable expenses for its preservation and administration. If any such property has been liquidated the proceeds shall be returned instead.

(IV) The right to seize, retain, liquidate or otherwise dispose of property as provided in sub-paragraph (I) above shall be exercised in accordance with the laws of the Allied Power concerned, and the owner shall have only such rights as may be given him by those laws.

(V) The Allied Powers agree to deal with Japanese trademarks and literary and artistic property rights on a basis as favorable to Japan as circumstances ruling in each country will permit.

(b) Except as otherwise provided in the present Treaty, the Allied Powers waive all reparations claims of the Allied Powers, other claims of the Allied Powers and their nationals arising out of any actions taken by Japan and its nationals in the course of the prosecution of the war, and claims of the Allied Powers for direct military costs of occupation.

Article 15

(a) Upon application made within nine months of the coming into force of the present Treaty between Japan and the Allied Power concerned, Japan will, within six months of the date of such application, return the property, tangible [*19] and intangible, and all rights or interests of any kind in Japan of each Allied Power and its nationals which was within Japan at any time between December 7, 1941, and September 2, 1945, unless the owner has freely disposed thereof without duress or fraud. Such property shall be returned free of all encumbrances and charges to which it may have become subject because of the war, and without any charges for its return. Property whose return is not applied for by or on behalf of the owner or by his Government within the prescribed period may be disposed of by the Japanese Government as it may determine. In cases where such property was within Japan on December 7, 1941, and cannot be returned or has suffered injury or damage as a result of the war, compensation will be made on terms not less favorable than the terms provided in the draft Allied Powers Property Compensation Law approved by the Japanese Cabinet on July 13, 1951.

(b) With respect to industrial property rights impaired during the war, Japan will continue to accord to the Allied Powers and their nationals benefits no less than those heretofore accorded by Cabinet Orders No. 309 effective September 1, 1949, No. 12 effective [*20] January 28, 1950, and No. 9 effective February 1, 1950, all as now amended, provided such nationals have applied for such benefits within the time limits prescribed therein.

(c)(i) Japan acknowledges that the literary and artistic property rights which existed in Japan on December 6, 1941, in respect to the published and unpublished works of the Allied Powers and their nationals have continued in force since that date, and recognizes those rights which have arisen, or but for the war would have arisen, in Japan since that date, by the operation of any conventions and agreements to which Japan was a party on that date, irrespective of whether or not such conventions or agreements were abrogated or suspended upon or since the outbreak of war by the domestic law of Japan or of the Allied Power concerned.

(ii) Without the need for application by the proprietor of the right and without the payment of any fee or compliance with any other formality, the period from December 7, 1941, until the coming into force of the present Treaty between Japan and the Allied Power concerned shall be excluded from the running of the normal term of such rights; and such period, with an additional period [*21] of six months, shall be excluded from the time within which a literary work must be translated into Japanese in order to obtain translating rights in Japan.

Article 16

As an expression of its desire to indemnify those members of the armed forces of the Allied Powers who suffered undue hardships while prisoners of war of Japan, Japan will transfer its assets and those of its nationals in countries which were neutral during the war, or which were at war with any of the Allied Powers, or, at its option, the equivalent of such assets, to the International Committee of the Red Cross which shall liquidate such assets and distribute the resultant fund to appropriate national agencies, for the benefit of former prisoners of war and their families on such basis as it may determine to be equitable. The categories of assets described in Article 14 (a) 2(II) (ii) through (v) of the present Treaty shall be excepted from transfer, as well as assets of Japanese natural persons not residents of Japan on the first coming into force of the Treaty. It is equally understood that the transfer provision of this Article has no application to the 19,770 shares in the Bank for International Settlements presently [*22] owned by Japanese financial institutions.

Article 17

(a) Upon the request of any of the Allied Powers, the Japanese Government shall review and revise in conformity with international law any decision or order of the Japanese Prize Courts in cases involving ownership rights of nationals of that Allied Power and shall supply copies of all documents comprising the records of these cases, including the decisions taken and orders issued. In any case in which such review or revision shows that restoration is due, the provisions of Article 15 shall apply to the property concerned.

(b) The Japanese Government shall take the necessary measures to enable nationals of any of the Allied Powers at any time within one year from the coming into force of the present Treaty between Japan and the Allied Power concerned to submit to the appropriate Japanese authorities for review any judgment given by a Japanese court between December 7, 1941, and such coming into force, in any proceedings in which any such national was unable to make adequate presentation of his case either as plaintiff or defendant. The Japanese Government shall provide that, where the national has suffered injury by reason of any [*23] such judgment, he shall be restored in the position in which he was before the judgment was given or shall be afforded such relief as may be just and equitable in the circumstances.

Article 18

(a) It is recognized that the intervention of the state of war has not affected the obligation to pay pecuniary debts arising out of obligations and contracts (including those in respect of bonds) which existed and rights which were acquired before the existence of a state of war, and which are due by the Government or nationals of Japan to the Government or nationals of one of the Allied Powers, or are due by the Government or nationals of one of the Allied Powers to the Government or nationals of Japan. The intervention of a state of war shall equally not be regarded as affecting the obligation to consider on their merits claims for loss or damage to property or for personal injury or death which arose before the existence of a state of war, and which may be presented or re-presented by the Government of one of the Allied Powers to the Government of Japan, or by the Government of Japan to any of the Governments of the

Allied Powers. The provisions of this paragraph are without prejudice to [*24] the rights conferred by Article 14.

(b) Japan affirms its liability for the prewar external debt of the Japanese State and for debts of corporate bodies subsequently declared to be liabilities of the Japanese State, and expresses its intention to enter into negotiations at an early date with its creditors with respect to the resumption of payments on those debts; to encourage negotiations in respect to other prewar claims and obligations; and to facilitate the transfer of sums accordingly.

Article 19

(a) Japan waives all claims of Japan and its nationals against the Allied Powers and their nationals arising out of the war or out of actions taken because of the existence of a state of war, and waives all claims arising from the presence, operations or actions of forces or authorities of any of the Allied Powers in Japanese territory prior to the coming into force of the present Treaty.

(b) The foregoing waiver includes any claims arising out of actions taken by any of the Allied Powers with respect to Japanese ships between September 1, 1939, and the coming into force of the present Treaty, as well as any claims and debts arising in respect to Japanese prisoners of war and civilian [*25] internees in the hands of the Allied Powers, but does not include Japanese claims specifically recognized in the laws of any Allied Power enacted since September 2, 1945.

(c) Subject to reciprocal renunciation, the Japanese Government also renounces all claims (including debts) against Germany and German nationals on behalf of the Japanese Government and Japanese nationals, including intergovernmental claims and claims for loss or damage sustained during the war, but excepting (a) claims in respect of contracts entered into and rights acquired before September 1, 1939, and (b) claims arising out of trade and financial relations between Japan and Germany after September 2, 1945. Such renunciation shall not prejudice actions taken in accordance with Articles 16 and 20 of the present Treaty.

(d) Japan recognizes the validity of all acts and omissions done during the period of occupation under or in consequence of directives of the occupation authorities or authorized by Japanese law at that time, and will take no action subjecting Allied nationals to civil or criminal liability arising out of such acts or omissions.

Article 20

Japan will take all necessary measures to ensure such disposition [*26] of German assets in Japan as has been or may be determined by those powers entitled under the Protocol of the proceedings of the Berlin Conference of 1945 n1 to dispose of those assets, and pending the final disposition of such assets will be responsible for the conservation and administration thereof.

n1 Senate doc. 123, 81st Cong., 1st sess., p. 34

Article 21

Notwithstanding the provisions of Article 25 of the present Treaty, China shall be entitled to the benefits of Articles 10 and 14(a)2; and Korea to the benefits of Articles 2, 4, 9 and 12 of the present Treaty.

CHAPTER VI

SETTLEMENT OF DISPUTES

Article 22

If in the opinion of any Party to the present Treaty there has arisen a dispute concerning the interpretation or

execution of the Treaty, which is not settled by reference to a special claims tribunal or by other agreed means, the dispute shall, at the request of any party thereto, be referred for decision to the International Court of Justice. Japan and those Allied Powers which are not already parties to the [*27] Statute of the International Court of Justice will deposit with the Registrar of the Court, at the time of their respective ratifications of the present Treaty, and in conformity with the resolution of the United Nations Security Council, dated October 15, 1946, n1 a general declaration accepting the jurisdiction, without special agreement, of the Court generally in respect to all disputes of the character referred to in this Article.

n1 U. N. Sec. Council Official Records, 1st year: 2d Series, No. 19

CHAPTER VII

FINAL CLAUSES

Article 23

(a) The present Treaty shall be ratified by the States which sign it, including Japan, and will come into force for all the States which have then ratified it, when instruments of ratification have been deposited by Japan and by a majority, including the United States of America as the principal occupying Power, of the following States, namely Australia, Canada, Ceylon, France, Indonesia, the Kingdom of the Netherlands, New Zealand, Pakistan, the Republic of the Philippines, the United [*28] Kingdom of Great Britain and Northern Ireland, and the United States of America. The present Treaty shall come into force for each State which subsequently ratifies it, on the date of the deposit of its instrument of ratification.

(b) If the Treaty has not come into force within nine months after the date of the deposit of Japan's ratification, any State which has ratified it may bring the Treaty into force between itself and Japan by a notification to that effect given to the Governments of Japan and the United States of America not later than three years after the date of deposit of Japan's ratification.

Article 24

All instruments of ratification shall be deposited with the Government of the United States of America which will notify all the signatory States of each such deposit, of the date of the coming into force of the Treaty under paragraph (a) of Article 23, and of any notifications made under paragraph (b) of Article 23.

Article 25

For the purposes of the present Treaty the Allied Powers shall be the States at war with Japan, or any State which previously formed a part of the territory of a State named in Article 23, provided that in each case the State concerned has signed [*29] and ratified the Treaty. Subject to the provisions of Article 21, the present Treaty shall not confer any rights, titles or benefits on any State which is not an Allied Power as herein defined; nor shall any right, title or interest of Japan be deemed to be diminished or prejudiced by any provision of the Treaty in favor of a State which is not an Allied Power as so defined.

Article 26

Japan will be prepared to conclude with any State which signed or adhered to the United Nations Declaration of January 1, 1942, and which is at war with Japan, or with any State which previously formed a part of the territory of a State named in Article 23, which is not a signatory of the present Treaty, a bilateral Treaty of Peace on the same or substantially the same terms as are provided for in the present Treaty, but this obligation on the part of Japan will expire three years after the first coming into force of the present Treaty. Should Japan make a peace settlement or war claims

settlement with any State granting that State greater advantages than those provided by the present Treaty, those same advantages shall be extended to the parties to the present Treaty.

Article 27

The present Treaty [*30] shall be deposited in the archives of the Government of the United States of America which shall furnish each signatory State with a certified copy thereof.

Considerant que les Puissances Alliees et le Japon ont resolu que desormais leurs relations seront celles de nations qui, dans l'egalite de leur souverainete, cooperent en association amicale en vue de favoriser leur bien-etre commun et de maintenir la paix et la securite internationales; et qu'ils sont en consequence desireux de conclure un traite de paix qui reglera les questions encore pendantes du fait de l'existence d'un etat de guerre entre eux;

Considerant que le Japon, de son cote, exprime son intention de solliciter son admission comme membre de l'Organisation des Nations Unies et de se conformer en toutes circonstances aux principes de la Charte des Nations Unies, de s'efforcer d'atteindre les objectifs de la Declaration Universelle des Droits de l'Homme, de chercher a creer a l'interieur de son territoire les conditions de stabilite et de bien-etre definies par les articles 55 et 56 de la Charte des Nations Unies et que la legislation japonaise posterieure a la capitulation a deja commence a realiser, et de se conformer, [*31] en matiere de commerce public et prive, aux pratiques loyales internationalement admises;

Considerant que les Puissances Alliees accueillent favorablement les intentions du Japon, telles qu'elles sont exposees au paragraphe precedent;

Les Puissances Alliees et le Japon ont, en consequence, decide de conclure le present Traite de Paix et ont designe a cet effet les Plenipotentiaires soussignes, lesquels, apres avoir echange leurs pleins pouvoirs, reconnus en bonne et due forme, sont convenus des dispositions suivantes:

CHAPITRE I

PAIX

Article 1

(a) Il est mis fin a l'etat de guerre entre chacune des Puissances Alliees et le Japon et ce a partir de la date a laquelle le present Traite entrera en vigueur entre la Puissance Alliee interessee et le Japon, ainsi qu'il est prevu a l'article 23.

(b) Les Puissances Alliees reconnaissent la pleine souverainete du peuple japonais sur le Japon et ses eaux territoriales.

CHAPITRE II

TERRITOIRE

Article 2

(a) Le Japon, reconnaissant l'independance de la Coree, renonce a tous droits, titres et revendications sur celle-ci, y compris les iles Quelpaert, Port Hamilton et Dagelet.

(b) Le Japon renonce a tous droits, titres et revendications sur Formose [*32] et les Pescadores.

(c) Le Japon renonce a tous droits, titres et revendications sur les iles Kouriles, ainsi que sur la partie de l'ile Sakhaline et sur les iles y adjacentes passees sous la souverainete du Japon en vertu du Traite de Portsmouth du 5 septembre 1905.

(d) Le Japon renonce a tous droits, titres et revendications resultant du regime des mandats institue par la Societe des Nations et il accepte la decision du Conseil de Securite des Nations Unies, en date du 2 avril 1947, etendant le regime de tutelle aux iles du Pacifique anterieurement sous mandat japonais.

(e) Le Japon renonce a revendiquer, relativement a une partie quelconque de la zone antarctique, tous droits, titres ou interets resultant de l'activite de ressortissants japonais ou de toute autre cause.

(f) Le Japon renonce a tous droits, titres et revendications sur les iles Spratly et les iles Paracels.

Article 3

Le Japon donnera son agrement a toute proposition presentee par les Etats-Unis a l'Organisation des Nations Unies en vue de placer sous le regime de tutelle de cette Organisation et de confier a la seule administration des Etats-Unis la partie du Nansei Shoto situee au sud du 29eme degre de latitude nord [*33] (y compris les iles Riou-Kiou et les iles Daito), la partie du Nanpo Shoto situee au sud de Sofu Gan (y compris les iles Bonin, l'ile Rosario et les iles Volcano) ainsi que l'ile Parece Vela et l'ile Marcus. En attendant le depot d'une telle proposition et l'adoption d'une decision dans ce sens, les Etats-Unis auront le droit d'exercer sur le territoire et les habitants de ces iles, y compris leurs eaux territoriales, tous les pouvoirs dans les domaines administratif, legislatif et judiciaire.

Article 4

(a) Sous reserve des dispositions du paragraphe (b) du present article, le sort reserve aux biens appartenant au Japon et a ses ressortissants dans les zones mentionnees a l'article 2, et aux reclamations, y compris les creances afferentes a des dettes, que le Japon et ses ressortissants ont a l'encontre des autorites administrant actuellement les zones susmentionnees et a l'encontre des personnes (y compris les personnes morales) residant effectivement dans lesdites zones, de meme que le sort reserve, au Japon, aux biens appartenant auxdites autorites et auxdites personnes residant dans ces zones, et aux reclamations, y compris les creances afferentes a des dettes, que lesdites autorites [*34] et lesdites personnes ont a l'encontre du Japon et de ses ressortissants, feront l'objet d'arrangements speciaux entre le Japon et lesdites autorites. Les biens de l'une quelconque des Puissances Alliees, ou de ses ressortissants, sis dans les zones mentionnees a l'article 2, seront, dans la mesure ou cela n'a pas encore ete fait, restitues par l'autorite administrant les zones dont il s'agit dans l'etat ou ils se trouvent actuellement. (Toutes les fois qu'il est employe dans le present Traite, le terme ressortissant s'applique egalement aux personnes morales.)

(b) Le Japon reconnait la validite des mesures de disposition prises par le gouvernement militaire des Etats-Unis, ou en application des directives donnees par celui-ci, a l'egard des biens appartenant au Japon et a ses ressortissants dans l'une quelconque des zones mentionnees aux articles 2 et 3.

(c) Les cables sous-marins appartenant au Japon et reliant celui-ci a un territoire qui relevait de la souverainete japonaise et en a ete detache en vertu du present Traite, seront partages par moitie, le Japon conservant l'extremite japonaise et la moitie y attenante du cable, tandis que le territoire detache en conservera l'autre [*35] moitie avec les installations terminales y afferentes.

CHAPITRE III

SECURITE

Article 5

(a) Le Japon accepte les obligations enoncees a l'article 2 de la Charte des Nations Unies, et en particulier l'obligation:

(i) de regler ses differends internationaux par des moyens pacifiques, de telle maniere que la paix et la securite

internationales ainsi que la justice ne soient pas mises en danger;

(ii) de s'abstenir, dans ses relations internationales, de recourir a la menace ou a l'emploi de la force, soit contre l'integrite territoriale ou l'independance politique de tout Etat, soit de toute autre maniere incompatible avec les Buts des Nations Unies;

(iii) de donner pleine assistance a l'Organisation des Nations Unies dans toute action entreprise par elle conformement aux dispositions de la Charte et de s'abstenir de preter assistance a un Etat contre lequel l'Organisation entreprend une action preventive ou coercitive.

(b) Les Puissances Alliees confirment qu'elles seront guidees par les principes de l'article 2 de la Charte des Nations Unies dans leurs relations avec le Japon.

(c) De leur cote, les Puissances Alliees reconnaissent que le Japon, en tant que nation souveraine, possede [*36] le droit naturel de legitime defense individuelle ou collective vise a l'article 51 de la Charte des Nations Unies, et que le Japon pourra, s'il le desire, contracter des accords de securite collective.

Article 6

(a) Toutes les forces d'occupation des Puissances Alliees seront retirees du Japon le plus tot possible apres la date d'entree en vigueur du present Traite et, en tout cas, au plus tard 90 jours apres cette date. La presente disposition ne fera cependant en aucune facon obstacle au stationnement ou au maintien de forces armees etrangeres sur le territoire japonais en vertu ou par suite de conventions bilaterales ou multilaterales qui ont ete ou pourront etre conclues entre une ou plusieurs Puissances Alliees d'une part, et le Japon d'autre part.

(b) Les dispositions de l'article 9 de la Declaration de Potsdam en date du 26 juillet 1945, relatives au renvoi dans leurs foyers des forces militaires japonaises, seront mises en oeuvre dans la mesure ou ce renvoi n'a pas encore ete acheve.

(c) Tous les biens japonais mis a la disposition des troupes d'occupation et se trouvant encore en leur possession au moment de l'entree en vigueur du present Traite, pour lesquels aucune indemnite [*37] n'a encore ete versee, seront restitues au Gouvernement japonais dans ce meme delai de 90 jours, a moins que d'autres arrangements n'aient ete conclus d'un commun accord.

CHAPITRE IV

CLAUSES POLITIQUES ET ECONOMIQUES

Article 7

(a) Chacune des Puissances Alliees, dans l'annee qui suivra l'entree en vigueur du present Traite entre elle-meme et le Japon, notifiera au Japon lesquels de ses traites bilateraux ou conventions bilaterales d'avant-guerre avec le Japon elle desire maintenir ou remettre en vigueur et tous les Traites ou Conventions qui auront fait l'objet de cette notification seront maintenus ou remis en vigueur, sous reserve seulement des amendements qui devront eventuellement y etre introduits pour les rendre compatibles avec le present Traite. Les Traites et Conventions ayant fait l'objet d'une notification de ce genre seront consideres comme ayant ete maintenus ou remis en vigueur trois mois apres la date de cette notification; ils seront enregistres au Secretariat de l'Organisation des Nations Unies. Tout Traite et toute Convention pour lesquels une notification de ce genre n'aura pas ete adressee au Japon seront tenus pour abroges.

(b) Toute notification faite en vertu [*38] des dispositions du paragraphe (a) du present article pourra mentionner que le Traite ou la Convention ainsi maintenu ou remis en vigueur ne s'appliquera pas a tel ou tel territoire, dont la Puissance qui a procede a la notification assume les relations internationales et ce jusqu'a l'expiration d'un delai de trois

mois a compter de la date a laquelle il aura ete notifie au Japon que l'exception prevue en ce qui concerne ledit territoire cesse d'etre applicable.

Article 8

(a) Le Japon reconnaitra la valeur pleine et entiere de tous les traites deja conclus par les Puissances Alliees, ou qu'elles concluront ulterieurement, pour mettre fin a l'etat de guerre existant depuis le ler septembre 1939, ainsi que de tous autres accords conclus par les Puissances Alliees en vue du retablissement de la paix, ou en correlation avec celui-ci. Le Japon accepte aussi les accords conclus en vue de la liquidation de l'ex-Societe des Nations et de l'ex-Cour Permanente de Justice Internationale.

(b) Le Japon renonce a tous les droits et interets dont il peut se prevaloir en tant que puissance signataire des Conventions de Saint-Germain-en-Laye du 10 septembre 1919, de la Convention de Montreux du 20 [*39] juillet 1936 sur le Regime des Detroits, et de l'article 16 du Traite de Paix avec la Turquie signe a Lausanne le 24 juillet 1923.

(c) Le Japon renonce a tous les droits, titres et interets acquis par lui en vertu de l'Accord conclu le 20 janvier 1930 entre l'Allemagne et les Puissances Creancieres et de ses annexes, y compris le Contrat de Mandat du 17 mai 1930, de la Convention du 20 janvier 1930 relative a la Banque des Reglements Internationaux, et des Statuts de la Banque des Reglements Internationaux; il est libere de toutes les obligations qui en decoulent. Le Japon notifiera au Ministere des Affaires Etrangeres a Paris, dans les six mois qui suivront l'entree en vigueur initiale du present Traite, sa renonciation a tous les droits, titres et interets vises au present paragraphe.

Article 9

Le Japon engagera a bref delai des negociations avec les Puissances Alliees qui le desireront, afin de conclure des accords bilateraux et multilateraux en vue de la reglementation ou de la limitation de la peche et de la conservation et du developpement des pecheries en haute mer.

Article 10

Le Japon renonce a tous droits et interets speciaux en Chine, y compris tous les privileges et avantages [*40] resultant des dispositions du Protocole final signe a Pekin le 7 septembre 1901, ensemble tous annexes, notes et documents complementaires. Il accepte, en ce qui le concerne, l'abrogation dudit protocole avec ses annexes, notes et documents.

Article 11

Le Japon accepte les jugements prononces par le Tribunal Militaire International pour l'Extreme-Orient et par les autres tribunaux allies pour la repression des crimes de guerre, au Japon et hors du Japon, et il appliquera aux ressortissants japonais incarceres au Japon les condamnations prononcees par lesdits tribunaux. Le pouvoir d'accorder des graces, des reductions de peine et des liberations conditionnelles a ces prisonniers ne pourra etre exerce qu'en vertu d'une decision du ou des Gouvernements qui ont prononce la condamnation, dans chaque cas d'espece, et sur la recommandation du Japon. Dans le cas de personnes condamnees par le Tribunal Militaire International pour l'Extreme-Orient, ce pouvoir ne pourra etre exerce qu'en vertu d'une decision emanant de la majorite des Gouvernements representes au Tribunal, et sur la recommandation du Japon.

Article 12

(a) Le Japon se declare pret a engager a bref delai des negociations avec [*41] chacune des Puissances Alliees en vue de la conclusion avec celles-ci de traites ou conventions destines a asseoir leurs relations commerciales, maritimes et autres sur une base stable et amicale.

(b) En attendant la conclusion du traite ou de la convention susvises, et pendant une periode de quatre annees a dater de l'entree en vigueur initiale du present Traite:

(1) le Japon accordera a chacune des Puissances Alliees, ainsi qu'aux ressortissants, aux produits et aux navires de ces Puissances

(i) le traitement de la nation la plus favorisee en ce qui concerne les droits de douane, les redevances, les restrictions et autres reglementations s'appliquant a l'importation et a l'exportation des marchandises;

(ii) le traitement national en ce qui concerne les transports maritimes, la navigation et les marchandises importees, ainsi que les personnes physiques et morales et leurs interets, ce traitement comprenant toutes les questions concernant l'assiette et le recouvrement des impots, l'acces aux tribunaux, la passation et l'execution des contrats, les droits de propriete (biens corporels et incorporels), la participation a des personnes morales constituees en vertu de la legislation [*42] japonaise, et generalement la conduite de tous genres d'affaires et l'exercice de toutes sortes d'activites professionnelles;

(2) le Japon fera en sorte que les achats et les ventes operes a l'exterieur par des entreprises commerciales japonaises nationalisees aient lieu uniquement sur la base de considerations commerciales.

(c) Toutefois, dans tous les domaines, le Japon ne sera tenu d'accorder le traitement national ou le traitement de la nation la plus favorisee a une Puissance Alliee que dans la mesure ou celle-ci accorde elle-meme au Japon, dans le domaine considere, le traitement national ou, selon le cas, le traitement de la nation la plus favorisee. La reciprocite visee dans la phrase precedente sera determinee, dans le cas de produits et de navires de l'un quelconque des territoires non-metropolitains d'une des Puissances Alliees, de personnes morales en relevant, et de personnes physiques y ayant leur domicile, ainsi que dans le cas de personnes morales relevant de l'un quelconque des Etats ou de l'une quelconque des provinces d'une des Puissances Alliees possedant un gouvernement federal, et de personnes physiques y ayant leur domicile, par reference au traitement accorde [*43] au Japon dans ledit territoire non-metropolitain, ledit Etat ou ladite province.

(d) Pour l'application du present article, une mesure discriminatoire ne sera pas consideree comme une derogation a l'octroi du traitement national ou, selon le cas, du traitement de la nation la plus favorisee, si cette mesure est basee sur une exception habituellement prevue dans les traites de commerce conclus par la Puissance qui applique ladite mesure, ou si elle est due a l'obligation ou se trouve la Puissance interessee de sauvegarder sa position financiere sur le marche exterieur ou sa balance des comptes (sauf en ce qui concerne les transports maritimes et la navigation), ou de maintenir ses interets essentiels en matiere de securite et sous reserve que cette mesure soit adaptee aux circonstances et qu'elle ne soit pas appliquee d'une maniere arbitraire ou deraisonnable.

(e) Les obligations incombant au Japon en vertu du present article ne seront pas affectees par le fait qu'une Puissance Alliee exerce l'un quelconque des droits vises a l'article 14 du present Traite; de meme, les dispositions dudit article ne sauraient etre considerees comme limitant les engagements assumes par le Japon en vertu [*44] de l'article 15 du present Traite.

Article 13

(a) Le Japon engagera a bref delai des negociations avec chacune des Puissances Alliees qui le lui demandera, en vue de la conclusion d'accords bilateraux ou multilateraux en matiere de transports aeriens civils internationaux.

(b) En attendant la conclusion du ou des accords vises ci-dessus, le Japon accordera a la Puissance interessee, pendant une periode de quatre annees a compter de la date de mise en vigueur initiale du present Traite, un traitement qui ne sera pas moins favorable, en ce qui concerne les droits et privileges en matiere de transports aeriens, que celui dont jouissait l'une quelconque de ces Puissances au moment de cette mise en vigueur; il accordera en outre a ladite Puissance, dans les memes conditions, d'egales possibilites pour le fonctionnement et le developpement des services aeriens.

(c) En attendant son accession a la Convention relative a l'Aviation Civile Internationale, conformement a l'article 93 de ladite Convention, le Japon appliquera les dispositions de cette Convention en ce qui concerne la navigation internationale des aeronefs, et mettra en vigueur les standards, pratiques et procedures faisant l'objet [*45] des annexes a la Convention, et adoptes conformement aux dispositions de celle-ci.

CHAPITRE V

RECLAMATIONS ET BIENS

Article 14

(a) Il est reconnu que le Japon devrait payer aux Puissances Alliees la reparation des dommages et des souffrances qu'il a causes pendant la guerre. Neanmoins, il est egalement reconnu que le Japon, s'il doit maintenir son economie sur une base viable, ne dispose pas a l'heure actuelle de ressources suffisantes pour assurer complete reparation de tous ces dommages et de toutes ces souffrances et faire face a ses autres obligations.

En consequence:

1. Le Japon engagera a bref delai des negociations avec les Puissances Alliees qui le desireront et dont les territoires actuels ont ete occupes par les forces japonaises et endommages par le Japon, en vue de contribuer a indemniser lesdites Puissances des frais supportes par elles pour la reparation des dommages causes, en mettant a leur disposition les services du peuple japonais dans le domaine de la production et de la recuperation, ainsi que dans les autres domaines ou le Japon pourra rendre des services aux Puissances Alliees en question. Ces arrangements eviteront d'imposer des charges supplementaires a d'autres [*46] Puissances Alliees et, chaque fois que la transformation de matieres premieres sera necessaire, les Puissances Alliees en question fourniront ces matieres premieres afin de ne pas imposer au Japon l'obligation d'effectuer des achats en devises etrangeres.

2. (I) Sous reserve des dispositions du sous-paragraphe (II) ci-dessous, chacune des Puissances Alliees aura le droit de saisir, conserver, liquider ou utiliser de toute autre facon tous biens, droits et interets

(a) du Japon et des ressortissants japonais,

(b) des personnes agissant aux lieu et place ou pour le compte du Japon ou de ressortissants japonais, et

(c) d'organismes appartenant au Japon ou a ses ressortissants ou controles par eux,

qui, lors de l'entree en vigueur initiale du present Traite, se trouvaient sous la juridiction de ladite Puissance Alliee. Les biens, droits et interets mentionnes dans le present sous-paragraphe comprendront les biens, droits et interets actuellement bloques par les autorites des Puissances Alliees chargees de la gestion des biens ennemis, ou devolus auxdites autorites, ou se trouvant en leur possession ou sous leur controle, et qui appartenaient a l'une des personnes physiques ou a l'un [*47] des organismes mentionnes en (a), (b) ou (c) ci-dessus, ou etaient detenus ou administres pour leur compte a l'epoque ou lesdits avoirs sont tombes sous le controle desdites autorites.

(II) Ne tomberont pas sous le coup de la disposition du sous-paragraphe (I) ci-dessus

(i) les biens des personnes physiques japonaises qui, pendant la guerre, et avec l'autorisation du Gouvernement interesse, ont reside sur le territoire d'une des Puissances Alliees, non occupe par le Japon, a l'exception des biens soumis, durant la guerre, a des restrictions et n'en ayant pas ete liberes a la date de l'entree en vigueur initiale du present Traite;

(ii) tous les biens immobiliers, meubles meublants et immeubles par destination, appartenant au Gouvernement japonais et utilises a des fins diplomatiques ou consulaires, et tous les meubles, materiel et biens personnels n'ayant pas le caractere de valeurs de placement, qui etaient normalement necessaires pour l'exercice de fonctions diplomatiques et consulaires et qui appartenaient a des fonctionnaires diplomatiques et consulaires japonais;

(iii) les biens appartenant a des organisations religieuses ou a des institutions philanthropiques privees et utilises [*48] exclusivement a des fins religieuses ou philanthropiques;

(iv) les biens, droits et interets qui sont passes sous la juridiction de la Puissance Alliee interessee du fait de la reprise des relations commerciales et financieres, posterieurement au 2 septembre 1945, entre celle-ci et le Japon, sous reserve que ce passage sous la juridiction de ladite Puissance Alliee n'aura pas ete la consequence de transactions contraires a la legislation de cette Puissance Alliee;
(v) les obligations souscrites par le Japon ou par des ressortissants japonais, tous droits, titres ou interets dans des biens corporels sis au Japon, tout interet dans des entreprises organisees conformement a la legislation du Japon ou tout document etablissant lesdits droits, titres ou interets, etant entendu que cette exception s'appliquera exclusivement a des obligations du Japon et de ses ressortissants libellees en monnaie japonaise.

(III) Les biens vises ci-dessus par les exceptions (i) a (v) inclus devront etre restitues sous reserve du paiement d'indemnites raisonnables pour leur conservation et leur administration. Si l'un quelconque desdits biens a fait l'objet d'une liquidation, le produit de cette operation [*49] sera rembourse a l'interesse en remplacement dudit bien.

(IV) Le droit prevu au sous-paragraphe (I) ci-dessus de saisir, conserver et liquider ces biens, ou d'en disposer de toute autre maniere, devra etre exerce conformement a la legislation de la Puissance Alliee interessee, et leur proprietaire n'aura que les droits accordes par la legislation en question.

(V) Les Puissances Alliees conviennent de traiter les marques de fabrique et les droits de propriete litteraire et artistique japonais sur une base aussi favorable pour le Japon que les conditions prevalant dans chaque pays le permettront.

(b) Sous reserve des dispositions contraires du present Traite, les Puissances Alliees renoncent a toutes demandes de leur part en matiere de reparations, a toutes autres demandes de leur part et de celle de leurs ressortissants resultant de mesures quelconques prises par le Japon et par ses ressortissants au cours de la conduite de la guerre, ainsi qu'a toutes demandes de leur part relatives au paiement de depenses militaires directes d'occupation.

Article 15

(a) A la suite de toute demande qui lui sera presentee dans un delai de neuf mois a compter de l'entree en vigueur du present Traite [*50] entre la Puissance Alliee interessee et le Japon, le Japon restituera, dans les six mois qui suivront le depot de ladite demande, les biens corporels et incorporels, ainsi que tous les droits ou interets de toute nature sis au Japon que chacune des Puissances Alliees et ses ressortissants possedaient au Japon entre le 7 decembre 1941 et le 2 septembre 1945, a moins que le proprietaire n'en ait librement dispose, sans que sa decision lui ait ete extorquee par la violence ou le dol. Lesdits biens seront restitues libres de toute charge et servitude qui auraient pu les grever du fait de la guerre et sans qu'il y ait a payer aucun frais pour leur restitution. Le Gouvernement japonais pourra disposer comme il l'entendra des biens qui n'auront pas ete reclames par leurs proprietaires ou en leur nom ou encore par leur gouvernement, dans les delais prescrits. Dans le cas ou ces biens se trouvaient au Japon le 7 decembre 1941, mais ne pourraient pas etre restitues ou auraient subi des dommages ou des degats du fait de la guerre, il sera accorde une indemnite a des conditions au moins aussi favorables que celles prevues par le projet de loi relatif a la compensation accordee sur les biens allies, [*51] qui a ete approuve par le Cabinet japonais le 13 juillet 1951.

(b) En ce qui concerne les droits de propriete industrielle qui ont ete compromis durant la guerre, le Japon continuera d'accorder aux Puissances Alliees et a leurs ressortissants des avantages au moins egaux a ceux qui etaient accordes jusqu'ici en vertu des "Cabinet Orders" No. 309, promulgue le ler septembre 1949, No. 12, promulgue le 28 janvier 1950, et No. 9, promulgue le ler fevrier 1950, dans leur presente redaction, sous reserve que lesdits ressortissants en auront fait la demande dans les delais qui y sont prevus.

(c) (i) Le Japon convient que les droits de propriete litteraire et artistique existant au Japon le 6 decembre 1941 et concernant les oeuvres, publiees ou inedites, des Puissances Alliees et de leurs ressortissants sont demeures valables depuis cette date, et reconnait l'existence des droits nes au Japon depuis cette date -ou qui y seraient nes, si la guerre

n'avait pas eclate-en vertu dc toutes conventions et de tous accords auxquels le Japon etait partie a ladite date, que lesdites conventions ou accords aient ete abroges ou non ou que l'application en ait ete ou non suspendue a la date a laquelle [*52] la guerre a eclate ou depuis cette date, en vertu de mesures legislatives internes prises par le Japon ou par la Puissance Alliee interessee.

(ii) Sans que le proprietaire des droits ait a en faire la demande et sans qu'il soit tenu de payer aucune taxe ou d'accomplir aucune formalite supplementaire, la periode allant du 7 decembre 1941 jusqu'au jour de l'entree en vigueur du present Traite entre la Puissance Alliee interessee et le Japon sera deduite dc la duree normale de validite desdits droits, et ladite periode, augmentee d'une periode supplementaire dc six mois, sera deduite du delai au cours duquel une oeuvre litteraire doit etre traduite en japonais pour permettre a son auteur d'obtenir des droits de traduction au Japon.

Article 16

Comme preuve de son desir d'indemniser les membres des forces armees des Puissances Alliees qui ont subi des epreuves injustifiees tandis qu'ils etaient prisonniers de guerre des Japonais, le Japon transferera ses avoirs et ceux de ses ressortissants, sis dans des pays qui etaient neutres durant la guerre ou qui etaient en guerre avec l'une quelconque des Puissances Alliees, ou, a son choix, l'equivalent desdits avoirs, au Comite International de [*53] la Croix-Rouge, qui les liquidera, et distribuera aux organismes nationaux appropries les fonds resultant de cette liquidation au profit des ex-prisonniers de guerre et dc leurs familles, de la maniere qu'il estimera equitable. Les categories d'avoirs enumerees aux articles 14 (a), 2 (II), de (ii) a (v) inclus, du present Traite echapperont au transfert, ainsi que les avoirs de personnes physiques japonaises ne residant pas au Japon a la date de l'entree en vigueur initiale du Traite. Il est entendu egalement que les dispositions du present article relatives au transfert d'avoirs japonais ne s'appliquent pas aux 19.770 actions de la Banque des Reglements Internationaux appartenant actuellement a des organismes financiers japonais.

Article 17

(a) A la requete de l'une quelconque des Puissances Alliees, le Gouvernement japonais procedera, conformement aux dispositions du droit international, a un nouvel examen et a la revision de toute ordonnance ou decision prise par les tribunaux de prises japonais au sujet d'affaires interessant des droits de propriete de ressortissants de ladite Puissance Alliee, et il fournira des copies de toutes pieces relatives auxdites affaires, y compris du [*54] texte des ordonnances rendues et des decisions prises. Dans tous les cas ou ledit examen ou ladite revision fera apparaitre la necessite d'une restitution, les dispositions de l'article 15 s'appliqueront aux biens en question.

(b) Le Gouvernement japonais prendra les mesures necessaires en vue de permettre aux ressortissants de l'une quelconque des Puissances Alliees de presenter aux autorites japonaises competentes, a n'importe quel moment de l'annee qui suivra l'entree en vigueur du present Traite entre la Puissance Alliee interessee et le Japon, une requete en vue de la revision dc toute decision prise par un tribunal japonais entre le 7 decembre 1941 et l'entree en vigueur du present Traitc dans un proces quelconque ou l'un de ces ressortissants n'aura pas ete en mesure d'exposer convenablement sa cause soit en qualite de demandeur, soit en qualite de defendeur. Le Gouvernement japonais prendra les mesures necessaires pour que le ressortissant qui a subi un prejudice du fait de tout jugement de cette nature soit retabli dans la situation ou il se trouvait avant le prononce du jugement ou recoive telle compensation qui pourra, en la circonstance, etre juste et equitable.

Article [*55] 18

(a) Il est reconnu que l'intervention de l'etat de guerre n'a nullement affecte l'obligation de payer les dettes en argent provenant d'engagements et de contrats (y compris les obligations) existant anterieurement a la guerre, ou dc droits acquis avant l'ouverture des hostilites, et dont sont redevables le Gouvernement japonais ou ses ressortissants a l'egard du Gouvernement ou de ressortissants d'une des Puissances Alliees, ou bien dont le Gouvernement ou des ressortissants d'une des Puissances Alliees sont redevables a l'egard du Gouvernement ou dc ressortissants japonais. L'intervention de l'etat de guerre ne sera pas non plus consideree comme portant atteinte a l'obligation d'examiner le bien-fonde des

plaintes pour pertes ou dommages materiels ou pour blessure corporelle ou deces, dont l'origine est anterieure a l'existence de l'etat de guerre, et qui pourront etre presentees pour la premiere fois ou soumises a nouveau par le Gouvernement d'une des Puissances Alliees au Gouvernement japonais ou par le Gouvernement japonais a l'un quelconque des Gouvernements des Puissances Alliees. Les dispositions du present paragraphe n'affectent en rien les droits conferes par l'article [*56] 14.

(b) Le Japon reconnait ses obligations en ce qui concerne la dette exterieure d'avant-guerre du Gouvernement japonais et les dettes de personnes morales pour lesquelles l'Etat japonais a ete subsequemment declare responsable, et il exprime son intention d'engager a une date prochaine des negociations avec ses creanciers en vue de la reprise des paiements afferents auxdites dettes, de favoriser les negociations relatives aux autres revendications ou obligations d'avant-guerre, et de faciliter le transfert des sommes necessaires a cet effet.

Article 19

(a) Le Japon renonce, en son nom propre et au nom de ses ressortissants, a toute reclamation contre les Puissances Alliees et leurs ressortissants provenant de la guerre ou de mesures prises par les Puissances Alliees du fait de l'existence d'un etat de guerre, et il renonce a toute reclamation fondee sur la presence, les operations et les actes des forces armees ou des autorites de l'une quelconque des Puissances Alliees sur le territoire japonais avant l'entree en vigueur du present Traite.

(b) La renonciation ci-dessus s'etend a toutes reclamations provenant de mesures prises par l'une quelconque des Puissances Alliees a l'egard [*57] des navires japonais entre le ler septembre 1939 et la date d'entree en vigueur du present Traite, ainsi qu'a toutes reclamations et creances ayant trait a des prisonniers de guerre et a des internes civils japonais aux mains des Puissances Alliees. Cette renonciation ne s'etendra pas aux reclamations japonaises reconnues formellement dans les textes legislatifs promulgues depuis le 2 septembre 1945 par l'une quelconque des Puissances Alliees.

(c) Sous reserve d'une renonciation reciproque, le Gouvernement japonais renonce egalement a toutes reclamations (y compris les creances afferentes a des dettes) a l'encontre de l'Allemagne et de ressortissants allemands au nom du Gouvernement japonais et de ressortissants japonais, y compris les reclamations intergouvernementales et les reclamations pour pertes ou dommages subis au cours de la guerre, mais a l'exclusion (a) des reclamations relatives a des contrats passes et a des droits acquis avant le ler septembre 1939, et (b) des reclamations decoulant de rapports commerciaux et financiers intervenus entre le Japon et l'Allemagne apres le 2 septembre 1945. Cette renonciation n'ira pas a l'encontre des mesures prises en application des articles [*58] 16 et 20 du present Traite.

(d) Le Japon reconnait la validite de tous actes et omissions intervenus au cours de la periode d'occupation du fait ou en consequence de directives des autorites d'occupation, ou autorises par la legislation japonaise a cette epoque; il ne prendra aucune mesure tendant a mettre en jeu la responsabilite civile ou penale de ressortissants allies decoulant desdits actes ou omissions.

Article 20

Le Japon prendra toutes mesures necessaires en vue d'assurer l'utilisation des avoirs allemands au Japon conformement aux decisions qui ont ete ou qui seront adoptees par les Puissances habilitees, en vertu du Protocole de procedure de la Conference de Berlin de 1945, a disposer desdits avoirs, et, en attendant qu'il ait ete statue sur l'affectation definitive des avoirs en question, il assumera la responsabilite de leur conservation et de leur administration.

Article 21

Nonobstant les dispositions de l'article 25 du present Traite, la Chine sera admise a beneficier des dispositions des articles 10 et 14 (a) 2, et la Coree sera admise a beneficier des dispositions des articles 2, 4, 9 et 12 du present Traite.

CHAPITRE VI

REGLEMENT DES DIFFERENDS

Article 22

Si, de l'avis [*59] de l'une quelconque des Parties au present Traite, un differend a surgi en ce qui concerne l'interpretation ou l'application du Traite, et que ledit differend ne puisse etre regle par recours a un Tribunal special de reclamations ou par une autre voie adoptee d'un commun accord, il sera, a la demande de l'une des parties du differend, soumis pour decision a la Cour Internationale de Justice. Le Japon et celles des Puissances Alliees qui n'ont pas encore adhere aux Statuts de la Cour Internationale de Justice deposeront aupres du Greffier de la Cour, au moment de la ratification du present Traite par chacun d'eux, et conformement a la resolution adoptee le 15 octobre 1946 par le Conseil de Securite des Nations Unies, une declaration de principe, aux termes de laquelle ils se soumettent d'une maniere generale, sans qu'un accord special doive etre passe a cet effet, a la juridiction de la Cour en ce qui concerne tous les differends du genre de ceux auxquels se refere le present article.

CHAPITRE VII

CLAUSES FINALES

Article 23

(a) Le present Traite sera ratifie par les Etats signataires, y compris le Japon, et entrera en vigueur pour tous les Etats qui l'auront ainsi ratifie lorsque les [*60] instruments de ratification auront ete deposes par le Japon et par la majorite des Etats ci-apres, a savoir, les Etats-Unis d'Amerique, l'Australie, le Canada, Ceylan, la France, l'Indonesie, la Nouvelle-Zelande, le Pakistan, le Royaume des Pays-Bas, la Republique des Philippines et le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord, etant entendu que cette majorite devra comprendre les Etats-Unis d'Amerique, en leur qualite de principale puissance occupante. Il entrera en vigueur pour chaque Etat qui le ratifiera subsequemment a la date du depot de son instrument de ratification.

(b) Si l'entree en vigueur du Traite n'est pas intervenue dans les neuf mois qui suivront le depot de l'instrument de ratification du Traite par le Japon, tout Etat qui aura ratifie ledit Traite pourra le mettre en vigueur entre lui-meme et le Japon au moyen d'une notification adressee a cette fin aux Gouvernements du Japon et des Etats-Unis d'Amerique dans les trois ans qui suivront la date du depot de l'instrument de ratification du Traite par le Japon.

Article 24

Tous les instruments de ratification devront etre deposes aupres du Gouvernement des Etats-Unis d'Amerique, qui notifiera a tous les Etats [*61] signataires chacun de ces depots, ainsi que la date d'entree en vigueur du Traite en vertu du paragraphe (a) de l'article 23 et toutes les notifications qu'il aura recues en application du paragraphe (b) de l'article 23 du present Traite.

Article 25

Aux fins du present Traite, on entendra par Puissances Alliees les Etats se trouvant en etat de guerre avec le Japon ou tout Etat qui faisait anterieurement partie du territoire d'un Etat designe a l'article 23, sous reserve que, dans chaque cas, l'Etat interesse ait signe et ratifie le Traite. Exception faite des dispositions de l'article 21, le present Traite ne conferera aucun droit, titre ou avantage a aucun Etat qui n'est pas une Puissance Alliee aux termes de la definition ci-dessus; aucun des droits, titres ou interets du Japon ne devra non plus etre considere comme diminue ou affecte par une disposition quelconque du present Traite au benefice d'un Etat qui n'est pas une Puissance Alliee aux termes de la definition ci-dessus.

Article 26

Le Japon devra etre pret a conclure avec tout Etat qui a signe la Declaration des Nations Unies du ler janvier 1942 ou qui a adhere a ladite Declaration, et qui se trouve en etat de guerre avec [*62] le Japon ou avec tout Etat qui faisait anterieurement partie du territoire d'un Etat designe a l'article 23 et qui n'est pas signataire du present Traite, un Traite de Paix bilateral aux memes conditions que celles qui sont prevues dans le present Traite, ou a des conditions sensiblement equivalentes, mais cette obligation de la part du Japon prendra fin trois ans apres l'entree en vigueur initiale du present Traite. Au cas ou le Japon conclurait avec un Etat quelconque un reglement de paix ou un reglement des creances de guerre accordant audit Etat des avantages superieurs a ceux qui sont prevus par le present Traite, ces memes avantages seront etendus aux Etats qui sont parties au present Traite.

Article 27

Le present Traite sera depose aux Archives du Gouvernement des Etats-Unis d'Amerique, qui en fournira une copie certifiee conforme a chacun des Etats signataires.

Considerando que las Potencias Aliadas y el Japon han resuelto que en lo futuro sus relaciones seran las de naciones que, sobre el principio de igualdad soberana, cooperen en amistosa relacion para promover su bienestar comun y para mantener la paz y la seguridad internacionales, y se hallan, por tanto, deseosas de concertar [*63] un tratado de paz que arregle las cuestiones pendientes derivadas de la existencia de un estado de guerra entre ellas;

Considerando que el Japon, por su parte, declara su proposito de solicitar su ingreso a la Organizacion de las Naciones Unidas, y de conformarse, en todas las circunstancias, a los principios de la Carta de las Naciones Unidas; de empenarse en alcanzar los objetivos de la Declaracion Universal de los Derechos del Hombre; de esforzarze por crear dentro de su territorio las condiciones de estabilidad y de bienestar que se definen en los articulos 55 y 56 de la Carta de las Naciones Unidas, iniciadas ya con la legislacion japonesa promulgada despues de la rendicion del Japon y de ajustarse en su comercio publico y privado a las practicas de lealtad aceptadas internacionalmente;

Considerando que las Potencias Aliadas acogen favorablemente los propositos del Japon que se expresan en el parrafo precedente;

Las Potencias Aliadas y el Japon han resuelto, por los motivos anteriores, concertar el presente Tratado de Paz y, a ese fin, han designado a los infrascritos Plenipotenciarios, quienes, despues de haber mostrado sus plenos poderes, que fueron encontrados en buena y debida [*64] forma, han convenido en las siguientes estipulaciones:

CAPITULO I

PAZ

Articulo 1

(a) El estado de guerra entre el Japon y cada una de las Potencias Aliadas cesara en la fecha en que el presente Tratado comience a regir entre al Japon y la Potencia interesada, de la manera prevista en el Articulo 23.

(b) Las Potencias Aliadas reconocen la plena soberania del pueblo japones sobre el Japon y sus aguas territoriales.

CAPITULO II

TERRITORIO

Articulo 2

(a) El Japon, reconociendo la independencia de Corea, renuncia todo derecho, titulo y reclamacion sobre Corea,

inclusive sobre las Islas de Quelpart, Port Hamilton y Dagelet.

(b) El Japon renuncia todo derecho, titulo y reclamacion sobre Formosa y las Pescadores.

(c) El Japon renuncia todo derecho, titulo y reclamacion sobre las Islas Kuriles, asi como sobre la parte de la isla de Sakaline y las islas adyacentes sobre las cuales el Japon adquirio soberania en virtud del Tratado de Portsmouth, subscrito el 5 de septiembre de 1905.

(d) El Japon renuncia todo derecho, titulo y reclamacion relacionado con el regimen de mandatos de la Sociedad de Naciones y acepta la accion del Consejo de Seguridad de las Naciones Unidas del 2 de abril de 1947, [*65] que extiende el regimen de administracion fiduciaria a las islas del Pacifico anteriormente bajo mandato del Japon.

(e) El Japon renuncia toda pretension a cualquier derecho, titulo o interes sobre cualquier parte de la region antartica, ya sea que se derive de actividades de nacionales japoneses o de cualquier otro origen.

(f) El Japon renuncia todo derecho, titulo y reclamacion sobre las Islas Spratly y sobre las Islas Paracels.

Articulo 3

El Japon dara su aprobacion a cualquiera proposicion que presenten los Estados Unidos a las Naciones Unidas para colocar bajo el regimen de administracion fiduciaria, y designar a los Estados Unidos como unica autoridad encargada de dicha administracion, a Nansei Shoto al sur del 29 <0> de latitud norte (inclusive las islas Riu-Kiu y las islas Daito), a Nanpo Shoto, al sur de Sofu Gan (inclusive las islas Bonin, la isla del Rosario y las islas Volcano) la isla de Parece Vela y la isla de Marcus. Mientras se presenta y se aprueba esta proposicion, los Estados Unidos tendran el derecho de ejercer todas y cada una de las facultades de administracion, legislacion y jurisdiccion sobre el territorio y los habitantes de estas islas, inclusive sus aguas [*66] territoriales.

Articulo 4

(a) Con la reserva establecida en el parrafo (b) de este Articulo, seran objeto de arreglos especiales entre el Japon y las autoridades actualmente encargadas de la administracion de las regiones mencionadas en el Articulo 2, tanto la disposicion de bienes del Japon y de sus nacionales en dichas regiones, y las reclamaciones de uno y otros, inclusive deudas, contra las propias autoridades y contra los residentes en tales regiones, (inclusive las personas juridicas) como la disposicion en el Japon de bienes de estas autoridades y las reclamaciones, (inclusive deudas) de las autoridades y residentes contra el Japon y sus nacionales. Los bienes de cualesquiera de las Potencias Aliadas o de sus nacionales en las regiones a que se hace referencia en el Articulo 2, si no han sido restituidos, lo seran por la autoridad administrativa, en el Estado en que se encuentren actualmente. (El termino "nacionales" que se usa en el presente Tratado, incluye a las personas juridicas).

(b) El Japon reconoce la validez de los actos de disposicion de bienes del Japon y de nacionales japoneses efectuados de conformidad con las ordenes del Gobierno Militar de los Estados Unidos, [*67] o en virtud de ellas, en cualesquiera de las regiones a que se hace referencia en los Articulos 2 y 3.

(c) Los cables submarinos de propiedad japonesa que comunican al Japon con los territorios que dejen de estar bajo su jurisdiccion, por virtud del presente Tratado, se dividiran por igual, conservando el Japon el extremo situado en su territorio y la mitad correspondiente del cable, y el territorio que se separe del cable y las instalaciones terminales contiguas.

CAPITULO III

SEGURIDAD

Articulo 5

(a) El Japon acepta las obligaciones enunciadas en el Articulo 2 de la Carta de las Naciones Unidas y, en particular, se compromete a:

(i) Arreglar sus controversias internacionales por medios pacificos, de tal manera que no se pongan en peligro ni la paz y la seguridad internacionales y la justicia;

(ii) Abstenerse, en sus relaciones internacionales, de recurrir a la amenaza o al uso de la fuerza contra la integridad territorial o la independencia politica de cualquier Estado, o en cualquier otra forma incompatible con los Propositos de las Naciones Unidas;

(iii) Prestar a las Naciones Unidas toda clase de ayuda en cualquier accion que ejerza de conformidad con la Carta y abstenerse de [*68] dar ayuda a Estado alguno contra el cual la Organizacion de las Naciones Unidas ejerza accion preventiva o coercitiva.

(b) Las Potencias Aliadas confirman su decision de guiarse por los principios del Articulo 2 de la Carta de las Naciones Unidas en sus relaciones con el Japon.

(c) Las Potencias Aliadas, por su parte, reconocen que el Japon, como nacion soberana, posee el derecho inmanente de legitima defensa, individual o colectiva, a que se refiere el Articulo 51 de la Carta de las Naciones Unidas y que el Japon puede voluntariamente concertar arreglos de seguridad colectiva.

Articulo 6

(a) Todas las fuerzas de ocupacion de las Potencias Aliadas seran retiradas del Japon tan pronto como sea posible despues de que entre en vigor el presente Tratado y, en todo caso, en un plazo que no exceda de 90 dias a contar de esta fecha. Sin embargo, esta disposicion no impedira que se estacionen o se retengan fuerzas armadas extranjeras en territorio japones en virtud o a consecuencia de arreglos bilaterales o multilaterales que se hayan concertado o puedan concertarse entre una o mas de las Potencias Aliadas, por una parte, y el Japon, por la otra.

(b) Las disposiciones del Articulo 9 de la [*69] Declaracion de Potsdam del 26 de julio de 1945, relativas a la repatriacion de las fuerzas militares japonesas, se llevaran a cabo a la medida en que esta repatriacion no se haya terminado.

(c) Todos los bienes japoneses por los cuales no se haya pagado aun compensacion, que hubieren sido facilitados para el uso de las fuerzas de ocupacion y que esten todavia en poder de dichas fuerzas en la fecha en que entre en vigor el presente Tratado, seran restituidos al Gobierno Japones en el mismo plazo de 90 dias, a menos que de mutuo acuerdo se concierten otros arreglos.

CAPITULO IV

CLAUSULAS POLITICAS Y ECONOMICAS

Articulo 7

(a) Cada una de las Potencias Aliadas notificara al Japon, en el plazo de un ano, a contar de la fecha en que entre en vigor el presente Tratado entre ella y el Japon, cuales de sus tratados bilaterales o convenciones bilaterales con el Japon anteriores a la guerra desea mantener o volver a poner en vigor y todos los tratados o convenciones que fueren objeto de esta notificacion continuaran en vigor o volveran a ser puestos en vigor con sujecion solamente a las enmiendas que puedan ser necesarias para asegurar su conformidad con el presente Tratado. Los tratados y convenciones [*70] que hubieren sido objeto de tal notificacion se consideraran como que han continuado en vigor o que han sido puestos de nuevo en vigor tres meses despues de la fecha de la notificacion y seran registrados en la Secretaria de las Naciones Unidas. Todos los tratados y convenciones de esta naturaleza que no hubieren sido objeto de tal notificacion al Japon se

tendran por abrogados.

(b) Toda notificacion hecha en virtud de las disposiciones del parrafo (a) de este articulo podra exceptuar de la aplicacion o nueva vigencia de un tratado o convencion todo territorio cuyas relaciones internacionales incumben a la Potencia que hace la notificacion, hasta tres meses despues de la fecha en que se notifique al Japon que tal excepcion cesa de ser aplicable.

Articulo 8

(a) El Japon reconoce el pleno valor de todos los tratados que han sido concertados hasta ahora o que en adelante concierten las Potencias Aliadas para poner fin al estado de guerra existente desde el dia 10 de septiembre de 1939, asi como el de todo otro arreglo concertado por las Potencias Aliadas con el objeto de restablecer la paz o en razon de su restablecimiento. El Japon acepta igualmente los arreglos que han sido concertados [*71] para la liquidacion de la Sociedad de Naciones y de la Corte Permanente de Justicia Internacional.

(b) El Japon renuncia todos los derechos e intereses que pudo haber adquirido como potencia signataria de las Convenciones de St. Germain-en-Laye, de 10 de septiembre de 1919, del Convenio de Montreux sobre el Regimen de los Estrechos, de 20 de julio de 1936, y del Articulo 16 del Tratado de Paz con Turquia, firmado en Lausana el 24 de julio de 1923.

(c) El Japon renuncia todos los derechos, titulos e intereses adquiridos en virtud del Convenio celebrado entre Alemania y las Potencias Acreedoras, el 20 de enero de 1930, y de sus Anexos, con inclusion del Proyecto de Contrato de Fideicomiso, fechado el 17 de enero de 1930; de la Convencion de 20 de enero de 1930 relativa al Banco de Pagos Internacionales, y de los Estatutos del Banco de Pagos Internacionales y se le exime de toda obligacion contraida en virtud de ellos. El Japon notificara al Ministerio de Relaciones Exteriores en Paris, en un plazo de seis meses a partir de la fecha en que inicialmente entre en vigor el presente Tratado, su renuncia a los derechos, titulos e intereses a que se hace referencia en el presente parrafo. [*72]

Articulo 9

El Japon se compromete a entablar, sin demdra, con las Potencias Aliadas que lo deseen, negociaciones para la concertacion de convenios bilaterales y multilaterales que dispongan la reglamentacion o limitacion de la pesca y la conservacion y explotacion de las pesquerias en alta mar.

Articulo 10

El Japon renuncia todos los derechos e intereses especiales en China, con inclusion de todos los beneficios y privilegios emanados de las disposiciones del Protocolo final subscrito en Pekin el 7 de septiembre de 1901 y todos sus anexos, notas y documentos complementarios, y conviene en la abrogacion, en lo que respecta al Japon, de dicho Protocolo, anexos, notas y documentos.

Articulo 11

El Japon acepta las sentencias del Tribunal Militar Internacional del Extremo Oriente y de otros Tribunales Aliados de Crimenes de Guerra, tanto dentro como fuera del Japon, y ejecutara las sentencias pronunciadas por ellos contra nacionales japoneses encarcelados en el Japon. La facultad de conceder clemencia, de conmutar sentencias y de conceder libertad condicional en relacion con dichos reos, no se podra ejercer como no sea por resolucion del Gobierno o Gobiernos que hayan pronunciado la sentencia [*73] en cada caso, y a recomendacion del Japon. En el caso de personas sentenciadas por el Tribunal Militar Internacional del Extremo Oriente, dicha facultad no podra ser ejercida sino por resolucion de una mayoria de los Gobiernos representados en el Tribunal, y a recomendacion del Japon.

Articulo 12

(a) El Japon se declara dispuesto a entablar a la mayor brevedad negociaciones con objeto de concertar con cada una de las Potencias Aliadas tratados o convenios que coloquen sus relaciones mercantiles, maritimas y demas relaciones de caracter comercial sobre una base firme y amistosa.

(b) Entretanto se concierta el tratado o convenio pertinente, el Japon debera, durante un periodo de cuatro anos a contar de la fecha en que inicialmente entre en vigor el presente Tratado:

(1) otorgar a cada una de las Potencias Aliadas, a sus nacionales, a sus productos y a sus naves:

(i) el tratamiento de la nacion mas favorecida en cuanto a derechos de aduana, gravamenes, restricciones y demas disposiciones relativas a la importacion y exportacion de mercancias o en relacion con ellas;

(ii) el tratamiento nacional en cuanto a las naves, la navegacion y los articulos importados, y respecto a las personas [*74] naturales y juridicas y a sus intereses; este tratamiento debe comprender todos los asuntos relacionados con la imposicion y recaudacion de impuestos, acceso ante los tribunales, la celebracion y ejecucion de contratos, derechos de propiedad (tangible e intangible), participacion en entidades juridicas constituidas conforme a la legislacion japonesa y, en general, la prosecucion de todo genero de negocios comerciales y de actividades profesionales;

(2) garantizar que las compras y las ventas hechas en el exterior por las empresas comerciales del Estado japones se basaran exclusivamente en consideraciones de orden comercial.

(c) Sin embargo, en relacion con cualquier asunto, el Japon estara obligado a otorgar a una Potencia Aliada el tratamiento nacional o el de la nacion mas favorecida, solamente en la medida en que la Potencia Aliada interesada dispense al Japon el tratamiento nacional o el de la nacion mas favorecida, segun sea el caso, en relacion con el mismo asunto. La reciprocidad que se preve en la oracion que antecede se determinara, en el caso de productos, de naves y de entidades juridicas de algun territorio no metropolitano de una Potencia Aliada y de las personas [*75] que tengan su domicilio en el, y en el caso de entidades juridicas de algun estado o provincia de una Potencia Aliada que tenga un gobierno federal y de las personas que tengan su domicilio en el o en ella recibiran el tratamiento otorgado al Japon en ese territorio, estado o provincia.

(d) En la aplicacion de este articulo una medida preferencial no sera considerada como una derogacion del principio del tratamiento nacional y el de la nacion mas favorecida, segun sea el caso, si la dicha medida se funda en una excepcion generalmente prevista en los tratados de comercio de la parte que la aplique o en la necesidad de salvaguardar la posicion financiera exterior o la balanza de pagos de dicha parte (salvo en lo que concierne a las naves y a la navegacion) o en la necesidad de mantener sus intereses esenciales de seguridad y a condicion de que tal medida sea apropiada a las circunstancias y no se aplique de manera arbitraria o sin razon.

(e) Las obligaciones que para el Japon resulten de las disposiciones de este articulo no seran afectadas por el ejercicio de cualesquiera derechos de las Potencias Aliadas de conformidad con el Articulo 14 del presente Tratado; como tampoco se interpretaran [*76] las disposiciones de este Articulo en el sentido de que limitan las obligaciones asumidas por el Japon en virtud del Articulo 15 de este Tratado.

Articulo 13

(a) El Japon entablara prontamente negociaciones con cualquiera de las Potencias Aliadas, a solicitud de una o mas de ellas, con el fin de concertar convenios bilaterales o multilaterales en relacion con el transporte civil aereo internacional.

(b) En tanto se concierta tal convenio o convenios, el Japon debera, durante un periodo de cuatro anos a partir de la fecha en que inicialmente entre en vigor el presente Tratado, otorgar a esa Potencia un tratamiento no menos favorable, en cuanto a derechos y privilegios en asuntos de transporte aereo del que goza esa Potencia en la fecha de dicha entrada en vigor, y le otorgara condiciones de completa igualdad de oportunidad en cuanto a la explotacion y desarrollo de los

servicios aereos.

(c) En tanto que entra a formar parte de la Convencion de Aviacion Civil Internacional, de conformidad con el Articulo 93 de la dicha Convencion, el Japon llevara a efecto las clausulas de esa Convencion aplicables a la navegacion internacional de aeronaves y aplicara las normas, metodos y procedimientos [*77] adoptados como anexos a la Convencion, de conformidad con los terminos de la misma Convencion.

CAPITULO V

RECLAMACIONES Y BIENES

Articulo 14

(a) Se reconoce que el Japon deberia pagar reparaciones a las Potencias Aliadas por los danos y sufrimientos causados por el durante la guerra. Sin embargo, se reconoce, tambien, que el Japon, si ha de mantener una economia viable, no dispone actualmente de recursos suficientes para reparar por completo tales danos y sufrimientos y hacer frente al mismo tiempo a sus otras obligaciones.

En consecuencia,

1. El Japon entablara prontamente negociaciones con las Potencias Aliadas que lo deseen y cuyos territorios actuales fueron ocupados por las fuerzas japonesas y perjudicados por el Japon, con la mira de ayudar a resarcir a esos paises el costo de las reparaciones de los danos causados poniendo a su disposicion los servicios del pueblo japones para los trabajos de produccion, de recuperacion y de otra naturaleza que deban prestarse a las Potencias Aliadas en cuestion. Estos arreglos evitaran la imposicion de cargas adicionales a otras Potencias Aliadas y, cada vez que sea necesario el empleo de materias primas, para fines de produccion, estas seran [*78] suministradas por las Potencias Aliadas en cuestion a fin de no imponer al Japon la obligacion de procurarse divisas extranjeras.

2. (I) Con sujecion a las disposiciones del inciso (II) que aparece a continuacion, cada una de las Potencias Aliadas tendra el derecho de ocupar, retener, liquidar o disponer de otra manera de todos los bienes, derechos e intereses

(a) del Japon y de los nacionales japoneses

(b) de las personas que actuen por cuenta o en nombre del Japon o de nacionales japoneses, y

(c) de las entidades de propiedad o bajo el interes predominante del Japon o de nacionales japoneses

que en la fecha en que inicialmente entre en vigor el presente Tratado se encuentren sometidos a su jurisdiccion. Los bienes, derechos e intereses especificados en este parrafo comprenderan los que esten actualmente bloqueados, ocupados, o en posesion o bajo la jurisdiccion de las autoridades de las Potencias Aliadas encargadas de bienes de enemigos que pertenecian, o estaban retenidos o administrados a nombre de cualquiera de las personas o entidades mencionadas en los incisos (a), (b) o (c), precedentes, en la epoca en que tales bienes quedaron bajo la jurisdiccion de dichas autoridades. [*79]

(II) La facultad prevista en el inciso (I) que antecede no se aplicara a:

(i) los bienes de personas naturales japonesas que durante la guerra residieron, con permiso del Gobierno interesado, en el territorio de alguna de las Potencias Aliadas, fuera de territorios ocupados por el Japon, excepcion hecha de los bienes sujetos a restricciones durante la guerra y que no hubieren quedado exentos de esas restricciones en la fecha en que inicialmente entre en vigor el presente Tratado.

(ii) todos los bienes raices, muebles y objetos movibles pertenecientes al Gobierno del Japon y destinados a usos diplomaticos o consulares, y todos los muebles y objetos movibles personales y otros bienes particulares, que no tengan caracter de inversion, que fueren necesarios normalmente para el desempeno de funciones diplomaticas y consulares, pertenecientes al personal diplomatico y consular japones;

(iii) los bienes pertenecientes a las instituciones religiosas o a las instituciones filantropicas privadas destinados exclusivamente a fines religiosos o filantropicos;

(iv) los bienes, derechos e intereses que pasaron a su jurisdiccion como consecuencia de la reanudacion de las relaciones comerciales [*80] y financieras despues del 2 de septiembre de 1945, entre el pais interesado y el Japon, salvo los que hayan resultado de transacciones contrarias a las leyes de la Potencia Aliada interesada;
(v) las obligaciones del Japon o de nacionales japoneses todo derecho, titulo o interes en bienes tangibles situados en el Japon, intereses en empresas organizadas de conformidad con las leyes del Japon, o toda prueba documental de estas; a condicion de que esta excepcion no se aplicara sino a las obligaciones del Japon y de sus nacionales expresadas en moneda japonesa.

(III) Los bienes que son objeto de las excepciones (i) a (v) inclusive, que anteceden seran restituidos contra el reembolso de los gastos razonables incurridos en su conservacion y administracion. Si alguno de estos bienes ha sido liquidado, el producto de su liquidacion sera restituido en su lugar.

(IV) El derecho de ocupar, retener, liquidar o disponer de otro modo de los bienes como se indica en el inciso (I) que antecede se ejercera de conformidad con la legislacion de la Potencia Aliada interesada y el propietario no tendra mas derechos que los que concede dicha legislacion.

(V) Las Potencias Aliadas convienen en otorgar [*81] a las marcas de fabrica japonesas asi como a los derechos de propiedad literaria y artistica un tratamiento tan favorable al Japon como lo permitan las condiciones prevalecientes en cada pais.

(b) Salvo disposiciones en contrario del presente Tratado, las Potencias Aliadas renuncian toda reclamacion de las Potencias Aliadas por concepto de reparaciones, otras reclamaciones de las Potencias Aliadas y de sus nacionales originadas por las medidas adoptadas por el Japon y sus nacionales en el curso y en razon de la guerra, asi como las reclamaciones de las Potencias Aliadas por concepto de gastos militares directos de ocupacion.

Articulo 15

(a) A solicitud que se presente dentro de un plazo de nueve meses a partir de la fecha en que entre en vigor el presente Tratado entre el Japon y la Potencia Aliada interesada, el Japon debera, dentro de un plazo de seis meses a contar de la fecha de dicha solicitud, restituir los bienes tangibles e intangibles y todos los derechos o intereses de toda clase en el Japon de cada Potencia Aliada y de sus nacionales que se encontraban en el Japon en cualquier momento entre el 7 de diciembre de 1941 y el 2 de septiembre de 1945, a menos que el propietario [*82] haya dispuesto libremente de ellos sin coaccion ni maniobra fraudulenta. Estos bienes se restituiran libres de todo gravamen y cargos a que pudieran estar sujetos con motivo de la guerra y sin cargo alguno por su restitucion. El Gobierno Japones podra disponer como crea conveniente de los bienes cuya restitucion no sea pedida por su propietario o en su nombre o por su Gobierno, dentro del plazo fijado. En el caso de bienes que se encontraban en el Japon el 7 de diciembre de 1941 que no puedan ser restituidos o que hayan sufrido averias o danos a consecuencia de la guerra, la compensacion se efectuara en condiciones por lo menos tan favorables como las prescritas en el Proyecto de Ley relativo a la Compensacion por los Bienes de las Potencias Aliadas aprobado por el Gabinete japones el 13 de julio de 1951.

(b) En lo que concierne a los derechos de propiedad industrial menoscabados durante la guerra, el Japon continuara otorgando a las Potencias Aliadas y a sus nacionales ventajas que no seran inferiores a las otorgadas hasta ahora en virtud de las Ordenes de Gabinete Num. 309, vigente el 10 de septiembre de 1949; Num. 12, vigente el 28 de enero de 1950, y Num. 9, vigente el 1 [degree] [*83] de febrero de 1950, con las enmiendas de que han sido objeto hasta el presente, a condicion de que dichos nacionales hayan reclamado esas ventajas dentro del plazo prescrito en ellas.

(c) (i) El Japon reconoce que los derechos de propiedad literaria y artistica que existian en el Japon el 6 de diciembre de 1941 con respecto a las obras publicadas o no publicadas de las Potencias Aliadas y de sus nacionales, no han perdido su validez desde esa fecha; y reconoce que continuan siendo validos los derechos que han resultado o que, de no haber ocurrido la guerra, hubieren resultado en el Japon desde esa fecha, con la aplicacion de cualesquiera

Convenciones y Convenios de los cuales el Japon era parte en esa fecha, e independientemente del hecho de que esas Convenciones o Convenios hubiesen sido o no abrogados o suspendidos al comenzar las hostilidades, o despues, conforme a leyes internas del Japon o de la Potencia Aliada interesada.

(ii) Sin necesidad de que el propietario del derecho lo solicite, y sin el pago de ninguna contribucion, y sin cumplir con ninguna otra formalidad, el periodo del 7 de diciembre de 1941 hasta la fecha en que entre en vigor el presente Tratado entre el Japon [*84] y la Potencia Aliada interesada se excluira de la duracion normal de la validez de tales derechos; y ese periodo, mas un periodo adicional de seis meses, sera excluido del plazo dentro del cual una obra literaria deba ser traducida al japones para obtener los derechos de traduccion en el Japon.

Articulo 16

Como testimonio de sus deseos de indemnizar a los miembros de las fuerzas armadas de las Potencias Aliadas que sufrieron penalidades excesivas mientras fueron prisioneros de guerra del Japon, el Japon traspasara sus haberes y los haberes de sus nacionales en paises que fueron neutrales durante la guerra, o que estuvieron en guerra con alguna de las Potencias Aliadas o, a su eleccion, el equivalente de tales haberes, a la Comision Internacional de la Cruz Roja, la cual liquidara esos haberes y distribuira el producto entre las entidades nacionales apropiadas en beneficio de los exprisioneros de guerra y sus familias sobre la base que se considere mas equitativa. Las categorias de haberes descritos en los parrafos (a) 2 (II) (ii) a (v) inclusive, del Articulo 14 del presente Tratado se exceptuaran del traspaso, asi como los haberes de personas naturales japonesas que no residian en [*85] el Japon en el momento de entrar inicialmente en vigor el Tratado. Queda entendido, igualmente, que la disposicion de traspaso de este Articulo no es aplicable a las 19.770 acciones del Banco de Pagos Internacionales que en la actualidad poseen las instituciones financieras japonesas.

Articulo 17

(a) A solicitud de cualquiera de las Potencias Aliadas el Gobierno del Japon procedera, conforme al Derecho Internacional, a hacer un examen y una revision de cualquier resolucion u orden de los Tribunales de Presas japoneses en todas las causes en que se vean envueltos derechos de propiedad de nacionales de la Potencia Aliada interesada y suministrara copias de todos los documentos que formen parte de los expedientes de esas causas, con inclusion del texto de las resoluciones adoptadas y de las ordenes expedidas. En toda causa en que el examen o revision indique que se debe efectuar una restitucion, se aplicaran las disposiciones del Articulo 15 a los bienes de que se trate.

(b) El Gobierno Japones tomara las medidas necesarias para que los nacionales de cualquier Potencia Aliada puedan, en cualquier momento, dentro del plazo de un ano contado a partir de la fecha en que entre en vigor el [*86] presente Tratado entre el Japon y la Potencia Aliada interesada, presentar para su revision a las autoridades japonesas competentes cualquier fallo en cualquier procedimiento judicial en que alguno de tales nacionales no pudo defender debidamente su causa, ya sea como demandante o como demandado, siempre que tal fallo haya sido dictado por un tribunal japones entre el 7 de Diciembre de 1941 y la fecha de entrada en vigor del presente Tratado. El Gobierno Japones tomara las medidas necesarias para que al referido nacional que haya sufrido perjuicios como resultado de uno de tales fallos, se le restaure a la posicion que ocupaba antes de dictarse el fallo, o para que se le conceda la reparacion que se estime justa y equitativa conforme a las circunstancias.

Articulo 18

(a) Se reconoce que la intervencion del estado de guerra no ha afectado la obligacion de pagar las deudas pecuniarias derivadas de obligaciones y contratos (inclusive las relacionadas con bonos) que existian, asi como los derechos que fueron adquiridos antes de la existencia de un estado de guerra, que deba el Gobierno o nacionales del Japon al Gobierno o nacionales de una de las Potencias Aliadas, o que deba el Gobierno [*87] o nacionales de una de las Potencias Aliadas al Gobierno o nacionales del Japon. Se considera igualmente que la intervencion del estado de guerra tampoco afecta la obligacion de examinar, segun sus meritos, las reclamaciones por perdidas o por danos a la propiedad o por lesiones personales o muertes, ocurridas antes de la existencia de un estado de guerra, que presente o

que pueda presentar nuevamente el Gobierno de alguna de las Potencias Aliadas al Gobierno del Japon, o el Gobierno del Japon al Gobierno de alguna de las Potencias Aliadas. Las disposiciones de este parrafo son aplicables sin perjuicio de los derechos conferidos por el Articulo 14.

(b) El Japon confirma su obligacion con respecto a la deuda externa del Estado Japones anterior a la guerra y a las deudas de personas morales posteriormente declaradas como obligaciones del Estado Japones, y expresa su intencion de entablar negociaciones en una fecha proxima con sus acreedores para reanudar los pagos de estas deudas; para promover negociaciones en relacion con otras reclamaciones y obligaciones anteriores a la guerra; y para facilitar el traslado de las sumas correspondientes.

Articulo 19

(a) El Japon y sus nacionales [*88] renuncian toda reclamacion contra las Potencias Aliadas y sus nacionales originada por la guerra o a causa de medidas adoptadas con motivo de la existencia de un estado de guerra, y renuncia toda reclamacion motivada por la presencia, operaciones o actos de las fuerzas armadas o autoridades de cualquiera de las Potencias Aliadas en territorio japones antes de que entre en vigor el presente Tratado.

(b) La renuncia que antecede comprende todas las reclamaciones ocasionadas por las medidas adoptadas por cualquier Potencia Aliada con respecto a barcos japoneses entre el 10 de septiembre de 1939 y la fecha en que entre en vigor el presente Tratado, asi como toda reclamacion y deuda originada en relacion con los prisioneros de guerra japoneses y civiles japoneses internados en poder de las Potencias Aliadas; pero no incluye las reclamaciones japonesas reconocidas especificamente en la legislacion de cualquier Potencia Aliada, promulgada desde el 2 de septiembre de 1945.

(c) Bajo la reserva de una renuncia reciproca, el Gobierno del Japon renuncia igualmente toda reclamacion (inclusive deudas) contra Alemania y nacionales alemanes, en nombre del Gobierno del Japon y de nacionales japoneses [*89] con inclusion de las reclamaciones de caracter intergubernamental y las reclamaciones por perdidas o danos sufridos durante la guerra; pero con excepcion de (a) las reclamaciones provenientes de contratos celebrados y derechos adquiridos antes del 10 de septiembre de 1939, y (b) las reclamaciones resultantes de relaciones comerciales y financieras entre el Japon y Alemania despues del 2 de septiembre de 1945. Dicha renuncia no menoscabara las medidas que se adopten de acuerdo con los Articulos 16 y 20 del presente Tratado.

(d) El Japon reconoce la validez de todos los actos y omisiones efectuados durante el periodo de ocupacion de conformidad con las ordenes de las autoridades de ocupacion o en virtud de ellas, o autorizadas en ese periodo por la legislacion japonesa, y no tomara ninguna medida de caracter civil o criminal contra los nacionales aliados en razon de tales actos u omisiones.

Articulo 20

El Japon tomara todas las medidas necesarias para asegurar que los bienes alemanes en el Japon seran objeto de las medidas que, para su disposicion, hayan acordado o acuerden las potencias que, en virtud del Protocolo de las deliberaciones de la Conferencia de Berlin de 1945, tienen derecho [*90] de disponer de esos bienes, y en tanto se procede a la disposicion final de tales bienes, asumira la responsabilidad de su conservacion y administracion.

Articulo 21

No obstante las disposiciones del Articulo 25 del presente Tratado, la China tendra derecho a las ventajas de los Articulos 10 y (a) 2 del 14 y Corea a las ventajas de los Articulos 2, 4, 9 y 12 del presente Tratado.

CAPITULO VI

ARREGLO DE CONTROVERSIAS

Articulo 22

Si en opinion de alguna de las Partes del presente Tratado se suscita una controversia en relacion con la interpretacion o la ejecucion del Tratado que no se pueda arreglar sometiendola a un Tribunal Especial de Reclamaciones o por otros medios convenidos, la controversia, a peticion de cualquiera de las partes, sera sometida a la decision de la Corte Internacional de Justicia. El Japon y las Potencias Aliadas que no sean todavia partes en el Estatuto de la Corte Internacional de Justicia depositaran en la Secretaria de la Corte, en el momento de sus respectivas ratificaciones del presente Tratado, y de conformidad con la resolucion del Consejo de Seguridad de las Naciones Unidas de fecha 15 de octubre de 1946, una declaracion general que acepta, sin acuerdo [*91] especial, y en general, la jurisdiccion de la Corte en relacion con todas las controversias de la indole mencionada en este Articulo.

CAPITULO VII

CLAUSULAS FINALES

Articulo 23

(a) El presente Tratado sera ratificado por los Estados que lo subscriben, inclusive el Japon, y entrara en vigor para todos los Estados que lo ratifiquen, cuando los instrumentos de ratificacion hayan sido depositados por el Japon y por una mayoria, incluyendo a los Estados Unidos de America como Potencia principal de ocupacion, de los Estados siguientes, a saber: Australia, Canada, Ceilan, Francia, Indonesia, Reino de Holanda, Nueva Zelandia, Pakistan, Republica de Filipinas, Reino Unido de la Gran Bretana e Irlanda del Norte y los Estados Unidos de America. El presente Tratado entrara en vigor para cada Estado que posteriormente lo ratifique en la fecha de deposito de su instrumento de ratificacion.

(b) Si el Tratado no ha entrado en vigor dentro de nueve meses siguientes a la fecha de deposito de la ratificacion del Japon, cualquier Estado que lo haya ratificado podra poner el Tratado en vigor entre el y el Japon mediante una notificacion a ese efecto al Gobierno del Japon y al Gobierno de los Estados Unidos [*92] de America a mas tardar tres anos despues de la fecha de deposito de la ratificacion del Japon.

Articulo 24

Todos los instrumentos de ratificacion seran depositados con el Gobierno de los Estados Unidos de America, el cual notificara a todos los Estados signatarios de cada deposito, de la fecha en que entre en vigor el Tratado, conforme al parrafo (a) del Articulo 23, y de las notificaciones que se hagan conforme al parrafo (b) del Articulo 23.

Articulo 25

Para los fines del presente Tratado las Potencias Aliadas seran los Estados en guerra con el Japon o cualquier Estado que anteriormente formaba parte del territorio de un Estado mencionado en el Articulo 23, a condicion de que en cada caso el Estado interesado haya subscrito y ratificado el presente Tratado. Con sujection a las disposiciones del Articulo 21, el presente Tratado no conferira ningun derecho, titulo o beneficio a ningun Estado que no sea una Potencia Aliada segun se define en el presente Tratado; y ningun derecho, titulo o interes del Japon se considerara que ha disminuido o ha sido perjudicado en virtud de alguna disposicion del presente Tratado en favor de un Estado que no sea una Potencia Aliada de la manera como [*93] aqui se define.

Articulo 26

El Japon estara dispuesto a concertar con cualquier Estado que haya subscrito la Declaracion de las Naciones Unidas del lo de enero de 1942, o que se haya adherido a ella, y que este en guerra con el Japon, o con cualquier Estado que anteriormente formaba parte del territorio de un Estado mencionado en el Articulo 23, que no sea signatario del presente Tratado, un Tratado de Paz bilateral en los mismos terminos o substancialmente en los mismos terminos del

presente Tratado; pero esta obligacion por parte del Japon expirara tres anos despues de que inicialmente entre en vigor el presente Tratado. En caso de que el Japon hiciera arreglos de paz o celebrare arreglos de reclamaciones de guerra con cualquier Estado conforme a los cuales se otorguen a tal Estado ventajas mayores de las que se conceden en el presente Tratado, esas mismas ventajas seran otorgadas a las Partes del presente Tratado.

Articulo 27

El presente Tratado sera depositado en los Archivos del Gobierno de los Estados Unidos de America, el cual suministrara a cada uno de los Estados signatarios una copia certificada del mismo.

[FOREIGN LANGUAGE TEXT OMITTED]

IN FAITH WHEREOF the undersigned [*94] Plenipotentiaries have signed the present Treaty.

DONE at the city of San Francisco this eighth day of September 1951, in the English, French, and Spanish languages, all being equally authentic, and in the Japanese language.

EN FOI DE QUOI, les Plenipotentiaires soussignes ont appose leur signature au bas du present Traite.

FAIT en la ville de San-Francisco, ce huitieme jour du mois de septembre 1951, en langues anglaise, francaise et espagnole, toutes faisant egalement foi, ainsi qu'en langue japonaise.

EN FE DE LO CUAL los infrascritos Plenipotenciarios firman el presente Tratado.

HECHO en la ciudad de San Francisco, el ocho de Septiembre de 1951, en los idiomas ingles, frances y espanol, todos de igual autenticidad, y en el idioma japones.

[FOREIGN LANGUAGE TEXT OMITTED]

I CERTIFY THAT the foregoing is a true copy of the Treaty of Peace with Japan which was signed in the English, French, Spanish, and Japanese languages at San Francisco on September 8, 1951, the signed original of which is deposited in the archives of the Government of the United States of America.

IN TESTIMONY WHEREOF, I, DEAN ACHESON, Secretary of State of the United States of America, have hereunto caused the [*95] seal of the Department of State to be affixed and my name subscribed by the Authentication Officer of the said Department, at the city of Washington, in the District of Columbia, this tenth day of September, 1951.

DEAN ACHESON

Secretary of State

By M. P. CHAUVIN

Authentication Officer Department of State

WHEREAS the Senate of the United States of America by their resolution of March 20, 1952, two-thirds of the Senators present concurring therein, did advise and consent to the ratification of the said Treaty with the following declaration:

> "As part of such advice and consent the Senate states that nothing the treaty contains is deemed to diminish or prejudice, in favor of the Soviet Union, the right, title, and interest of Japan, or the Allied Powers as defined in said treaty, in and to South Sakhalin and its adjacent islands, the Kurile Islands, the

Habomai Islands, the island of Shikotan, or any other territory, rights, or interests possessed by Japan on December 7, 1941, or to confer any right, title, or benefit therein or thereto on the Soviet Union; and also that nothing in the said treaty, or the advice and consent of the Senate to the ratification thereof, implies recognition [*96] on the part of the United States of the provisions in favor of the Soviet Union contained in the so-called 'Yalta agreement' regarding Japan of February 11, 1945."

WHEREAS the said Treaty was duly ratified by the President of the United States of America on April 15, 1952, in pursuance of the aforesaid advice and consent of the Senate and subject to the aforesaid declaration;

WHEREAS it is provided in Article 23 of the said Treaty that the Treaty will come into force for all the States which have then ratified it when instruments of ratification have been deposited by Japan and by a majority, including the United States of America as the principal occupying Power, of the following States, namely Australia, Canada, Ceylon, n1 France, Indonesia, the Kingdom of the Netherlands, New Zealand, Pakistan, the Republic of the Philippines, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, and in Article 24 of the said Treaty that all instruments of ratification shall be deposited with the Government of the United States of America;

n1 Ratification deposited Apr. 28, 1952

[*97]

WHEREAS instruments of ratification of the said Treaty were deposited with the Government of the United States of America by Japan on November 28, 1951 and by the United Kingdom of Great Britain and Northern Ireland on January 3, 1952, by Australia on April 10, 1952, by New Zealand on April 10, 1952, by Canada on April 17, 1952, by Pakistan on April 17, 1952, by France on April 18, 1952, and by the United States of America on April 28, 1952;

WHEREAS instruments of ratification were also deposited with the Government of the United States of America by Mexico on March 3, 1952 and by Argentina on April 9, 1952;

AND WHEREAS, pursuant to the aforesaid provisions of Article 23 of the said Treaty, the Treaty came into force on April 28, 1952;

NOW, THEREFORE, be it known that I, Harry S. Truman, President of the United States of America, do hereby proclaim and make public the said Treaty of Peace with Japan to the end that the same and every article and clause thereof, subject to the declaration hereinbefore recited, shall be observed and fulfilled with good faith, on and after April 28, 1952, by the United States of America and by the citizens of the United States of America and all other [*98] persons subject to the jurisdiction thereof, and do hereby further proclaim that the state of war between the United States of America and Japan terminated on April 28, 1952.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the United States of America to be affixed.

DONE at the city of Washington this twenty-eighth day of April in the year of our Lord one thousand nine hundred fifty-two and of the Independence of the United States of America the one hundred seventy-sixth.

HARRY S TRUMAN

By the President:
DEAN ACHESON
Secretary of State

DECLARATION

With respect to the Treaty of Peace signed this day, the Government of Japan makes the following Declaration:

1. Except as otherwise provided in the said Treaty of Peace, Japan recognizes the full force of all presently effective multilateral international instruments to which Japan was a party on September 1, 1939, and declares that it will, on the first coming into force of the said Treaty, resume all its rights and obligations under those instruments. Where, however, participation in any instrument involves membership in an international organization of which Japan ceased to be a member on or after September [*99] 1, 1939, the provisions of the present paragraph shall be dependent on Japan's readmission to membership in the organization concerned.

2. It is the intention of the Japanese Government formally to accede to the following international instruments within the shortest practicable time, not to exceed one year from the first coming into force of the Treaty of Peace:

(1) Protocol opened for signature at Lake Success on December 11, 1946, amending the agreements, conventions and protocols on narcotic drugs of January 23, 1912, February 11, 1925, February 19, 1925, July 13, 1931, November 27, 1931, and June 26, 1936;

(2) Protocol opened for signature at Paris on November 19, 1948, bringing under international control drugs outside the scope of the convention of July 13, 1931, for limiting the manufacture and regulating the distribution of narcotic drugs, as amended by the protocol signed at Lake Success on December 11, 1946;

(3) International Convention on the Execution of Foreign Arbitral Awards signed at Geneva on September 26, 1927;

(4) International Convention relating to Economic Statistics with protocol signed at Geneva on December 14, 1928, and Protocol amending the International [*100] Convention of 1928 relating to Economic Statistics signed at Paris on December 9, 1948;

(5) International Convention relating to the Simplification of Customs Formalities, with protocol of signature, signed at Geneva on November 3, 1923;

(6) Agreement of Madrid of April 14, 1891, for the Prevention of False Indications of Origin of Goods, as revised at Washington on June 2, 1911, at The Hague on November 6, 1925, and at London on June 2, 1934;

(7) Convention for the Unification of Certain Rules relating to International Transportation by Air, and additional protocol, signed at Warsaw on October 12, 1929;

(8) Convention on Safety of Life at Sea opened for signature at London on June 10, 1948;

(9) Geneva conventions of August 12, 1949, for the protection of war victims.

3. It is equally the intention of the Japanese Government, within six months of the first coming into force of the Treaty of Peace, to apply for Japan's admission to participation in (a) the Convention on International Civil Aviation opened for signature at Chicago on December 7, 1944, and, as soon as Japan is itself a party to that Convention, to accept the International Air Services Transit Agreement also opened [*101] for signature at Chicago on December 7, 1944; and (b) the Convention of the World Meteorological Organization opened for signature at Washington on October 11, 1947.

DECLARATION

En ce qui concerne le Traite de Paix signe a la date de ce jour, le Gouvernement du Japon fait la Declaration suivante:

1. Sous reserve des dispositions contraires dudit Traite de Paix, le Japon reconnait la validite pleine et entiere de tous les accords internationaux multilateraux actuellement en vigueur auxquels le Japon etait partie a la date du ler septembre 1939, et il declare que, lors de l'entree en vigueur initiale dudit Traite, il recouvrera tous les droits et assumera de nouveau toutes les obligations decoulant desdits accords. Toutefois, au cas ou le fait d'etre partie a un tel accord impliquerait la qualite de membre d'une organisation internationale dont le Japon a cesse d'etre membre a la date du ler septembre 1939 ou depuis cette date, les dispositions du present paragraphe seront subordonnees a la readmission

du Japon en qualite de membre de l'organisation en question.

2. Le Gouvernement japonais a l'intention d'acceder officiellement aux accords internationaux ci-apres dans le plus bref delai [*102] possible, lequel ne devra pas exceder une annee a dater de l'entree en vigueur initiale du Traite de Paix:

(1) Protocole ouvert a la signature a Lake Success a la date du 11 decembre 1946, modifiant les accords, conventions et protocoles relatifs aux stupefiants en date des 23 janvier 1912, 11 fevrier 1925, 19 fevrier 1925, 13 juillet 1931, 27 novembre 1931 et 26 juin 1936;

(2) Protocole ouvert a la signature a Paris a la date du 19 novembre 1948, placant sous controle international les stupefiants non vises par la convention du 13 juillet 1931, modifiee par le protocole signe a Lake Success a la date du 11 decembre 1946, limitant la fabrication et reglementant la distribution des stupefiants;

(3) Convention Internationale, signee a Geneve le 26 septembre 1927, relative a l'Execution des Sentences Arbitrales rendues par des Instances Etrangeres;

(4) Convention Internationale relative aux Statistiques Economiques, avec Protocole, signes a Geneve le 14 decembre 1928, et Protocole modifiant la Convention Internationale de 1928 relative aux Statistiques Economiques, signe a Paris le 9 decembre 1948;

(5) Convention Internationale relative a la Simplification des Formalites Douanieres, [*103] avec Protocole de Signature, signes a Geneve le 3 novembre 1923;

(6) Arrangement de Madrid du 14 avril 1891 concernant la Repression des Fausses Indications de Provenance sur les Marchandises, tel qu'il a ete revise a Washington le 2 juin 1911, a La Haye le 6 novembre 1925 et a Londres le 2 juin 1934;

(7) Convention en vue de l'Unification de Certaines Regles en Matiere de Transports Aeriens Internationaux, et Protocole additionnel, signes a Varsovie le 12 octobre 1929;

(8) Convention pour la Sauvegarde de la Vie Humaine en Mer, ouverte a la signature a Londres le 10 juin 1948;

(9) Conventions de Geneve du 12 aout 1949, relatives a la Protection des Victimes de Guerre.

3. Le Gouvernement japonais a egalement l'intention de demander, dans les six mois qui suivront l'entree en vigueur initiale du Traite de Paix, l'autorisation (a) d'acceder a la Convention relative a l'Aviation Civile Internationale, ouverte a la signature a Chicago le 7 decembre 1944 et, des que le Japon sera lui-meme partie a ladite Convention, d'accepter l'Accord relatif au Transit des Services Aeriens Internationaux, ouvert egalement a la signature a Chicago le 7 decembre 1944, et (b) d'acceder a la Convention [*104] de l'Organisation Meteorologique Mondiale, ouverte a la signature a Washington le 11 octobre 1947.

DECLARACION

En relacion con el Tratado de Paz subscrito en esta fecha, el Gobierno del Japon hace la Declaracion siguiente:

1. Salvo disposiciones contrarias del Tratado de Paz, el Japon reconoce la plena vigencia de todos los instrumentos internacionales multilaterales actualmente en vigor, de los cuales el Japon era Parte el 10 de septiembre de 1939 y declara que al entrar inicialmente en vigor dicho Tratado reasumira todos sus derechos y obligaciones de conformidad con esos instrumentos. Sin embargo, en el caso de que la participacion en un instrumento cualquiera implique la participacion en una organizacion internacional de la cual el Japon ceso de ser miembro el 10 de septiembre de 1939 o despues de esa fecha, las disposiciones del presente parrafo dependeran de la readmision del Japon en calidad de miembro de la organizacion en cuestion.

2. El Gobierno del Japon tiene la intencion de prestar su adhesion formal a los instrumentos internacionales siguientes dentro del plazo mas corto posible que no excedera de un ano de la fecha en que inicialmente entre en vigor el Tratado de Paz: [*105]

(1) El Protocolo abierto a la firma en Lake Success el 11 de diciembre de 1946 enmendando los

acuerdos, convenciones y protocolos sobre drogas heroicas de 23 de enero de 1912, de 11 de febrero de 1925, de 19 de febrero de 1925, de 13 de julio de 1931, de 27 de noviembre de 1931 y de 26 de junio de 1936;
(2) El Protocolo abierto a la firma en Paris el 19 de noviembre de 1948 colocando bajo regulacion internacional los estufepacientes que se encuentren fuera de la jurisdiccion de la Convencion del 13 de julio de 1931 para limitar la fabricacion y reglamentar la distribucion de drogas heroicas, tal como fue enmendada por el Protocolo subscrito en Lake Success el 11 de diciembre de 1946;
(3) La Convencion Internacional para la Ejecucion de Sentencias Arbitrales Extranjeras subscrita en Ginebra el 26 de septiembre de 1927;
(4) La Convencion Internacional sobre Estadisticas Economicas, con Protocolo, subscrita en Ginebra el 14 de diciembre de 1928, y el Protocolo que enmienda la Convencion Internacional de 1928 sobre Estadisticas Economicas, subscrita en Paris el 9 de diciembre de 1948;
(5) La Convencion Internacional sobre Simplificacion de Formalidades Aduaneras, con Protocolo de firma, [*106] subscrita en Ginebra el 3 de noviembre de 1923;
(6) El Convenio de Madrid de 14 de abril de 1891 para la Prevencion de Falsas Indicaciones de Origen de Mercancias, segun se reviso en Washington el 2 de junio de 1911, en La Haya el 6 de noviembre de 1925, y en Londres el 2 de junio de 1934;
(7) La Convencion para la Unificacion de Ciertas Reglas relativas al Transporte Aereo Internacional y protocolo adicional, subscritos en Varsovia el 12 de octubre de 1929;
(8) La Convencion para Salvaguardar la Vida Humana en el Mar, abierta a la firma en Londres el 19 de junio de 1948;
(9) Las Convenciones de Ginebra del 12 de agosto de 1949 para la proteccion de las victimas de guerra.

3. El Gobierno del Japon tiene igualmente la intencion de solicitar, dentro de un plazo de seis meses a partir de la fecha en que inicialmente entre en vigor el Tratado de Paz, la admision del Japon para participar en (a) la Convencion de Aviacion Civil Internacional, abierta a la firma en Chicago el 7 de diciembre de 1944, y tan pronto como el Japon sea parte de esta Convencion, aceptar el Acuerdo relativo al Transito de los Servicios Aereos Internacionales, abierto igualmente a la firma en Chicago el 7 de diciembre [*107] de 1944; y (b) la Convencion de la Organizacion Meteorologica Mundial, subscrita en Washington el 11 de octubre de 1947.

[FOREIGN LANGUAGE TEXT OMITTED]

DONE at the city of San Francisco this eighth day of September 1951.

FAIT en la ville de San-Francisco, ce huitieme jour du mois de septembre 1951.

HECHO en la ciudad de San Francisco, el ocho de Septiembre de 1951.

DECLARATION

With respect to the Treaty of Peace signed this day, the Government of Japan makes the following Declaration:

Japan will recognize any Commission, Delegation or other Organization authorized by any of the Allied Powers to identify, list, maintain or regulate its war graves, cemeteries and memorials in Japanese territory; will facilitate the work of such Organizations; and will, in respect of the abovementioned war graves, cemeteries and memorials, enter into negotiations for the conclusion of such agreements as may prove necessary with the Allied Power concerned, or with any Commission, Delegation or other Organization authorized by it.

Japan trusts that the Allied Powers will enter into discussions with the Japanese Government with a view to arrangements being made for the maintenance of any Japanese war graves [*108] or cemeteries which may exist in the territories of the Allied Powers and which it is desired to preserve.

DECLARATION

En ce qui concerne le Traite de Paix signe a la date de ce jour, le Gouvernement du Japon fait la declaration suivante:

Le Japon reconnaitra a toute Commission, Delegation ou autre Organisation autorisee par l'une quelconque des Puissances Alliees le droit d'identifier, de repertorier, d'entretenir ou reglementer ses sepultures, cimetieres et monuments commemoratifs militaires sis en territoire japonais; il facilitera la tache desdites Organisations et engagera avec la Puissance Allice interessee ou avec toute Commission, Delegation ou autre Organisation autorisee par ladite Puissance, des negociations relatives aux sepultures, cimetieres et monuments commemoratifs militaires susmentionnes, en vue de la conclusion de tous accords qui pourront s'averer necessaires.

Le Japon compte que les Puissances Alliees entreront en negociations avec le Gouvernement japonais, en vue de prendre des dispositions pour l'entretien des sepultures ou cimetieres militaires japonais existant eventuellement dans les territoires des Puissances Alliees et que l'on desire conserver.

DECLARACION [*109]

En relacion con el Tratado de Paz subscrito en esta fecha, el Gobierno del Japon hace la Declaracion siguiente:

El Japon reconocera cualquier Comision, Delegacion u otro organismo autorizado por cualquiera de las Potencias Aliadas para identificar, llevar registro, mantener o reglamentar sus sepulturas, cementerios y monumentos conmemorativos de guerra en territorio japones; facilitara la labor de estos organismos, y en lo concerniente a las sepulturas, cementerios y monumentos conmemorativos de guerra antes mencionados, entablara negociaciones con las Potencias Aliadas interesadas o con cualesquiera Comision, Delegacion u otro organismo autorizado por ella, con objeto de celebrar los acuerdos que se juzguen necesarios.

El Japon confia en que las Potencias Aliadas entablaran negociaciones con el Gobierno japones con objeto de celebrar acuerdos para la conservacion de cualesquiera sepulturas o cementerios de guerra japoneses que existan en los territorios de las Potencias Aliadas y que se desee conservar.

[FOREIGN LANGUAGE TEXT OMITTED]

DONE at the city of San Francisco this eighth day of September 1951.

FAIT en la ville de San-Francisco, ce huitieme jour du mois de septembre 1951. [*110]

HECHO en la ciudad de San Francisco, el ocho de Septiembre de 1951.

I CERTIFY THAT the foregoing is a true copy of each of the two Declarations made by the Government of Japan and signed on its behalf in the English, French, Spanish, and Japanese languages at San Francisco on September 8, 1951, the signed originals of which are deposited in the archives of the Government of the United States of America.

IN TESTIMONY WHEREOF, I, DEAN ACHESON, Secretary of State of the United States of America, have hereunto caused the seal of the Department of State to be affixed and my name subscribed by the Authentication Officer of the said Department, at the city of Washington, in the District of Columbia, this tenth day of September, 1951.

The Secretary of State to the Japanese Prime Minister

UNITED STATES DELEGATION

SAN FRANCISCO

September 8, 1951

EXCELLENCY:

Upon the coming into force of the Treaty of Peace signed today, Japan will assume obligations expressed in Article 2 of the Charter of the United Nations which requires the giving to the United Nations of "every assistance in any action it takes in accordance with the present Charter".

As we know, armed aggression has occurred [*111] in Korea, against which the United Nations and its members are taking action. There has been established a unified command of the United Nations under the United States pursuant to Security Council Resolution of July 7, 1950, n1 and the General Assembly, by Resolution of February 1, 1951, n2 has called upon all states and authorities to lend every assistance to the United Nations action and to refrain from giving any assistance to the aggressor. With the approval of SCAP, n3 Japan has been and now is rendering important assistance to the United Nations action in the form of facilities and services made available to the members of the United Nations, the Armed Forces of which are participating in the United Nations action.

n1 U. N. doc. S/1588
n2 Resolution 498 (V).
n3 Supreme Commander for the Allied Powers.

Since the future is unsettled and it may unhappily be that the occasion for facilities and services in Japan in support of United Nations action will continue or recur, I would appreciate confirmation, on behalf [*112] of your Government, that if and when the forces of a member or members of the United Nations are engaged in any United Nations action in the Far East after the Treaty of Peace comes into force, Japan will permit and facilitate the support in and about Japan, by the member or members, of the forces engaged in such United Nations action; the expenses involved in the use of Japanese facilities and services to be borne as at present or as otherwise mutually agreed between Japan and the United Nations member concerned. In so far as the United States is concerned the use of facilities and services, over and above those provided to the United States pursuant to the Administrative Agreement which will implement the Security Treaty between the United States and Japan, would be at United States expense, as at present.

Accept, Excellency, the assurances of my most distinguished consideration.

The Japanese Prime Minister to the Secretary of State

JAPANESE DELEGATION

SAN FRANCISCO

September 8, 1951

EXCELLENCY:

I have the honor to acknowledge the receipt of Your Excellency's Note of today's date in which Your Excellency has informed me as follows:

> Upon the coming into force of the Treaty [*113] of Peace signed today, Japan will assume the obligations expressed in Article 2 of the Charter of the United Nations which requires the giving to the United Nations of "every assistance in any action it takes in accordance with the present Charter."
>
> As we know, armed aggression has occurred in Korea, against which the United Nations and its Members are taking action. There has been established a Unified Command of the United Nations under

the United States pursuant to Security Council Resolution of July 7, 1950, and the General Assembly, by Resolution of February 1, 1951, has called upon all states and authorities to lend every assistance to the United Nations action and to refrain from giving any assistance to the aggressor. With the approval of SCAP, Japan has been and now is rendering important assistance to the United Nations action in the form of facilities and services made available to the Members of the United Nations, the armed forces of which are participating in the United Nations action.

Since the future is unsettled and it may unhappily be that the occasion for facilities and services in Japan in support of United Nations action will continue or recur, I would appreciate [*114] confirmation, on behalf of your Government, that if and when the forces of a Member or Members of the United Nations are engaged in any United Nations action in the Far East after the Treaty of Peace comes into force, Japan will permit and facilitate the support in and about Japan, by the Member or Members, of the forces engaged in such United Nations actions; the expenses involved in the use of Japanese facilities and services to be borne as at present or as otherwise mutually agreed between Japan and the United Nations Member concerned. In so far as the United States is concerned the use of facilities and services, over and above those provided to the United States pursuant to the Administrative Agreement which will implement the Security Treaty between the United States and Japan, would be at United States expense, as at present.

With full cognizance of the contents of Your Excellency's Note, I have the honor, on behalf of my Government, to confirm that if and when the forces of a Member or Members of the United Nations are engaged in any United Nations action in the Far East after the Treaty of Peace comes into force, Japan will permit and facilitate the support in and about [*115] Japan, by the Member or Members of the forces engaged in such United Nations action, the expenses involved in the use of Japanese facilities and services to be borne as at present or as otherwise mutually agreed between Japan and the United Nations Member concerned. In so far as the United States is concerned the use of facilities and services, over and above those provided to the United States pursuant to the Administrative Agreement which will implement the Security Agreement between Japan and the United States would be at United States expense, as at present.

Accept, Excellency, the assurance of my most distinguished consideration.

SIGNATORIES:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR ARGENTINA:
POUR L'ARGENTINE:
POR LA ARGENTINA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR AUSTRALIA:
POUR L'AUSTRALIE:
POR AUSTRALIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE KINGDOM OF BELGIUM:
POUR LE ROYAUME DE BELGIQUE:
POR EL REINO DE BELGICA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR BOLIVIA:

POUR LA BOLIVIE:
POR BOLIVIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR BRAZIL:
POUR LE BRESIL:
POR EL BRASIL:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR CAMBODIA:
POUR LE CAMBODGE:
POR CAMBODGE:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR CANADA:
[*116] POUR LE CANADA:
POR EL CANADA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR CEYLON:
POUR CEYLAN:
POR CEILAN:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR CHILE:
POUR LE CHILI:
POR CHILE:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR COLOMBIA:
POUR LA COLOMBIE:
POR COLOMBIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR COSTA RICA:
POUR COSTA-RICA:
POR COSTA RICA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR CUBA:
POUR CUBA:
POR CUBA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE DOMINICAN REPUBLIC:
POUR LA REPUBLIQUE DOMINICAINE:
POR LA REPUBLICA DOMINICANA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR ECUADOR:

POUR L'EQUATEUR:
POR EL ECUADOR:
FOREIGN LANGUAGE TEXT OMITTED]

FOR EGYPT:
POUR L'EGYPTE:
POR EGIPTO:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR EL SALVADOR:
POUR LE SALVADOR:
POR EL SALVADOR:
FOREIGN LANGUAGE TEXT OMITTED]

FOR ETHIOPIA:
POUR L'ETHIOPIE:
POR ETIOPIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR FRANCE:
POUR LA FRANCE:
POR FRANCIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR GREECE:
POUR LA GRECE:
POR GRECIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR GUATEMALA:
POUR LE GUATEMALA:
POR GUATEMALA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR HAITI:
POUR HAITI:
POR HAITI:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR HONDURAS:
POUR LE HONDURAS:
[*117] POR HONDURAS:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR INDONESIA:
POUR L'INDONESIE:
POR INDONESIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR IRAN:

POUR L'IRAN:
POR IRAN:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR IRAQ:
POUR L'IRAK:
POR IRAK:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR LAOS:
POUR LE LAOS:
POR LAOS:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR LEBANON:
POUR LE LIBAN:
POR EL LIBANO:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR LIBERIA:
POUR LE LIBERIA:
POR LIBERIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE GRAND DUCHY OF LUXEMBOURG:
POUR LE GRAND DUCHE DE LUXEMBOURG:
POR EL GRAN DUCADO DE LUXEMBURGO:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR MEXICO:
POUR LE MEXIQUE:
POR MEXICO:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE KINGDOM OF THE NETHERLANDS:
POUR LE ROYAUME DES PAYS-BAS:
POR EL REINO DE HOLANDA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR NEW ZEALAND:
POUR LA NOUVELLE-ZELANDE:
POR NUEVA ZELANDIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR NICARAGUA:
POUR LE NICARAGUA:
POR NICARAGUA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE KINGDOM OF NORWAY:

POUR LE ROYAUME DF NORVEGE:
POR EL REINO DE NORUEGA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR PAKISTAN:
POUR LE PAKISTAN:
POR PAKISTAN:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR [*118] PANAMA:
POUR LE PANAMA:
POR PANAMA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR PARAGUAY:
POUR LE PARAGUAY:
POR PARAGUAY:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR PERU:
POUR LE PEROU:
POR PERU:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE REPUBLIC OF THE PHILIPPINES:
POUR LA REPUBLIQUE DES PHILIPPINES:
POR LA REPUBLICA DE FILIPINAS:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR SAUDI ARABIA:
POUR L'ARABIE SAOUDITE:
POR ARABIA SAUDITA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR SYRIA:
POUR LA SYRIE:
POR SIRIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE REPUBLIC OF TURKEY:
POUR LA REPUBLIQUE DE TURQUIE:
POR LA REPUBLICA DE TURQUIA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE UNION OF SOUTH AFRICA:
POUR L'UNION SUD-AFRICAINE:
POR LA UNION SUDAFRICANA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND:

POUR LE ROYAUME-UNI DE GRANDE-BRETAGNE ET D'IRLANDE DU NORD:
POR EL REINO UNIDO DE LA GRAN BRETANA E IRLANDA DEL NORTE:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR THE UNITED STATES OF AMERICA:
POUR LES ETATS-UNIS D'AMERIQUE:
POR LOS ESTADOS UNIDOS DE AMERICA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR URUGUAY:
POUR L'URUGUAY:
POR EL URUGUAY:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR [*119] VENEZUELA:
POUR LE VENEZUELA:
POR VENEZUELA:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR VIET NAM:
POUR LE VIET-NAM:
POR VIET-NAM:
[FOREIGN LANGUAGE TEXT OMITTED]

FOR JAPAN:
POUR LE JAPON:
POR EL JAPON:
[FOREIGN LANGUAGE TEXT OMITTED]

Note by the Department of State

Signatures affixed to the Treaty of Peace with Japan are as follows:
FOR ARGENTINA:

HIPOLITO J. PAZ
FOR AUSTRALIA:

PERCY C SPENDER
FOR THE KINGDOM OF BELGIUM:

PAUL VAN ZEELAND

SILVERCRUYS.
FOR BOLIVIA:

LUIS GUACHALLA
FOR BRAZIL:

CARLOS MARTINS

A. DE MELLO-FRANCO

FOR CAMBODIA:

PHLENG
FOR CANADA:

LESTER B PEARSON

R W MAYHEW
FOR CEYLON:

J. R. JAYEWARDENE

G. C. S. COREA

R. G. SENANAYAKE
FOR CHILE:

F. NIETO DEL RIO
FOR COLOMBIA:

CIPRIANO RESTREPO JARAMILL

SEBASTIAN OSPINA
FOR COSTA RICA:

J RAFAEL OREAMUNO.

V. VARGAS ALFARO

LUIS DOBLES SANCHEZ
FOR CUBA:

O GANS

L. MACHADO

JOAQUIN MEYER
FOR THE DOMINICAN REPUBLIC:

V. ORDONEZ

LUIS F. THOMEN
FOR ECUADOR:

A QUEVEDO

R G VALENZUELA
FOR EGYPT:

KAMIL A. RAHIM
FOR EL SALVADOR:

HECTOR DAVID CASTRO

LUIS RIVAS PALACIOS
FOR ETHIOPIA:

MEN YAYEHIRAD
FOR FRANCE:

SCHUMAN

H BONNET

PAUL-EMILE NAGGIAR
FOR GREECE:

A. G. POLITIS
FOR GUATEMALA:

E CASTILLO A

A M ORELLANA

J MENDOZA
FOR HAITI:

JACQUES [*120] N. LEGER

GUST LARAQUE
FOR HONDURAS:

J. E. VALENZUELA.

ROBERTO GALVEZ B.

RAUL ALVARADO T
FOR INDONESIA:

AHMAD SUBARDJO.
FOR IRAN:

A G ARDALAN
FOR IRAQ:

A. I. BAKR
FOR LAOS:

SAVANG
FOR LEBANON:

CHARLES MALIK
FOR LIBERIA:

GABRIEL L DENNIS

JAMES ANDERSON

RAYMOND HORACE

J. RUDOLPH GRIMES
FOR THE GRAND DUCHY OF LUXEMBOURG:

HUGUES LE GALLAIS
FOR MEXICO:

RAFAEL DE LA COLINA

GUSTAVO DIAZ ORDAZ

A. P. GASGA
FOR THE KINGDOM OF THE NETHERLANDS:

D U STIKKER

J H VAN ROIJEN.
FOR NEW ZEALAND:

C BERENDSEN
FOR NICARAGUA:

G SEVILLA SACASA

GUSTAVO MANZANARES
FOR THE KINGDOM OF NORWAY:

WILHELM MUNTHE MORGENSTIERNE
FOR PAKISTAN:

ZAFRULLA KHAN
FOR PANAMA:

IGNACIO MOLINO

JOSE A REMON

ALFREDO ALEMAN

J. CORDOVEZ
FOR PARAGUAY:

LUIS OSCAR BOETTNER
FOR PERU:

F BERCKEMEYER.
FOR THE REPUBLIC OF THE PHILIPPINES:

CARLOS P. ROMULO

J M ELIZALDE

VICENTE FRANCISCO

DIOSDADO MACAPAGAL

EMILIANO T. TIRONA

V. G. SINCO
FOR SAUDI ARABIA:

ASAD AL-FAQIH
FOR SYRIA:

F. EL-KHOURI
FOR THE REPUBLIC OF TURKEY:

FERIDUN C ERKIN
FOR THE UNION OF SOUTH AFRICA:

G. P JOOSTE
FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND:

HERBERT MORRISON.

KENNETH YOUNGER

OLIVER FRANKS
FOR THE UNITED STATES OF AMERICA:

DEAN ACHESON

JOHN FOSTER [*121] DULLES

ALEXANDER WILEY

JOHN J. SPARKMAN
FOR URUGUAY:

JOSE A. MORA
FOR VENEZUELA:
Ad referendum

ANTONIO M. ARAUJO

R. GALLEGOS M.
FOR VIET NAM:

T. V. HUU

T. VINH

D. THANH

BUU KINH
FOR JAPAN:

SHIGERU YOSHIDA

HAYATO IKEDA

GIZO TOMABECHI

NIRO HOSHIJIMA

MUNEYOSHI TOKUGAWA.

HISATO ICHIMADA

[FOREIGN LANGUAGE TEXT OMITTED]

Shigeru Yoshida.

Hayato Ikeda.

Gizo Tomabechi.

Niro Hoshijima.

Muneyoshi Tokugawa.

Hisato Ichimada.

DEAN ACHESON

His Excellency
SHIGERU YOSHIDA, *Prime Minister of Japan.*

Shigeru Yoshida

Prime Minister and concurrently Minister for Foreign Affairs of Japan

His Excellency
DEAN ACHESON, *Secretary of State of the United States of America*

EXHIBIT 6

Pacific Islands (Trust Territory)
Laws, etc. (

CODE OF THE

TRUST TERRITORY

of the

PACIFIC ISLANDS

Edited by:

JOHN RICHARD STEINCIPHER, Esq.

Volume 1

PREFACE—TITLE 29

BOOK PUBLISHING COMPANY
2518 Western Avenue
Seattle, Washington 98121

except for assistance from municipalities as provided in Section 51 Chapter 3, Title 4 of this Code.

(9) Support of public education and health to the extent as may be required by law.

(10) Law enforcement as set forth in this Code.

Revisor's Note: Based upon Trust Territory Code, 1966 ed., § 46.
Upon this recodification, former subsections (i) and (j) have been combined, subsections have been redesignated, and minor changes have been made in phraseology.

Chapter 3
EXECUTIVE

Sections

51. Primary duties and responsibilities of High Commissioner.
52. Other powers and duties of High commissioner.
53. Deputy High Commissioner—Duties and responsibilities.
54. Office of Attorney General.
55. Attorney General—Duties and responsibilities.
56. Administration of Land.
57. Land and Claims Administrator—Duties and responsibilities.
58. Other officials, departments and boards—Duties as specified by High Commissioner.
59. Authority of executive officers to administer oaths and perform other notarial acts.

§ 51. Primary duties and responsibilities of High Commissioner. Subject to the supervision and direction of the Secretary of Interior, the High Commissioner shall have all executive and administrative powers of government in the Trust Territory and over the inhabitants thereof, and shall have final administrative responsibility which may be exercised through subordinate administrators.

Revisor's Note: Based upon Trust Territory Code, 1966 ed., § 36.
See Department of Interior Order No. 2918, December 27, 1968, Part II, Sections 1, 3 and 6 setting forth other duties and responsibilities of the High Commissioner.

§ 52. Other powers and duties of High Commissioner. The High Commissioner shall perform such other functions for the Department of Interior in the Trust Territory as may be delegated to

him by the Secretary, and shall have such other powers and duties as may be specified by law.

Revisor's Note: Based, in part, upon Department of Interior Order No. 2918, December 27, 1968, Part II, Section 3.

The phrase "and shall have such other powers and duties as may be specified by law," has been added as a general reference to those powers and duties not set forth here but which are specified elsewhere in Executive or Secretarial Orders or this Code.

§ 53. Deputy High Commissioner—Duties and responsibilities.

(1) The Deputy High Commissioner shall have all such executive powers and perform such other duties as may be prescribed by law or assigned to him by the High Commissioner. He shall have such assistants as are necessary to coordinate and supervise the work of the departments.

(2) The Deputy High Commissioner shall have and exercise all the powers and duties of the High Commissioner in case of a vacancy in the office of the High Commissioner or the disability or temporary absence of the High Commissioner from his office and until the vacancy is filled or the disability or temporary absence ends.

(3) The Deputy High Commissioner may, with the approval of the High Commissioner, designate some other officer of the Government of the Trust Territory to act as Deputy High Commissioner during a temporary absence from his office or during his illness. Such person so designated shall, during the temporary absence or illness of the Deputy High Commissioner, be known as the Acting Deputy High Commissioner of the Trust Territory and shall have and exercise all the powers and duties of the Deputy High Commissioner.

Revisor's Note: Based upon Trust Territory Code, 1966 ed., § 37.

Department of Interior Order No. 2918, December 27, 1968, Part II, Section 1, second paragraph provides that the Deputy High Commissioner "shall be appointed by the Secretary of Interior of the United States."

§ 54. Office of Attorney General.

(1) The office of Attorney General shall be under the administration and supervision of the Attorney General, who shall be appointed by the High Commissioner.

Chapter 1
GENERAL PROVISIONS

Sections

1. Judicial authority granted—Appointment—Budget.
2. General powers of courts.
3. Jurisdiction over persons and offenses.
4. Territorial jurisdiction.
5. Judicial acts outside territorial jurisdiction.
6. Sessions to be public.

§ 1. Judicial authority granted—Appointment—Budget.

(1) The judiciary shall be independent of the executive and legislative powers and shall be vested in a High Court for the Trust Territory, a District Court for each administrative district, and a Community Court for each municipality, or for individual communities therein if the District Administrator of the district in which the municipality is situated so determines.

(2) The Secretary of the Department of Interior shall appoint the Chief Justice and Associate Justices of the High Court, may make temporary appointments when a vacancy exists, and in addition may appoint temporary judges to serve on the High Court.

(3) Budgetary requests for the territorial judiciary, with supporting justification, shall be drawn up by the Chief Justice of the Trust Territory and be submitted for the approval of the Department of the Interior by the High Commissioner as a separate item in the annual budget for the Trust Territory.

Revisor's Note: Based upon Department of Interior Order No. 2918, December 27, 1968, Part IV, and Trust Territory Code, 1966 ed., § 115, part.

Minor, nonsubstantive changes have been made in phraseology.

Secretarial Order No. 2918, Part IV, further provided that "The High Commissioner should call the attention of the Secretary to any question which he may have regarding the budget for the judiciary."

CROSS REFERENCES

"Separation of Powers": Calif. Const. art. 3

§ 2. General powers of courts.

(1) Each court of the Trust Territory shall have power to issue all writs and other process, make rules and orders and do all acts, not inconsistent with law and with the rules made by the Chief Justice of the Trust Territory, as may be requisite for the

CODE OF THE

TRUST TERRITORY

of the

PACIFIC ISLANDS

Edited by:

JOHN RICHARD STEINCIPHER, Esq.

Volume II

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TRUST TERRITORY OF THE PACIFIC ISLANDS

Chapter 1

GENERAL PROVISIONS

Sections

1. Nationality.
2. Naturalization.
3. Cancellation of naturalization.
4. Emigration—Promulgation of rules and regulations governing.

§ 1. Nationality.

(1) All persons born in the Trust Territory shall be deemed to be citizens of the Trust Territory, except persons, born in the Trust Territory, who at birth or otherwise have acquired another nationality.

(2) A child born outside the Trust Territory of parents who are citizens of the Trust Territory shall be considered a citizen of the Trust Territory while under the age of twenty-one years, and thereafter if he becomes a permanent resident of the Trust Territory while under the age of twenty-one years.

Revisor's Note: Based upon Trust Territory Code, 1966 ed., § 660.

§ 2. Naturalization. The High Commissioner may grant Trust Territory citizenship to persons who:

(1) Are eighteen years of age or over;

(2) Are of good moral character, as certified by the District Administrator and two leading citizens of the community in which they intend to reside;

(3) Have not acquired, or who renounce, previous citizenship, and renounce allegiance to any and all foreign powers and rulers;

(4) Have been permanent residents of and legally domiciled continuously in the Trust Territory of the Pacific Islands for at least five years immediately prior to application for citizenship, and

(a) have been born of parents one of whom was a citizen of, and maintained his principal residence in the Trust Territory at the time of the birth; or

(b) have been born of parents one of whom has been granted Trust Territory citizenship pursuant to this Section.

Revisor's Note: Based upon Trust Territory Code, 1966 ed., § 661. Section has been rearranged and redesignated; minor non-substantive changes have been made in phraseology.

§ 3. Cancellation of naturalization. Persons naturalized under Section 2 of this Chapter, shall be subject to cancellation of their naturalization after hearing for cause upon application by the High Commissioner to the High Court of the Trust Territory. Cause for revocation of naturalization shall be:

(1) concealment of a material fact or wilful misrepresentation in applying for naturalization; or

(2) advocacy of the overthrow or alteration of the Govern- of the United States or the Government of the Trust Territory by unlawful means; or

(3) commission of, or attempt or preparation to commit, an act of espionage, sabotage, or sedition against the Government of the United States or the Government of the Trust Territory, or conspiring with or aiding and abetting another to commit such an act; or

(4) fraudulant or illegal entry into the Trust Territory, either prior to or after naturalization; or

(5) travel, within five years of naturalization, to any foreign country for the purpose of establishment of permanent residence therein; PROVIDED, that the United States, its territories and possessions and the Commonwealth of Puerto Rico shall not be considered a foreign country for the purposes of this Subsection.

Revisor's Note: Based upon Trust Territory Code, 1966 ed., § 662. Minor changes have been made in phraseology.

§ 4. Emigration. Prior to leaving the Trust Territory, citizens of the Trust Territory shall obtain such travel documents, including a Trust Territory passport, and comply with such regulations as may be prescribed from time to time by the High Commissioner.

Revisor's Note: Based upon Trust Territory Code, 1966 ed., § 663.

CODE OF THE

TRUST TERRITORY

of the

PACIFIC ISLANDS

Edited by:

John Richard Steincipher, Esq.

1975
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ed or approved by the High Commissioner to any noncitizen of the Trust Territory, foreign corporation, other organization or association in which a noncitizen of the Trust Territory owns an interest, or any agency of the United States Government or any foreign government until the advice and opinion of the planning commission for the master plan area which would thereby be affected is first obtained. In such cases the commission shall give its advice and opinion within thirty days after receipt of a request for such advice from the District Administrator or the High Commissioner; provided that the High Commissioner may extend the thirty day period either upon his own initiative or at the request of the commission. If the advice and opinion of the commission is not dispatched within the appropriate time period, then the commission's approval of the proposed action shall be presumed.

Editor's Note: Added by P.L. 47-76, § 11. Effective date—April 14, 1972.

TITLE 53

NATIONALITY, EMIGRATION AND IMMIGRATION

Chapter

3. **Immigration control.**
   - § 51. [Repealed].
   - § 52. Chief of Immigration—Appointment—Duties.
   - § 53. Entry permits required—Issuance.
   - § 57. Revocation of entry permits.
   - § 62. Penalties.
5. **Ports of entry.**
   - § 101. Ports of entry defined.
7. **International Organization Immunities Act.** [New]
   - § 251. Short title.
   - § 252. Definition of "international organization"; Authority of High Commissioner.
   - § 253. Privileges, exemptions and immunities of international organizations.
   - § 254. Baggage and effects of officers and employees.
   - § 255. Exemption from property taxes.
   - § 256. Income of international organizations.

§ 257. Compensation of employees of international organizations.
§ 258. Privileges, exemptions, and immunities of officers, employees, and their families.
§ 259. Notification to and acceptance by High Commissioner of personnel; Deportation of undesirables; Extent of diplomatic status.

Chapter 3

IMMIGRATION CONTROL

§ 51. Repealed by P.L. 4C-48, § 7(11). Effective date of repeal—April 12, 1972.

§ 52. Chief of Immigration — Appointment — Duties. The Chief of Immigration shall perform such duties, pertaining to nationality, emigration and immigration, and administer all laws and regulations pertaining thereto as the High Commissioner may delegate. The Chief of Immigration shall have such assistants as may be appointed by the High Commissioner.

Editor's Note: Amended by P.L. 4C-48, § 7(12). Effective date—April 12, 1972.

The 1972 amendment deleted any reference to the Office of Immigration Control, and substituted the phrase "Chief of Immigration" in place of the words "Immigration Administrator."

§ 53. Entry permits required—Issuance.

(1) No person, vessel, or aircraft, unless specifically exempted by applicable law and regulations, shall enter the Trust Teritory without having been issued an appropriate entry permit.

(2) Entry permits to visit or reside in the Trust Territory shall be issued in accordance with this Title and regulations issued pursuant thereto by the High Commissioner and approved by the Secretary of the Interior of the United States.

(4) Entry may be issued in conjunction with a nonresident workers' identification certificate issued under the provisions of Title 49 of this Code. Entry permits issued under the provisions of this Subsection shall carry the notation that they are issued in conjunction with a nonresident workers' identification certificate, and

shall expire upon the date on which such nonresident workers' identification certificate expires.

(5) Provisions of law and regulations implementing this Section may, pursuant to Article 3, paragraph 1 of the Trusteeship Agreement for the former Japanese Mandated Islands, accord the United States citizens and nationals treatment more favorable than is accorded persons other than United States citizens and nationals.

Editor's Note: Amended by P.L. 5-8, § 1. Effective date—March 28, 1973.

The 1973 amendment added the present subsection (4) and renumbered the former subsection (4) to subsection (5).

NOTES

The crew of a Trust Territory vessel, regardless of nationality, are subject to the laws and jurisdiction of the flag authority. **Kodang v Trust Territory, 5 TTR 581 (1971).**

§ 57. Revocation of entry permits. Permits to enter the Trust Territory may be revoked or renewal of such permits refused by the High Commissioner at any time upon a finding that:

(1) the continued presence of the permit holder in the Trust Territory is not in the best interest of the Trust Territory; or

(2) the entry permit was obtained through concealment of a material fact or wilful misrepresentation relating to any of the standards enumerated in Section 56 of this Chapter; or

(3) the entry permit holder has, since entry into the Trust Territory, engaged in any of the activities or become subject to any of the conditions enumerated in Section 56 of this Chapter; or

(4) the nonresident workers' identification certificate issued in conjunction with such entry permit has been cancelled.

Editor's Note: Amended by P.L. 5-8, §§ 2, 3. Effective date—March 28, 1973.

The 1973 amendment added subsection (4).

§ 62. Penalties. Any person who, not being a citizen or legal resident of the Trust Territory, shall unlawfully enter or attempt to enter the Trust Teritory or, having lawfully entered, remains wilfully and unlawfully after expiration or revocation of entry authorization, or who shall violate by act or omission any provision of this Chapter, or regulations issued pursuant thereto, upon conviction thereof shall be imprisoned for a period of not more than two years or fined not more than five hundred dollars, or both. In

lieu of the foregoing or in addition thereto, any person who shall unlawfully enter the Trust Territory or, having lawfully entered, wilfully and unlawfully remains after expiration or revocation of an entry permit, shall be subject to deportation after hearing upon application by the High Commissioner to the High Court of the Trust Territory.

Editor's Note: Amended by P.L. 4C-27, § 3. Effective date—February 22, 1972.

The 1972 amendment changed the word "unlawfully" in the third line to read "lawfully" so as to make the prohibition against an illegal stay within the Trust Territory applicable to persons who lawfully enter the Trust Territory, rather than to persons who unlawfully enter the Trust Territory.

Chapter 5

PORTS OF ENTRY

§ 101. Ports of entry—Defined.

(1) All vessels and aircraft authorized to enter the Trust Territory must enter and obtain clearance from an official port of entry, and no vessel or aircraft shall call at any other port in the Trust Territory without first entering and obtaining clearance from an official port of entry unless the High Commissioner or his designated representative determines that the public interest or an emergency requires the vessel or aircraft to enter another port without first entering and obtaining clearance from an official port of entry, and grants permission to do so. A vessel or aircraft in distress may anchor or land at any port in the Trust Territory but shall immediately thereafter notify the nearest government representative of the Trust Territory Government or local government.

The official ports of entry in the Trust Territory shall be:

(a) Mariana Islands District;

(i) Saipan; (aa) Tanapag Harbor, ((bb) Kobler and Isley Airstrips;

(ii) Tinian; (aa) Tinian Harbor, (bb) Tinian Airstrip;

(iii) Rota; (aa) Rota Harbor, (bb) Rota Airstrip;

(b) Yap District;

(i) Yap; (aa) Tomil Harbor, (bb) Yap Island Airstrip;

(ii) Ulithi; (aa) Ulithi Anchorage, (bb) Ulithi Airstrip;

(c) Palau District;

(i) Koror; (aa) Malakal Harbor, (bb) Arekabesan Seaplane Ramp, (cc) Airai Airstrip;

(d) Truk District;

(i) Moen; (aa) Moen Anchorage, (bb) Moen Airstrip;

(e) Ponape District;

(i) Ponape; (aa) Kolonia Harbor, (bb) Langer Seaplane Ramp, (cc) Kolonia Airstrip;

(ii) Kusaie; (aa) Lele Harbor, Kusaie;

(f) Marshall Islands District;

(i) Kwajalein; (aa) Kwajalein Anchorage, (bb) Kwajalein Airstrip, (cc) Ebeye Anchorage;

(ii) Majuro; (aa) Darrit Anchorage, (bb) the Majuro international airport;

(iii) Jaluit Anchorage, (aa) Jabor Island, (bb) Jaluit Atoll.

(2) Subject to approval by resolution of the District legislature of the district affected, foreign fishing vessels shall be granted permission to enter the following ports for the purpose of purchasing supplies and provisions including food, fuel and water and for the purpose of granting shore leave to crew members:

(a) Mariana Islands District—Tanapag Harbor, Saipan;
(b) Palau District—Malakal Harbor, Koror;
(c) Yap District—Tomil Harbor, Yap;
(d) Truk District —Moen Anchorage, Moen;
(e) Ponape District—Ponape Harbor, Ponape;
(f) Marshall Islands District—Darrit Anchorage, Majuro and Jabor Anchorage, Jaluit.

(3) Native varieties of live bait fish may only be sold to foreign fishing vessels if such sales are authorized by law of the district affected. The High Commissioner shall prescribe rules and regulations to control the opening of ports to foreign fishing vessels, including regulations for the conservation of native stocks of live bait fish. The High Commissioner may also grant access to additional ports, not designated in this subsection, to foreign fishing

vessels subject to approval of the district legislature of the district affected .

(4) Any foreign fishing vessel entering a Trust Territory port under authority of this section may only purchase supplies and provisions through an agent licensed under rules and regulations established by the District Administrator of the district in which the port is located or may purchase supplies and provisions through the district fishing authority.

(5) There is imposed a tax of 10 percent on the purchase price, the full price paid for the supplies and provisions obtained by the vessel, of all supplies and provisions purchased by any foreign fishing vessel entering a Trust Territory port under authority of this section. The duly licensed agent shall be responsible for collection of the tax and failure to collect and properly account for the collection of the tax shall be grounds for revocation of the license to service future foreign fishing vessels. The taxes collected by the agent shall be deposited with the District Treasurer and there segregated into a special fund for use by the district fishing authority pursuant to the provisions of Public Law 5-21 as amended.

(6) The district fishing authority shall be the exclusive agent for the sale of all supplies and provisions to foreign fishing vessels. Nothing herein shall be construed to prohibit crew members from purchasing goods and services from local merchants for their personal use. In the sale of provisions and supplies to foreign fishing vessels, the district fishing authority shall purchase such supplies and provisions from local merchants wherever feasible.

(7) Any person who violates any of the provisions of this Section, or any of the rules and regulations issued pursuant hereto, shall upon conviction thereof be subject to a fine of not less than $10,000, or to imprisonment for a term not to exceed two years, or both such fine and imprisonment.

Editor's Note: Amended by P.L. 5-25, § 1. Effective date—April 4, 1973.

Amended by P.L. 5-35, § 1. Effective date—April 4, 1973.

Amended by P.L. 5-98, §§ 3 and 4. Effective date—September 10, 1974.

Amended by P.L. 6-14, § 1. Effective date—April 4, 1975.

Amended by P.L. 6-53, §§ 1, 2. Effective date—April 18, 1975.

The amendment by P.L. 5-25 added subsection (2), (3) and (6) and renumbered the former subsections as paragraphs of subsection (1).

The amendment by P.L. 5-35 affected only subparagraph (1)(f) (ii).

The amendment by P.L. 5-98 added subsections (4) and (5) and renumbered the former subsection (4) as subsection (6) and amended it.

The amendment by P.L. 6-14 added subsection (7).

The amendment by P.L. 6-53 added subparagraphs (1)(b)(ii) and (1)(f)(iii).

P.L. 5-35 and P.L. 6-53 amended this section with reference to the text as originally enacted. The Committee on the Code has renumbered the amendments to correspond to the text of this section as amended by P.L. 5-25 and P.L. 5-98.

P.L. 6-14 amended this section with reference to the text as amended by P.L. 5-25. The Committee on the Code has renumbered as amendment to correspond to the text of this section amended by P.L.

Chapter 7

INTERNATIONAL ORGANIZATION IMMUNITIES ACT

§ 251. Short title. This chapter may be cited as the International Organization Immunities Act of 1974.

Editor's Note: Added by P.L. 5-55, § 1. Effective date—March 18, 1974.

§ 252. Definition of "international organization"; Authority of High Commisioner. For the purpose of this Chapter the term "international organization" means a public international organization which shall have been designated by the High Commissioner of the Trust Territory through appropriate executive order as being entitled to enjoy the privileges, exemptions, and immunities provided in this Chapter. The High Commissioner shall be authorized, in the light of the functions performed by any such international organization, by appropriate executive order to withhold or withdraw from any such organization or its officers or employees any of the privileges, exemptions, and immunities provided for in this Chapter or to condition or limit the enjoyment by any such organization or its officers or employees of any such privilege, exemption, or immunity. The High Commissioner shall be authorized, if in his judgment such action should be justified by reason of the abuse by an international organization or its officers and employees of the privileges, exemptions, and immunities provided in this Chapter or for any other reason, at any time to revoke the designation of any international organization under this Chapter, whereupon the in-

ternational organization in question shall cease to be classed as an international organization for the purposes of this Chapter.

Editor's Note: Added by P.L. 5-55, § 2. Effective date—March 18, 1974.

§ 253. Privileges, exemptions, and immunities of international organizations. International organizations shall be accorded the status, immunities, exemptions, and privileges set forth in this Section, as follows:

(1) International organizations shall, to the extent consistent with the instrument creating them, possess the capacity

(a) to contract;

(b) to acquire and dispose of personal property; and

(c) to institute legal proceedings.

(2) International organizations, their property and their assets wherever located, and by whomsoever held, shall be accorded the same immunity from suit and every form of judicial process as is accorded by the Government of the United States to foreign governments, except to the extent that such organizations may expressly waive their immunity for the purpose of any proceedings or by the terms of any contract.

(3) Property and assets of international organizations, wherever located and by whomsoever held, shall be immune from search, unless such immunity be expressly waived, and from confiscation. The archives of international organizations shall be inviolable.

(4) Insofar as concern customs duties and internal revenue taxes imposed upon or by reason of importation, and the procedures in connection therewith; the registration of foreign agents; and the treatment of official communications, the privileges, exemptions, and immunities to which international organizations shall be entitled shall be the same as those accorded by the Government of the United States of America under similar circumstances to foreign governments.

(5) The Protection of Resident Workers Act shall not apply to international organizations.

Editor's Note: Added by P.L. 5-55, § 3. Effective date—March 18, 1974.

§ 254. Baggage and effects of officers and employees. Pursuant to regulations prescribed by the High Commissioner the baggage and effects of alien officers and employees of international

organizations, or of aliens designated by foreign governments to serve as their representatives in or to such organizations, or of the families, suites, and servants of such officers, employees, or representatives shall be admitted, when imported in connection with the arrival of the owner, free of customs duties and free of internal revenue taxes imposed upon or by reason of importation.

Editor's Note: Added by P.L. 5-55, § 4. Effective date—March 18, 1974.

§ 255. Exemption from property taxes. International organizations shall be exempt from all property taxes imposed by, or under the authority of, any law of the Trust Territory or any political subdivision thereof.

Editor's Note: Added by P.L. 5-55, § 5. Effective date—March 18, 1974.

§ 256. Income of international organizations. The income of international organizations received from investments in the Trust Territory in stocks, bonds or other domestic securities, owned by such international organiaztions, or from interest on deposits in banks in the Trust Territory of moneys belonging to such international organizations, or from any other sources within the Trust Territory shall be exempt from taxation under all tax laws of the Trust Territory and of its political subdivisions.

Editor's Note: Added by P.L. 5-55, § 6. Effective date—March 18, 1974.

§ 257. Compensation of employees of international organizations. Wages, fees, or salaries of any employee of an international organization, received as compensation for official services to such international organization, shall be exempt from taxation under all income tax laws of the Trust Territory and of its political subdivisions if such employee is not a citizen of the Trust Territory.

Editor's Note: Added by P.L. 5-55, § 7. Effective date—March 18, 1974.

§ 258. Privileges, exemptions, and immunities of officers, employees, and their families.

(1) Persons designated by foreign governments to serve as their representatives in or to international organizations and the officers and employees of such organizations, and members of the immediate families of such representatives, officers, and employees residing with them, other than citizens of the Trust Territory, shall,

insofar as concerns laws regulating entry into and departure from the Trust Territory, alien registration and fingerprinting, and the registration of foreign agents, be entitled to the same privileges, exemptions, and immunties as are accorded by the Government of the United States of America under similar circumstances to officers and employees, respectively, of foreign governments, and members of their families.

(2) Representatives of foreign governments in or to international organizations and officers and employees of such organizations shall be immune from suit and legal process relating to acts performed by them in their official capacity and falling within their functions as such representatives, officers, or employees except insofar as such immunity may be waived by the foreign government or international organization concerned.

Editor's Note: Added by P.L. 5-55, § 8. Effective date—March 18, 1974.

§ 259. Notification to and acceptance by High Commissioner of personnel; Deportation of undesirables; Extent of diplomatic status.

(1) No person shall be entitled to the benefits of this act unless he

(a) shall have been duly notifed to and accepted by the High Commissioner as a representative officer or employee; or

(b) shall have been designated by the High Commissioner prior to formal notification and acceptance, as a prospective representative, officer, or employee; or

(c) is a member of the family or suite, or servant, of one of the foregoing accepted or designated representatives, officers, or employees.

(2) Should the High Commissioner determine that the continued presence in the Trust Territory of any person entitled to the benefits of this Chapter is not desirable, he shall so inform the foreign government or international organization concerned, as the case may be, and after such person shall have had a reasonable length if time, to be determined by the High Commissioner, to depart from the Trust Territory, he shall cease to be entitled to such benefits.

(3) No person shall, by reason of the provisions of this Chapter, be considered as receiving diplomatic status or as receiving

any of the privileges incident thereto other than such as are specifically set forth herein.

Editor's Note: Added by P.L. 5-55, § 9. Effective date—March 18, 1974.

TITLE 57

PROPERTY RIGHTS AND INCIDENTS

Chapter

13. Land measurement system—Markers.
    § 11153. Removal of land markers prohibited.

PART II.

REAL PROPERTY AND CONVEYANCING

Chapter 11

LAND OWNERSHIP—IN GENERAL

§ 11101. Restrictions upon land ownership.

NOTES

Only the government may enforce the code provision against a person disqualified from holding an interest in land. Muller v Maddison, 5 TTR 471 (1971).

Chapter 13

LAND MEASUREMENT SYSTEM—MARKERS

§ 11153. Removal of land markers prohibited—Penalty. Any person who wilfully and maliciously defaces, alters or removes any marker, monument or reference point which marks or determines the configuration or contour of any lot or tract of land, if erected by (1) a licensed surveyor; (2) a private individual pursuant to Section 207 of Title 67 of the Trust Territory Code; (3) agreement between adjacent landowners; PROVIDED, HOWEVER, that this Subsection shall apply only to persons who own no interest in any land to which such marker, monument, or reference point pertains; or (4) any agency of the Government, shall, upon conviction, be

imprisoned for a period of not more than one year, or fined not more than one hundred dollars, or both.

Editor's Note: Amended by P.L. 5-29, § 1. Effective date—April 4, 1973.

The 1973 amendment rewrote the section.

Chapter 15

RECORDING OF LAND TRANSFERS

§ 11202. Effect of failure to record.

NOTES

A land transfer need not be recorded to be effective; the only purpose of the recordation statute is to protect purchasers against prior transfers. Llecholech v Blau, 6 TTR 525 (1974).

TITLE 61

PUBLIC EMPLOYMENT

Chapter [New]

1. Public Service System Act.
   - § 1. Short title.
   - § 2. Statement of purpose.
   - § 3. Definitions.
   - § 4. Establishment of public service system.
   - § 5. Merit principles.
   - § 6. Preference to citizens of the Trust Territory.
   - § 7. Trust Territory Personnel Board.
   - § 8. Director of Personnel.
   - § 9. Exemptions.
   - § 10. Elements in Trust Territory Public Service System.
   - § 11. Outside employment.
   - § 12. Status of employees on effective date of this act.
   - § 13. Conflict with 2 T.T.C. 51.
   - I. [Repealed].
   - II. [Repealed].
     - §§ 51—55. [Repealed].
   - III. [Repealed].
     - §§ 101—108. [Repealed].

EXHIBIT 7

TOP SECRET

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: February 16, 1949

SUBJECT:

PARTICIPANTS: General of the Army Douglas MacArthur
William J. Sebald, Acting U.S. Political Adviser for Japan
Max W. Bishop, Chief, Division of Northeast Asian Affairs

COPIES TO: S
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Mr. Sebald, the Acting Political Adviser in Tokyo, arranged an appointment for me to see General MacArthur at 12:30 P.M. on Thursday, February 3, 1949. The General greeted me with warmest cordiality as an old friend and after some reminiscing and discussion of general world affairs turned to the situation in the Far East and particularly Japan. He said that conditions in Japan had developed in a completely satisfactory manner much as was to be expected. He indicated that he was satisfied with present conditions and accomplishments. He pointed out that the situation in the Far East at present made it impossible to conclude a peace treaty much as we would have wished to have had one by this time. I gathered that General MacArthur felt that it is impossible or undesirable to attempt to foresee a date when a peace treaty can be concluded.

At the first suitable opportunity I took occasion to point out to General MacArthur that the Department of State had attached great importance to the rapid development of Okinawa as a strong base--Army, Navy and Air--envisaged by the appropriate paragraph of NSC 13/2; that the Department of State had been eager to work out any suitable wording of the pertinent paragraph of that paper which would be realistic and at the same time satisfy the requirements of the Army's Comptroller; and that the Department of State had shown its willingness to support in every feasible way the military development of our position

DECLASSIFIED
Authority NND 913303
By RJ NARA Date 12-28-07

TOP

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in Okinawa. I said that I had wanted to make clear to him the attitude which the Department of State had taken toward Okinawa because there had been some indication in the reports of his talk with Mr. Flexer that he (General MacArthur) was under the misapprehension that the Department of State had not been in full support of the military development of Okinawa. The General replied immediately and emphatically that on the contrary he understood and appreciated the support which the Department of State had given this matter; that it was the Army and the other Departments of the National Military Establishment which he felt were not sufficiently impressed with the need for the development of Okinawa and were not giving it adequate support. He went on at some length to describe the transfer of naval forces from the Pacific to the Atlantic, the reduction of air forces in his theater and in the general Pacific area, and what he described as the policy of the military to "scuttle the Pacific". He pointed out that most of the military leaders of the United States were confirmed in the belief that the Pacific was only of extremely minor significance and importance to the United States as compared with Europe and the Atlantic. As an example he pointed out that General George Marshall, whom he had known intimately for a great many years, had always held that the Far East and Asia were vastly inferior to Europe in relative importance to the United States. General MacArthur disagreed with these military concepts and felt that Asia and the Pacific areas were being given, as they had been in the past, far too little consideration. I gathered that he has put forward these views and his arguments in support of them to the National Military Establishment. (I learned later that the JCS have under consideration a new policy for disposition of forces in the Pacific and that decision in that connection is to be expected not later than early this spring. A military decision of this sort has far-reaching political implications and I assume that the Department of State will, either directly or through the National Security Council, participate in the final decision.)

While discussing the military situation I asked General MacArthur whether, in the light of the historic and deeply rooted xenophobia of the Chinese, their reluctance to allow foreign interference in their own affairs and the obvious possibility, if not actual probability, that the Russians would not have a free hand in operating within or from China, he would consider vital the loss of Formosa to the Chinese Communists providing no separatist or resistance movement developed and were successful in Formosa and they caved in along with the rest of China. The General's reaction was immediate and vehement. He said that if Formosa went to the Chinese Communists our whole defensive position in the Far East was definitely lost; that it could

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only result eventually in putting our defensive line back to the west coast of the continental United States. He said that he felt there could be no question but that if Formosa were in the hands of the Chinese Communists it would be available to the USSR as a base at any time the latter desired. He pointed out that Formosa was astride the line of communications between Okinawa and the Philippines, that it outflanked our position on Okinawa and, in the hands of the Chinese Communists, broke through the island wall which we must have along the Asiatic "littorals" in order to maintain in a strategic sense a defense line in the western Pacific. Speaking of the strategy in the western Pacific General MacArthur emphasized that we could be secure easily with the maintenance of superior naval and air forces based on the islands lying off Asia. He said that it would be a great mistake if we were to consider the re-arming of the Japanese as an ally; that undoubtedly the Japanese could be of great assistance to us in any future war; that after a war should break out we might even, before the war were over, have Japanese fighting on our side; but it would be a grave error as well as an injustice, prior to the outbreak of hostilities to put Japan in any position except that of a militarily neutralized area. Referring again to the vital importance of Formosa and to the fatal consequences of its loss, General MacArthur emphasized that as long as we had superior air and naval forces in that part of the world we could prevent a launching from Asia of an attack on the United States, but that without holding solidly this Asiatic fringe of islands, with Japan as a neutralized area, our defense position would be forced back to the west coast of the continental United States.

The third question which I had in mind to ask General MacArthur was where he felt it desirable for Admiral Badger and his forces to go in the event they were forced to leave the China coast. General MacArthur said that the present directives for the Far East Command required that Admiral Badger's forces, in the event of an emergency, would come under CINCFE's (General MacArthur's) Command; that if Admiral Badger were forced to leave the China coast it might be well to consider that there had been created those emergency conditions and that Admiral Badger's forces should be assigned to General MacArthur. He indicated that he believed that Admiral Badger would not be averse to such an arrangement; that the ships under Admiral Badger's Command could operate in and out of Yokosuka naval base in Japan; that while everyone should be aware of the political implications involved and such action should not be taken without due consideration to those political implications, Admiral Badger might send occasionally forces to operate off the China coast. In conclusion General MacArthur reiterated his belief

that these

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that these naval forces if required to withdraw from the coast of China should come under his Command and be based in whole or in major part at Yokosuka.

Almost at the end of the conversation, which lasted nearly two hours, General MacArthur remarked that he was glad that Mr. Acheson had taken over the Department of State; that while he might not have always agreed fully with some of the State Department policies in the past he had felt that the Far East in general and Japan in particular had been given a full hearing when Mr. Acheson was Under Secretary of State; and that he welcomed Mr. Acheson's appointment as Secretary because he felt once again Japan would receive its full measure of attention.

As we were leaving General MacArthur made a passing reference to the question of reparations from Japan and said that in the light of the great quantities of resources which had been taken away and were no longer available to the Japanese future livelihood, resources which he said were far in excess of anything that had been taken from any nation in modern times, it was inequitable and contrary to our best interests to attempt to remove further resources from Japan.

FE:HA:HMBishop/pm
2/18/49

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By RT NARA Date 12-28-09

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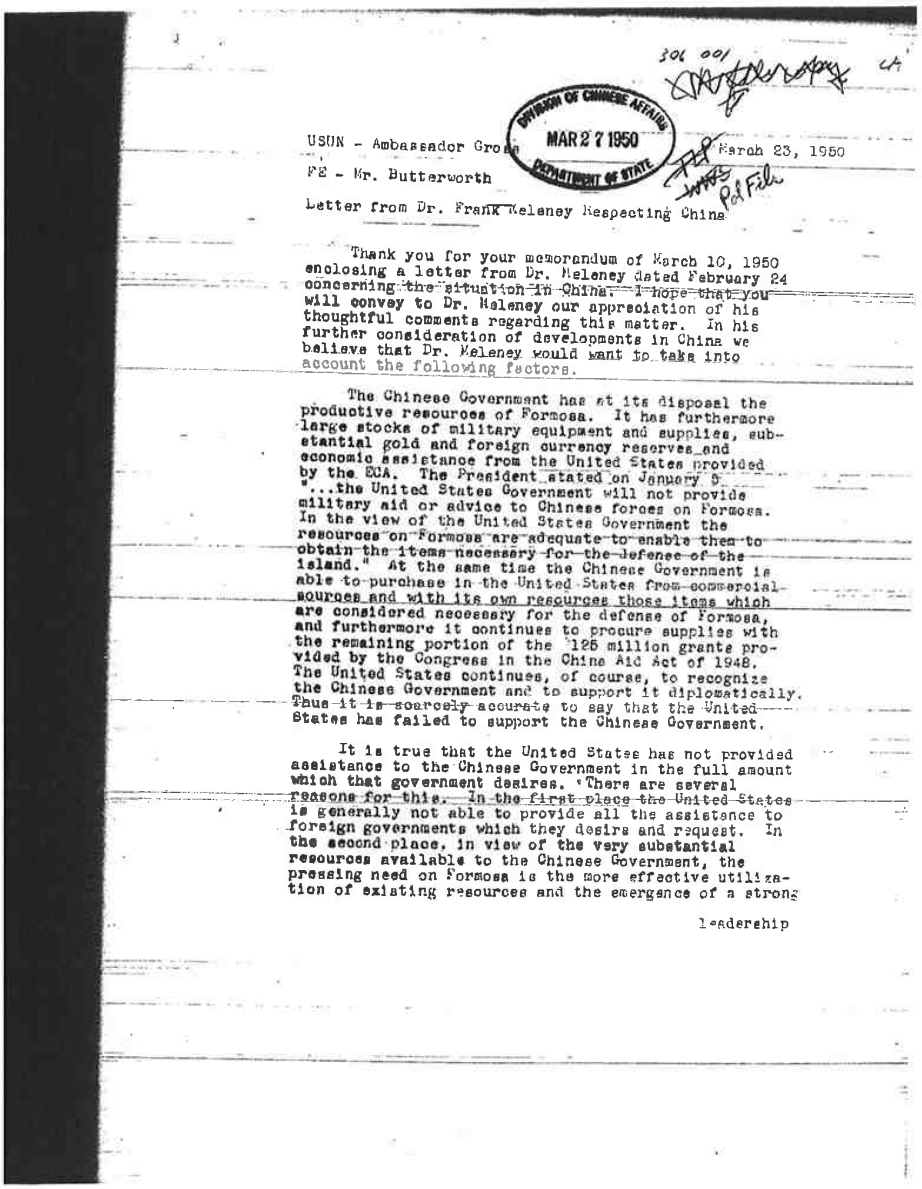
EXHIBIT 8



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DIVISION OF CHINESE AFFAIRS
MAR 27 1950
DEPARTMENT OF STATE

USUN - Ambassador Gross March 23, 1950

FE - Mr. Butterworth

Letter from Dr. Frank Maloney Respecting China

Thank you for your memorandum of March 10, 1950 enclosing a letter from Dr. Maloney dated February 24 concerning the situation in China. I hope that you will convey to Dr. Maloney our appreciation of his thoughtful comments regarding this matter. In his further consideration of developments in China we believe that Dr. Maloney would want to take into account the following factors.

The Chinese Government has at its disposal the productive resources of Formosa. It has furthermore large stocks of military equipment and supplies, substantial gold and foreign currency reserves and economic assistance from the United States provided by the ECA. The President stated on January 5 "...the United States Government will not provide military aid or advice to Chinese forces on Formosa. In the view of the United States Government the resources on Formosa are adequate to enable them to obtain the items necessary for the defense of the island." At the same time the Chinese Government is able to purchase in the United States from commercial sources and with its own resources those items which are considered necessary for the defense of Formosa, and furthermore it continues to procure supplies with the remaining portion of the $125 million grants provided by the Congress in the China Aid Act of 1948. The United States continues, of course, to recognize the Chinese Government and to support it diplomatically. Thus it is scarcely accurate to say that the United States has failed to support the Chinese Government.

It is true that the United States has not provided assistance to the Chinese Government in the full amount which that government desires. There are several reasons for this. In the first place the United States is generally not able to provide all the assistance to foreign governments which they desire and request. In the second place, in view of the very substantial resources available to the Chinese Government, the pressing need on Formosa is the more effective utilization of existing resources and the emergence of a strong

leadership

leadership able to obtain the active support and devotion of the civilian population and the military forces under the control of the National Government. In this connection, it is worth noting that large scale American assistance to the Chinese Government when that government's position on mainland China was much stronger did not enable the Chinese Government to stem the Communist advance. The reasons for this are set forth in detail in the Department's White Paper. It is worth noting furthermore that essentially the same leadership exists on Formosa today as existed earlier in mainland China.

Dr. Heleney suggests that "the National Government is in such distress...that they would accept almost any conditions of our help." If the United States should attempt to lay down sweeping conditions for its assistance, there is an evident peril that the Chinese Government would take on the status of an American puppet in the eyes of Asiatic peoples and of the Chinese public as well. The United States has carefully refrained from the creation of puppet regimes and to take steps which, whether rightly or wrongly, would be so interpreted with respect to Formosa would to a large degree undo the credit which this country has received in the eyes of the Asian people as a result of granting Philippine independence. It would lend color and substance to Chinese Communist charges of American imperialism and would permit them to divert the attention of the Chinese people from Soviet activities in China's northern provinces. In this connection it may be recalled that the Secretary stated in the course of his remarks to the National Press Club in Washington on January 12 that the fact "the Soviet Union is taking the four northern provinces of China is the single most significant, the most important fact in the relation of any foreign power with Asia." The Secretary continued that "we must not seize the unenviable position which the Russians have carved out for themselves." All of this suggests that, as has been stated many times before, the Chinese Government must itself and on its own responsibility undertake those measures necessary to strengthen its position.

There are enclosed for transmittal to Dr. Heleney if you wish copies of the President's January 5 statement, the Secretary's remarks to the National Press Club on January 12 and the Secretary's address before the Commonwealth Club of California on March 13.

Enclosures:

As Stated.

FE:CA:WWStuart:vdb

approved by PAS in draft

SECRET

306.0011

FE - Mr. Butterworth — March 10, 1950

CA - Mr. Sprouse

Summary of current developments and problems relating to China.

Pursuant to Mr. Merchant's request, the following summary of current developments and problems relating to China is submitted.

I Current Developments

1. Economic Aid

On February 10, Congress extended from February 15, 1950, to June 30, 1950, the authority to spend unobligated China economic aid funds (about $104 million).

On March 8, the Secretary told the Senate Foreign Relations Committee, that while he could not make recommendations based on a detailed program at this time, he would be agreeable to a bill extending China economic aid funds through the 1951 fiscal year and making them available to "China and the general area."

2. Military Aid

The Secretary of Defense was requested on March 7 to stop the shipment of 25 M4 Sherman medium tanks being procured under the $125 million grants. He was informed that this Department would not issue export licenses for 25 F80 jet fighters which had been requested earlier by the Chinese Government. The Secretary of Defense was requested not to make available to the Chinese Government medium or heavy tanks and combat aircraft. Approval was granted for the shipment of 42 M8 motor carriages.

3. Operations of the Chinese Air Force

On February 6, the Chinese Air Force conducted a heavy bombing raid directed principally against power installations in Shanghai. Substantial damage was done to The Shanghai Power Company's principal plant and casualties among civilian Chinese were very high. On February 8, Streng delivered a written protest regarding this deliberate bombing of U. S. property and made oral representations regarding the indiscriminate bombing of Chinese civilians in densely populated areas. We consider the Chinese reply to the written protest unsatisfactory; no reply had been made to the oral representations.

EXHIBIT 9

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DEPARTMENT OF STATE

MEMORANDUM OF CONVERSATION

June 29, 1950 430.7

Subject: Problems Relating to Formosa Arising out of the President's Statement of June 27 #13p

Participants: Dr. V. K. Wellington Koo, Chinese Ambassador

Mr. Livingston T. Merchant, FE
Mr. Fulton Freeman, CA

Copies to: S C S/P S/A UNA EUR FE CA

USUN, New York Department of Defense, General Burns

Amembassy, Taipei

Ambassador Koo called this afternoon at his request. Mr. Merchant expressed Mr. Rusk's regrets that he had been unfortunately called to the White House and was therefore unable to receive Ambassador Koo. The Ambassador stated that he had been directed by Mr. Foreign Office to approach either the Secretary or the Assistant Secretary, but that in the circumstances he would be pleased to discuss his business with Mr. Merchant.

Ambassador Koo stated that his principal reason for calling today was to inform the Department of the nature of the reply which the Chinese Government had made to the UN Secretary General with respect to the assistance which the Chinese Government would be willing to furnish to the Republic of Korea. He stated that the reply had been in favorable terms and had expressed the readiness of the Chinese Government to furnish the desired military assistance to the best of its ability.

Ambassador Koo continued that, while the reply which was being made by T. F. Tsiang to Trygve Lie was in general terms and specified no particular form of assistance, he wished to apprise us that his government had decided to send land forces. He pointed out that both the air and naval forces under National Government control were extremely limited and the land forces were needed for repelling a possible attack on Formosa, but he stated that nevertheless his government was willing to send troops within these limitations. He stated that, however, since any troops which China might send to Korea would be placed under the command of General MacArthur, his government wished

to obtain

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to obtain the reaction of the U.S. Government to its proposal prior to formalizing this offer of assistance. He stated that the chief of the Chinese mission in Japan had also been requested to approach General MacArthur on this question.

In response to Mr. Freeman's question with respect to the nature or size of the land force which the Chinese Government contemplated sending to Korea, the Ambassador replied that it was their intention to send one army, numbering approximately 33,000 troops, of the best soldiers which could be selected and with the best equipment available to the Chinese Government. He pointed out, however, there was probably insufficient transportation facilities in Formosa for such a movement and that U.S. assistance might be necessary in this regard.

The Ambassador handed Mr. Merchant a brief aide-memoire summarizing the Chinese Government offer, a copy of which is attached hereto.

Mr. Merchant expressed his appreciation for this proposal of the Chinese Government and indicated that he would endeavor to obtain for the Ambassador the reaction of this Government as soon as possible.

The Ambassador then stated that he had two other matters which he had been instructed to discuss with the Department. The first question concerned certain islands along the China coast where the National Government had maintained positions and which had frequently been under Communist attack. He inquired whether these islands had been considered in arriving at the position given in the President's statement and pointed out that it was highly important that they continue to be held by the National Government. He also pointed out that the forces on those islands would not carry out individual attacks against the mainland but would be used solely in repelling attacks by the Chinese Communists.

Mr. Merchant pointed out that these islands had been mentioned specifically in the Chinese Government's reply to our message of June 27 and that full cognizance was being taken by this Government of Chinese Government interest in these islands. He added that the question was being discussed with the Department of Defense and that he was not yet in a position to give the full views of this Government at this time. Mr. Merchant added, however, that in his opinion the status of the close in-shore islands would appear to be somewhat different from that of the Pescadores.

Ambassador Koo

Ambassador Koo stated that the second matter concerned a disturbing report which he had just this morning received from the Foreign Office. The report was to the effect that on June 28 in excess of 20 planes were seen to approach Formosa and to fly over various military installations without any previous warning. It was assumed, the Ambassador continued, that they were Chinese Communist planes and air raid alarms were sounded and fighter planes dispatched. At length, he stated, one plane flew low enough to permit identification and it was then discovered that all were U.S. planes. Fortunately, he stated, this discovery was made in time to prevent any untoward incident.

Ambassador Koo stated that this episode only underlined the necessity of establishing in the nearest future a liaison group on Formosa capable of handling all questions between the U.S. 7th Fleet and the Chinese Government. He stated that the U.S. Government might wish to bear in mind that, although there is some radar equipment on Formosa capable of detecting approaching aircraft, there is no "IFF" equipment which can distinguish between friend and foe. Such equipment, he indicated, might be extremely useful if flights of U.S. planes in the neighborhood of Formosa are to increase.

The Ambassador also mentioned a gift of certain radar equipment which had been offered by an unnamed American citizen to the Chinese Government but which had so far, according to the Ambassador, been refused export licenses by the U.S. Government. Mr. Merchant assured the Ambassador that if he would provide us with the necessary details, we would look into the matter immediately with a view to expediting the issuance of the necessary export licenses.

Mr. Merchant thanked the Ambassador for calling and assured him that we would seek to provide him with answers to his various questions at the earliest possible time.

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COPY

AIDE-MEMOIRE

The Government of the Republic of China received today a communication from the Secretary-General of the United Nations requesting it, in accordance with the resolution adopted by the Security Council on June 27, 1950, to furnish such assistance to the Republic of Korea as may be necessary to help repel the armed attack from North Korea.

The Chinese Republic is willing to send land troops to South Korea to assist in the operations for the purpose. The Chinese Government will be glad to be apprised of the opinion of the United States Government at its earliest convenience.

In view of the urgent situation in South Korea, the Chinese Government is instructing the chief of the Chinese Mission in Japan to approach General MacArthur and inquire about the positive measures which may be desired.

June 29, 1950

EXHIBIT 10

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320.2013

DEPARTMENT OF STATE

see page 3

MEMORANDUM OF CONVERSATION

not confirmed as yet by front office - 7/27/50

July 25, 1950

Subject: Problems Arising out of President's Statement of June 27 with Respect to Formosa

Participants: Dr. V. K. Wellington Koo, Chinese Ambassador

Mr. Dean Rusk, FE
Mr. Fulton Freeman, CA

Copies to: S G S/A S/P EUR NEA IAD FE

Department of Defense, General Burns — Amembassy, Taipei — CA

Ambassador Koo called this morning by appointment and opened the conversation by informing me that he expected to leave for Formosa on July 28 for a brief period of consultation with his Government. The Ambassador said that he intended to remain approximately two weeks in Taipei and would then return to Washington. He then referred to the Chinese Embassy's note of July 7, 1950 touching upon certain problems which had arisen as a result of the President's statement of June 27 with respect to Formosa and inquired whether the U.S. Government had formulated decisions on the various points raised.

I informed the Ambassador that certain of the points raised in the Chinese Embassy's note had already been replied to through our Charge at Taipei and that I had expected to call in the Ambassador shortly and inform him of the substance of our replies. I stated that it had been decided to reply to the Chinese Government in piecemeal fashion in order to minimize the security risk and to obviate the necessity of a full and formal note which might be more susceptible of leaks. As to the points on which replies had already been sent, I stated that the first concerned

the question

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the question of the off-shore islands. In this regard, we had informed the Chinese Government that we could not ourselves assume responsibility for committing U.S. forces to their defense; but that we would not, however, take any steps to prevent the National Government defending those islands against offensive action from the mainland or from supporting such operations from Formosa. As to the question of reconnaissance, I stated that we had informed the Chinese Government that the U.S. Government would not stand in the way of air and naval reconnaissance by the Chinese Government. I also stated that considerable progress was being made with respect to the question of preventing military and strategic supplies from reaching the Chinese Communists. As to the question of stopping ships at sea, I informed the Ambassador that a reply on this point would be transmitted to the Chinese Government in the near future.

In response to the Ambassador's question with regard to the desire of his Government to carry out air bombardment from bases on Formosa, I stated that we had already informed his Government that the U.S. could not agree to the Nationalists' taking such action from Formosa as it would be contrary to the President's directive of June 27. In further explanation, I stated that the military advantage of having the Seventh Fleet patrol the waters between Formosa and the mainland, in our opinion, far outweighed the possible military advantage to be derived from projected bombing raids from Formosan airfields.

Ambassador Koo inquired, with respect to his forthcoming trip to Formosa, whether I had any suggestions which I would care to make as to how the Chinese Government might align its policy more with that of the U.S. in the present critical situation in the Far East. Before responding I inquired whether the Ambassador would care to explain the importance of the recent changes in the Chinese Government which had just been announced from Taipei. Without stating specifically what changes had actually been made, the Ambassador replied in broad generalizations to the effect that these changes represented: (1) a further step to democratize and liberalize the Government; (2) an effort to remove misunderstandings abroad regarding the character of the Chinese Government; (3) an earnest endeavor to bring more liberal elements into the Government irrespective of party affiliations; and (4) an effort to mitigate if not remove the dominating influence of the Kuomintang in the Chinese Government. I listened to the Ambassador's exposition without comment

except

except to state that I would appreciate receiving the details regarding these governmental changes when they were available.

In answer to the Ambassador's previous question, I stated that if I were the Ambassador I should, on my return to Formosa, urge that all considerations be subordinated to establishing an effective defense of Formosa. For the time being, I pointed out, the question of any return to the mainland in force by the National Government was rather remote and that, therefore, every ounce of effort and strength should be concentrated on the defense of the island. I said that the Seventh Fleet could, of course, be of great assistance in preventing any attack, but that it was essential that our naval effort be supported by the people and Government on Formosa who might in the last analysis have the decisive role to play. I emphasized that this problem was not purely a military one but that the loyal support of the people was essential to a successful defense of the island. I added in this regard that the Department was somewhat disturbed over the apparent weakening of popular support of the Government during the past few weeks. I concluded that the job was a dual one: to stiffen the military front and, at the same time, to improve the home front.

In response to the Ambassador's question as to whether Nehru's efforts at mediation had terminated or whether the newspaper report that Secretary Acheson had received a further message from Nehru was correct, I replied that the New York Times story on this subject was completely mistaken. I stated that no further message to the Secretary had been received and that the matter was being treated as closed. In further explanation of our position in this matter, I indicated that the Department was well aware that the projected mediation by India did not in fact appear to Nehru as a "deal" inasmuch as India had consistently promoted the representation in the UN of the Chinese Communists. By the same token, however, that for the U.S. any such agreement would have been a "deal" because it would have required a complete reversal in our established policy. The Ambassador replied that the Chinese Government felt that the U.S. position in this matter had been eminently sound -- both for the U.S. and the UN. He added that, in his opinion, Nehru had shown confused thinking and his proposal would have hamstrung the UN if the move had succeeded.

The Ambassador then brought up the question of the presence of Chinese Nationalist troops in northern Burma

just

just inside the boundary with China. He stated that his Government had indicated an appreciation of the U.S. point of view but desired to gain a little time before taking any action. He inquired whether the Burmese had again approached us on this matter. I replied that there had been no formal approach in the first place; that there had been no change either in the situation or in the Burmese views insofar as we were aware. I added that our concern rested on the fact that the Chinese Nationalist forces in Burma were not strong enough to return to Yunnan on their own and challenge Chinese Communist forces, but that on the other hand they were in sufficient number possibly to tempt the Chinese Communists to cross into Burma in pursuit of them. The Ambassador indicated that he would pursue the matter with his Government on arrival in Formosa.

The Ambassador then inquired what the U.S. view would be with regard to a continuation on the part of the Chinese Government to aid and supply Nationalist guerrilla forces on the mainland. In response to my query as to the nature of these guerrillas, what percentage were bandits and how many were motivated by political conviction, the Ambassador replied that his personal estimate would be that about two-thirds of the forces were loyal to the Nationalist cause and one-third were guerrillas of the bandit variety who were motivated more by selfish reasons. As to the question of cohesiveness and leadership, the Ambassador stated that the guerrillas in the southwest were not nearly as cohesive and well led as those in the eastern central region where a commander-in-chief was active over three or four provinces. He indicated that these guerrillas maintained a close connection with forces on Formosa, although their effectiveness had not been fully tested. As to the question of any support from these guerrillas in the event of a Communist attack on Formosa, the Ambassador stated they would undoubtedly attack the invasion coast ports of the Communists from the rear if so instructed. He stated that the recent amphibious landings which had been effected from Formosa were for the purpose of opening supply lines to these guerrilla forces and raising their morale. The Ambassador also stated that the evidence indicated these guerrillas were being supported by the local peasantry as well as by refugees who had fled Communist-held cities. The Ambassador concluded that the Chinese Government was desirous of continuing the supplying of these guerrilla forces but did not wish to run contrary to U.S. wishes in this matter. I replied that I could not give him an answer at this time but that I would look into the matter.

I then

just inside the boundary with China. He stated that his Government had indicated an appreciation of the U.S. point of view but desired to gain a little time before taking any action. He inquired whether the Burmese had again approached us on this matter. I replied that there had been no formal approach in the first place; that there had been no change either in the situation or in the Burmese views insofar as we were aware. I added that our concern rested on the fact that the Chinese Nationalist forces in Burma were not strong enough to return to Yunnan on their own and challenge Chinese Communist forces, but that on the other hand they were in sufficient number possibly to tempt the Chinese Communists to cross into Burma in pursuit of them. The Ambassador indicated that he would pursue the matter with his Government on arrival in Formosa.

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I then

I then inquired of the Ambassador what in his opinion was going on in the minds of the Chinese Communist leaders in Peiping, pointing out that they must realize that if they continued along their present policy lines they would unquestionably lose much of north China to the Soviets. In response Ambassador Koo stated that some of the Chinese Communist leaders were dissatisfied with present policy and concerned over the future of China but that these persons were in a small minority and were not admitted into the high council chambers as equals with the pro-Soviet group and the Soviet advisors. He pointed out that persons in such key positions as those held by Kao Kang and Liu Shao-chi, both strongly pro-Soviet, wielded perhaps more power than Mao himself. The Ambassador also pointed to the absence of Madame Sun Yat-sen from recent meetings in Peiping, where she would normally be in attendance, as revealing an increased dissatisfaction on her part. He also mentioned the case of Huang Yen-p'ei, "leftist, progressive fellow-traveler", who at first had praised Mao but who has not been heard from for several months. He also mentioned Li Chi-sen and Ts'ai T'ing-k'ai as examples of those who thought they could cooperate with the Chinese Communists and have since found out different. The Ambassador did state, however, that such people would form the backbone of resistance to the Communists in the event that guerrillas on the mainland received adequate support.

In concluding the conversation, I informed Ambassador Koo of the arrival in Taipei of Admiral Jarrett as senior Military Attaché and Naval Attaché and urged the Ambassador to impress on his Government the need for a maximum defense effort and also for maximum cooperation with our officials in Formosa.

FE:OA:FFreeman:ejf

EXHIBIT 11

VGCR

IMMEDIATE RELEASE

AUGUST 27, 1950

LETTER FROM THE PRESIDENT TO AMBASSADOR AUSTIN

Dear Warren:

As I told you on the telephone this morning I want to congratulate you on your able presentation of the views of the United States Government in the Security Council of the United Nations from the first onset of the aggression against the Republic of Korea. Throughout the entire course of the proceedings you have represented this Government with great effectiveness and in full accordance with my directions.

The letter which you addressed to the Secretary General of the United Nations on August 25 on the subject of Formosa admirably sums up the fundamental position of this Government as it had been stated by me on June 27 and in my message to the Congress on July 19. You have clearly set forth in that letter the heart and essence of the problem. You have faithfully set down my views as they were then and as they are now.

To the end that there be no misunderstanding concerning the position of the Government of the United States with respect to Formosa, it may be useful to repeat here the seven fundamental points which you so clearly stated in your letter to Mr. Lie.

"(1) The United States has not encroached on the territory of China, nor has the United States taken aggressive action against China.

"(2) The action of the United States in regard to Formosa was taken at a time when that island was the scene of conflict with the mainland. More serious conflict was threatened by the public declaration of the Chinese Communist authorities. Such conflict would have threatened the security of the United Nations forces operating in Korea under the mandate of the Security Council to repel the aggression on the Republic of Korea. They threatened to extend the conflict through the Pacific area.

"(3) The action of the United States was an impartial neutralizing action addressed both to the forces on Formosa and to those on the mainland. It was an action designed to keep the peace and was, therefore, in full accord with the spirit of the Charter of the United Nations. As President Truman has solemnly declared, we have no designs on Formosa, and our action was not inspired by any desire to acquire a special position for the United States.

"(4) The action of the United States was expressly stated to be without prejudice to the future political settlement of the status of the island. The actual status of the island is that it is territory taken from Japan by the victory of the Allied forces in the Pacific. Like other such territories, its legal status cannot be fixed until there is international action to determine its future. The Chinese Government was asked by the Allies to take the surrender of the Japanese forces on the island. That is the reason the Chinese are there now.

"(5) The

"(5) The United States has a record through history of friendship for the Chinese people. We still feel the friendship and know that millions of Chinese reciprocate it. We took the lead with others in the last United Nations General Assembly to secure approval of a resolution on the integrity of China. Only the Union of the Soviet Socialist Republics and its satellites did not approve that resolution.

"(6) The United States would welcome United Nations consideration of the case of Formosa. We would approve full United Nations investigation here, or on the spot. We believe that United Nations consideration would contribute to a peaceful, rather than a forceable solution of that problem.

"(7) We do not believe that the Security Council need be, or will be, diverted from its consideration of the aggression against the Republic of Korea. There was a breach of the peace in Korea. The aggressor attacked, has been condemned, and the combined forces of the United Nations are now in battle to repel the aggression.

"Formosa is now at peace and will remain so unless someone resorts to force.

"If the Security Council wishes to study the question of Formosa we shall support and assist that study. Meanwhile, the President of the Security Council should discharge the duties of his office and get on with the item on the agenda, which is the complaint of Aggression Against the Republic of Korea, and, specifically, the recognition of the right of the Korean Ambassador to take his seat and the vote on the United States resolution for the localization of the Korean conflict."

These seven points accurately record the position of the United States.

In the forthcoming discussion of the problem in the Security Council you will continue to have my complete support.

Sincerely yours,

HARRY S. TRUMAN

August 27, 1950

EXHIBIT 12

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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: February 9, 1961

SUBJECT: Situation in Respect to Formosa

PARTICIPANTS: Congressman Deane

Mr. Clubb, CA

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By arrangements made at the request of the Congressman's office, I called by appointment on Mr. Deane today. He remarked the circumstance that he made a trip to Asia in 1949 but said that he had not got closer to China than Hong Kong. His interest in China and the general area of the Far East was a continuing one, and he supported the State Department policy respecting China.

Mr. Deane said that he was especially interested in the question of Formosa, the nature of its leaders, and the character of its administration. He desired, in the limited time at our disposal (he was scheduled to depart shortly for his home) to get something in the nature of a general picture of the situation existing in that regard.

I remarked that it was not easy to put Formosa into small compass, saying that the situation was complicated, that it was not to be depicted in black and white alone, and that one had to balance favorable and unfavorable aspects in order to get a good picture of the situation. I briefly sketched the developments since the time of the reign of Governor Ch'en Yi and, in response to Mr. Deane's question, reported that Ch'en Yi had recently been shot

for

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for alleged collaboration with the enemy while still on the mainland. I remarked the economic progress that had occurred subsequent to the carpet-bagging of the early Nationalist rule on the island of the post-war period, but remarked further the circumstance that Formosa had still not yet regained its former position in international trade by virtue of which it had in export surplus: it still had an import surplus, representing in main grant-aid from the United States. When I referred to the scheduled amount of that aid for FY 1951, he asked whether the Nationalists were diverting some of that aid to military purposes. I indicated that in the nature of things the National Government could not use that economic aid directly for military purposes, but was of course able, because they were relieved from the necessity of importing for instance, raw cotton or fertilizer from their own funds, to divert to military uses some funds that would ordinarily go otherwise for the support of their industry and economy. I said that it was to be noted that the present Formosan administrative and economic structure had less corruption and inefficiency than in the old days on the mainland; that for one thing the Nationalist regime naturally did not have the same opportunities for misbehavior that existed before, and for another, Formosa was in essence their last chance and they had to make the best of it. It was perhaps in consequence of the implications of this situation that there have been undertaken certain political reforms on Formosa along the lines of getting more popular representative government at hsien and municipal level. Those political changes did not however reach up to the National Government itself. In the National Government, however, there were fewer of the old officials, such as H.H. Kung and T.V. Soong (who were now in the United States).

Mr. Deane expressed interest in the manner of the entry into the United States of Messrs. Kung and Soong and I reported that they probably came in on visitor's visas, which were duly extended by the Justice Department.

I described Chiang Kai-shek, in whom Mr. Deane expressed particular interest, as being a person who, although always desiring of being free to call upon the Central Bank for funds to meet needs he might have, nevertheless was not a person obsessed with the idea of the accumulation of wealth. The interest of Chiang Kai-shek was more in power than in money, but that power interest had its expression via a

narrow

narrow point of view which led to the Generalissimo's constant interference in military operations and to a persistent jealousy of those of his military and political lieutenants who might adopt anything in the nature of an independent attitude or show such degree of efficiency as to constitute a potential threat to the Generalissimo's power. In consequence, people like General Sun Li-jen and Pai Ch'ung-hsi, capable enough, were effectively limited in their actions with respect to the Nationalist army. The Nationalist army, I went on to observe in response to his questions, had gotten most of the $125 million grant made by the U.S. to China in 1949, in the form of military supplies delivered to Formosa. Only a limited amount of petroleum supplies had been delivered to the mainland before evacuation to the island, and the Nationalists, besides, fell heir to large amounts of the Japanese materiel located on Formosa. Prior to their evacuation of the mainland, they had been successful in removing to the safety of Formosa quantities of other war materiel. I described the difficulties that the Nationalists face in undertaking anything like a mainland invasion, pointed out that the Nationalists perhaps commanded a maximum of 500,000 military forces (including the naval and air arms) while the Communists now possibly possessed some five million first and second-line troops. I noted that the Generalissimo proposed to return to the mainland only with American logistical, air, and naval support, and not alone. Mr. Deane observed that this would surely lead us into war with China and to this I expressed general agreement. I said that it seemed to be the consensus of informed opinion that involvement in a war with China did not accord to our best interests, I noted that we were at the present time fighting Chinese troops in Korea in conjunction with some 52 other nations, I said that this seemed at the present time to be hurting China substantially, and observed that -- in the event that it was thought desirable to go on further and to embark on a unilateral war with China -- the matter of course should be viewed in the proper perspective and be considered by JCS, the President, and by Congress so that there could be appropriate decision as to whether or not we should declare war on China. Mr. Deane asked if it were not true that if the Seventh Fleet clashed with the Chinese Communists as a result of a Communist attack

on

on Formosa, we should be at war with China. I said that such an attack would surely result in hostilities, but the exact compass of action could not now be foreseen.

Mr. Deane expressed opposition to the point of view held by various Congressmen in strong support of Chiang Kai-shek, but said that he needed certain material with which to rebut the arguments. The Congressman asked whether it would be feasible, through Mr. McFall's office, to prepare something in the nature of a memorandum setting forth some of the essential data regarding Formosa and its establishment. I referred Mr. Deane in the first instance, to the Department's White Paper on "U.S. Relations with China" -- which Mr. Deane said he did not have available (I have asked Mr. Smith (H) whether it would be possible to send Mr. Deane a copy of that publication). I said that although it would be desirable from the technical point of view to have a better delimitation of the subject which Mr. Deane desired to discuss in such a memorandum, I would undertake to discuss with Mr. McFall's office a possibility of preparing something informal in that general nature.

Mr. Deane expressed the desire to get in touch with me again for a longer discussion of the same subject after his return from North Carolina.

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EXHIBIT 13

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February 19, 1951

[illegible] changes which have been suggested [illegible] Stuart in the China section of the [illegible] Far Eastern policy paper, CA has the following general comments.

In analyzing the situation with respect to Formosa, the draft paper sets forth a number of advantages and disadvantages in a course of action by the U.S. to use such measures as may be necessary, including the use of U.S. forces to insure that Formosa remain in friendly hands. The Formosa problem from our point of view revolves around an evaluation of these advantages and disadvantages. While it would theoretically be advantageous to defer a decision respecting our course of action in these circumstances, it is noted that decisions with respect to specific aspects of the problem which must be made from time to time by their very nature tend to commit us irrevocably with respect to the basic problem. Thus continuation of the present mission of the 7th Fleet and military assistance to the National Government on Formosa would tend to create a situation in which the U.S. Government could not terminate its commitments and would have to continue to support the Nationalists indefinitely and to accept the concurrent risks of direct hostilities between its forces and those of Communist China in the neighborhood of Formosa. On the other hand, the U.S. attitude with respect to negotiations for a cease-fire in Korea arising from its support of the UN proposals of January 13 has been such as to suggest that the U.S. is not adamant in its determination to prevent Formosa from going to Communist China. There has thus emerged a contradiction between what we are doing, on one hand, and what we are permitting our friends and allies to think we are willing to do, on the other. This apparent contradiction, which holds evident potential dangers to us, appears to arise from not having yet made a clear-cut decision respecting our basic policy toward Formosa.

If it

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If it should be deemed feasible and appropriate at this time to make an explicit decision respecting Formosa, the following changes might be incorporated in the draft paper:

At the end of paragraph 21 add the following:

"It will be found in practice impossible to work simultaneously and equally for each of the hypothetical developments listed in 20. In view of the existing and presently foreseeable situation, developments (1) and (3) appear more possible of achievement than (2); consequently, primary emphasis should be given them, while maintaining maximum possible flexibility with respect to (2)."

Insert the following new paragraph as paragraph 25. between present paragraphs 24. and 25. and renumber subsequent paragraphs accordingly:

"From a military standpoint, U.S. naval and air forces available for the defense of Formosa are considered adequate to insure the failure of an attack on the island in circumstances short of general or global war."

Insert a new numbered paragraph, as follows, immediately following paragraph 27 in the present draft and renumber subsequent paragraphs accordingly:

"A commitment to use U.S. forces for the defense of Formosa is implicit in any decision to deny Formosa to Communist China. This commitment would be of indeterminate duration and very possibly increasing magnitude; it carries with it a serious risk that the U.S. forces may become engaged in direct hostility with Chinese Communist forces in the area of Formosa. Notwithstanding these and other disadvantages discussed above, an appraisal of existing and foreseeable factors respecting Formosa leads to the conclusion that the U.S. should take such measures as may be necessary, including the direct use of U.S. air and naval forces, to prevent Formosa from coming under Chinese Communist control, until such time as there may be a satisfactory settlement in Korea and there may be satisfactory evidence that the Peiping regime has eschewed direct and indirect aggression against its neighbors."

The following

The following additional comments are offered:

Page 8, (b)2 - Add "The probability for the development of the potentials of such a third force would probably be in direct ratio to the strength shown in East Asia by the Anglo-Franco-American resistance to aggression in that area.

Page 8, (c)1 - Substitute for second sentence: "The extent to which the internal conflicts in this situation will affect acceptability of the regime in China to the Chinese people will be determined in large measure by its ability to improve economic conditions, provide well-functioning government, that is, satisfy in general the economic and political desires of the population. The Communist regime can be expected to make the fullest use of both propaganda and police forces to achieve their ends."

Page 8, (c)2 - Add "Any failures experienced by the regime to provide concrete satisfaction for the traditional Chinese discontents would, that is, contribute substantially to a basic instability of the regime."

Page 9, paragraph 3 - Change last sentence as indicated on draft.

Page 9, paragraph 5 - Those rifts again would be fostered by failures met in China's adventures outside its frontiers.

Page 9, (d)1 - The Russian encroachment on China in both Central Asia and the Far East has taken practical form only in the past century when the Tzarist regime established its control over Western Turkestan and pertinent treaties gave to Russia title over the Maritime Province and Transamur region by authority of the Manchu dynasty (which had itself never exercised substantial control over most of the area in question).

Page 9, (d)1 - After "Inner Mongolia" add "Tibet".

Page 12, paragraph 19 - Add "This general situation confronts the Chinese Communists themselves with a major dilemma: whether to use their power situation in East Asia

e) Korean Settlement: The object of the negotiation on Korea should be (1) to consolidate the UN position in Korea and (2) to achieve UN objectives in Korea to the extent possible. We could agree to the following implementation of a Korean settlement along these lines:

~~(a) phased withdrawal of Chinese forces from Korea;~~

(b) phased withdrawal of United States forces from Korea;

(c) establishment of demilitarized area along the northern frontier of Korea;

(d) establishment of a commission to arrange for unification of Korea and to supervise elections, to supervise economic reconstruction, etc. Representatives of North and South Korea could be represented on the commission.

f) Formosa: We should oppose any project for the delivery over to the Chinese Communists of Formosa as a part of a settlement respecting Korea. We should point out that "the question of Formosa" is currently on the agenda of the UNGA and in due course presumably will receive appropriate disposition.

g) Japanese Peace Treaty: The U.S., if confronted with such a demand, should express readiness to have a prompt

prompt consideration with the Far Eastern Commission powers, including the Soviet Union, of the Japanese Peace Treaty. A qualified representation of a delegation from the Peiping regime should be at that conference.

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CA - Mr. Clubb
Mr. Stuart
CA - Mr. R. E. Johnson

2-28-51

Mr. Rankin's Views Regarding Military Aid to Formosa and Use of Nationalist Troops in the Far East.

The following summary may be of use to CA, indicating some of the points Mr. Rankin made during staff meetings and in a subsequent conversation with Mr. Parelman and myself, with respect to US military aid for Formosa and the possibility of utilizing Nationalist troops in offensive operations in the Far East:

(1) Mr. Rankin appears to agree with the Department's viewpoint that for the immediate present the main mission of the armed forces on Formosa is a defensive one. He belives the question of the use of Nationalist troops in Korea is not worthy of consideration at this time, not only in view of political objections, but also because of the military impracticabilities involved (e.g., the huge expense of re-outfitting Nationalist troops for such a campaign). He does, however, believe that we should formulate and have ready in advance plans for the optimum utilization of these troops in areas other than Formosa, and for the use of Formosa as a UN base of operations in the Far East, in the event that hostilities in the Far East take a new and more serious turn. For example, it is Mr. Rankin's understanding on the basis of informal discussions in the field that British military circles believe that the use of Formosa as a base for air operations would be essential in resisting a Communist invasion of Hong Kong, a factor to be kept in mind in discussing possible cooperation for the Colony's defense. Mr. Rankin believes we should reach a firm decision in advance on the question of using Nationalist troops in South China in the event of a Chinese Communist invasion of Indochina, with a view to cutting Communist supply lines and providing diversionary action in the Communists' rear. If it is believed that such a plan is feasible, concrete plans should be laid regarding the logistical role of the US in such an operation.

(2) Mr. Rankin is, of course, in favor of US military aid to the Nationalists. He believes that US can obtain a good return for a fairly small investment on the island. He stresses, however, the desirability of filling the relatively moderate urgent needs of the Nationalists quickly--with initial shipments arriving within 90 days. With regard to Defense plans for future aid to Formosa in the amount of several hundred million dollars, Mr. Rankin expressed the view that this was typical of the "all or nothing" position which the military often takes. He believes that a small amount of aid delivered within a few months can accomplish much more than several hundred millions of dollars of aid programmed over the next few fiscal years.

(3) In connection

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(3) In connection with military assistance beyond the Nationalists' needs, Mr. Rankin advanced the suggestion that we establish a central supply base for foreign military assistance on US soil somewhere in the Pacific--in effect, a "sub-arsenal of democracy" in the Far East. We could then dole out military supplies and equipment to the Nationalists as well as other friendly forces in the Far East, based on immediate requirements as reported by US military advisers and in the light of anticipated or actual Communist moves in the Far East. Such a scheme would appear to be far more economical than the present procedure, whereby requirements for future fiscal years in figures running to hundreds of millions of dollars are being programmed on the basis of a three weeks' survey. Furthermore, we would avoid establishing huge stockpiles on Formosa which might eventually fall into Communist hands.

(4) With regard to military advice to Chinese Nationalists, Mr. Rankin has reiterated the view expressed in Taipei telegrams that the present experienced attache framework offers the best advisory mechanism, and that there is no necessity for establishing a parallel MAAG organization with the resulting split in command. The establishment of a MAAG responsible to CINCFE could be expected to circumscribe the Department's freedom of action in the formulation and implementation of US policy on Formosa. FE has already made its views on the advisory group questions available to S/ISA. I have seen no expression of S/ISA's views on this subject, and no indication that a final decision has been reached in the Pentagon. However, there is reliable evidence in recent memoranda that Defense is going ahead with its planning for a MAAG. This is therefore a point which we will have to cede by default, unless we believe it is worth pressing it further at a high level.

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MEMORANDUM - FORMOSA

(1) Formosa cannot be denied to the Chinese Communists without the direct use of U.S. forces in its defense. This is essentially the conclusion of ORE 76-49 (October 19, 1949) and of ORE 7-50 (March 20, 1950).* The intelligence agencies of the Government have been requested to review these reports in the light of present circumstances. Until this review has been completed the conclusion stated above may be considered valid. Implicit support for the same conclusion can be found in the report of the Fox Survey Mission.

(2) The problem of Formosa reduces itself initially to two basic questions:

1. Can we, in fact, insure the defense of Formosa in circumstances short of global war with military forces which we are willing and able to provide?

2. Do we wish to hold the Island badly enough to use U.S. forces?

(3) These questions should be answered as soon as possible. The Chinese Communists will probably resume preparations to launch an attack on Formosa in the spring or summer when the period of favorable weather conditions arrives. Clearly, if the Seventh Fleet is to be withdrawn, the danger to U.S. prestige

* The intelligence agencies of the Army, the Navy, and the Air Force dissented from this ORE Report, but their dissents appear not to affect the basic conclusion cited above.

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prestige would be minimized if such withdrawal were accomplished at a time when weather conditions are favorable to the Nationalists and when a Communist attack does not appear imminent. Furthermore, if the U.S. is not to use its own forces in the defense of Formosa there would be in logic little basis for the implementation of the Fox Survey Mission recommendations. Finally, if the U.S. does not intend to continue to commit its forces to the defense of Formosa some advantage might be derived through bargaining and through carefully planned propaganda action. On the other hand, if the U.S. intends to use its own forces for either the neutralization or the defense of Formosa, measures to increase the military capabilities of the Chinese Nationalists should be speeded up.

(4) It is evident that ~~after undertaking to insure the defense of Formosa with U.S. forces~~ failure to throw back a Communist attack after undertaking to insure the defense of Formosa with U.S. forces would cause maximum damage to U.S. prestige and confidence in U.S. military strength and must be avoided. Consequently, prior to undertaking such a course of action, the U.S. military authorities should determine on a thoroughly realistic basis whether failure of a Chinese Communist attack on Formosa could be insured by the provision of U.S. air and naval forces in strengths which the U.S.

would be

would be willing and able to provide in view of commitments elsewhere. The clear possibility that a Communist attack would have air, naval, and perhaps submarine support should not be overlooked.

(5) If the answer to the question is no, steps should be taken at once to terminate the present mission of the Seventh Fleet and U.S. planning should envisage the fall of Formosa during the present year.

(6) If the answer to this question is affirmative, the question of the desirability of so using U.S. forces may be considered. It is understood that the JCS have recently reviewed this question from a military standpoint and now view such use of U.S. forces as desirable.* Developments in Korea, particularly the massive and, to date, successful Chinese Communist assault on UN forces, constitute a new and important factor in the consideration of this question. The total effect of these developments, which are probably best interpreted as confirmation of a close working relationship between Peiping and Moscow, is to increase heavily the weight of argument for continued U.S. direct participation in the defense of Formosa. This is so not because support of the Nationalists has become in itself

* Ref., letter from Secretary of Defense dated Jan. 5, 1951 containing views of the JCS respecting Formosa.

in itself more attractive -- the well-known weaknesses of the Kuomintang and dangers of a U.S. commitment to support it remain substantially unchanged -- but rather because the alternative course, withdrawal of U.S. protection followed by loss of the Island to the Communists, has become more costly and less profitable when viewed in the light of these developments. Simply stated, the situation in Korea tends to drive us to what would be in and of itself a wrong course of action.

(7) The massive Communist intervention in Korea has become, owing to its success, not merely a challenge for the control of Korea, but a challenge for the control of the enormous peninsula of Southeast Asia. If this challenge can be dealt with decisively in Korea, we would thereby recover some of our lost freedom of action respecting Formosa. But if it cannot be dealt with decisively in Korea - and at present it appears that it cannot, owing to enormous Chinese manpower resources - we have to seek some other, more favorable arena in which to manifest our continuing opposition to Chinese Communist domination of Asia. If the U.S. withdraws its naval forces from the Formosan Strait, in the face of the general defeat of its forces in Korea, there would be grave danger that, Nehru's attitude notwithstanding, this action would be interpreted by the smaller countries of Southeast

Southeast Asia as clear evidence that the U.S. was unable or unwilling to meet Chinese Communist forces either on land, on sea, or in the air and that those countries would as a consequence seek an accommodation with the Chinese Communists. The Chinese Communists are committed to the "liberation" of Formosa. It is here that the Chinese Communist challenge, if it is to be met at all in Asia, can best be met, for here American air and sea superiority could best be employed. It should be clearly realized, however, that such action would have to be undertaken, initially at least, without the support of our principal allies.

(8) Developments in Korea have a further bearing on U.S. actions respecting Formosa. Withdrawal of U.S. protection from Formosa under present world circumstances would doubtless be interpreted by the Chinese Communists as confirmation of American weakness; it would, therefore, tend to encourage them to continue their expansionist activities in Southeast Asia; it would tend to discourage non-Communist opposition forces in China; and it would strengthen any existing belief of the Chinese Communists that the U.S.S.R. would emerge the victor in any ultimate conflict with the U.S. Manifest U.S. and western strength, not weakness, would be an important element in any deviation of Communist China from the Soviet orbit. It is unfortunate

unfortunate that to make manifest our strength in the only place where this seems to be militarily feasible ties us to the support of a regime which is a heavy political liability and probably would have to be done without the support of our allies.

(9) The net result of major U.S. military reverses in Korea is thus so to restrict the freedom of action of the U.S. with respect to Formosa as to remove from the realm of real possibility any course of action other than the continued use of U.S. forces to prevent Communist capture of Formosa, providing this course, in the light of all the factors involved, is deemed militarily practicable. The problem, then, is to devise ways and means for carrying out this course of action which will maximize the advantages to the U.S. and minimize the disadvantages.

(10) Formosa's geographic position gives it some strategic importance to U.S. defenses in the Western Pacific. As a base for covert or, if it becomes desirable, for overt operations against mainland China, Formosa is close enough to be useful and yet distant enough to be relatively secure against attack by massive Chinese Communist land armies. In addition there are on the Island a Chinese anti-Communist administration, a large pool of more or less trained military manpower, and large stocks of military supplies. ~~Finally,~~ the natural

There is at least a possibility of developing this military potential into a major asset; certainly the loss of it to the Communists would contribute substantially to their strength. Finally, the natural resources on Formosa, if properly exploited, should permit the development of an economy relatively prosperous by Asian standards which, if accompanied by reasonably good Government, might make of Formosa a dramatic demonstration for Asia of what can be done with Asian resources under non-Communist administration. The contrast between conditions on Formosa and in China proper might become in time a powerful argument against communism as the solution for Asian problems. Formosa might be today the economic show window of Asia, were it not for its military overload and our ~~dilemma~~ problem would be to try to accomplish the effective militarization of the island while ~~working for progressive economic and political development/~~ holding our overt intervention to a minimum and working for progressive economic and political development.

(11) To maximize these advantages the U.S. should give careful consideration to ways and means for developing fully the maximum military strength of Chinese forces on Formosa, for rehabilitating the Formosan economy and for progressively changing the character of the top Chinese political and military leadership in order that that leadership be less identified

identified with the KMT group largely discredited on the mainland. Were it possible for the U.S. to retain a large measure of control over the end distribution of military equipment and supplies, this might become a useful lever for encouraging desirable change.

(12) We should approach this task with no illusion that anti-Communist forces on Formosa will, within the foreseeable future, be able to wrest control of mainland China from the Communists. Our immediate objectives should be much less ambitious - to administer a costly defeat to any Communist force attacking Formosa, to maintain in being, strengthen and render as politically attractive as possible an organized anti-Communist Chinese force, to use this force or the threat of this force to reduce the external drive of Communist China, and, finally, to use Formosa to contribute to an environment of unrest and revolution in China. While the merging of organized anti-Communist forces in Formosa and unorganized anti-Communist forces on the mainland should be a long-term objective, our provision of aid to Formosa should in no way preclude our independent provision of aid to mainland opposition groups.

(13) In the course of action under discussion there are many disadvantages which we should not minimize. Our major friends and allies have opposed and probably would not support this

this course of action. While the importance of this fact should not be underestimated, on the other hand it should not be exaggerated. The ties which bind us to our major allies arise from a community of interests of much more immediate concern to them than Formosa and it is not believed that those ties would be seriously weakened by a difference of opinion respecting that island any more than the ties between the U.S. and Great Britain were seriously weakened by British recognition of the Peiping regime contrary to our judgment. On the other hand, it is of the utmost importance that we convince our allies that we know what we are doing and have the self-discipline and resoluteness to carry it out. We should inform our allies of any decision which we may make respecting Formosa prior to giving public indication of that decision; we should state frankly the real reasons for having taken the decision; and if our decision should be to use U.S. forces to deny Formosa to Communist China, we should make clear to our allies our conviction that the Chinese on Formosa are capable of defending the island if they are provided U.S. air and naval assistance and our determination not to commit U.S. ground forces either directly or indirectly to this cause. We must assume that the interest of our allies in maintaining a united front and not undermining U.S. political strength is equal to our own. Once we have made a firm decision

decision respecting Formosa it is reasonable to expect that even though our allies may be unwilling to give us positive support, they will refrain from embarrassing us.

(14) There is, of course, danger that the course of action under discussion would be viewed in China and throughout Asia as evidence of new American imperialism. This danger would be minimized by a public reaffirmation by the U.S. of the Cairo Declaration. It may be noted that a reaffirmation of the Cairo commitment would be welcomed by the Chinese Nationalists and in the context would not be equivalent to handing Formosa over to the Chinese Communists. A reaffirmation of the Cairo commitment at this time would seem highly desirable in the light of any realistic appraisal of U.S. interests.

(15) The course of action under discussion involves a continuing commitment of U.S. forces in the Far East. It should be clearly realized that this would probably not be a token commitment and that the Chinese Communists would probably attack Formosa notwithstanding the presence of U.S. forces. This in turn would mean an outbreak of hostilities between U.S. and Chinese Communist forces in an additional theater of operations in the Far East. However, the commitment here envisaged comprises air and naval forces only. American strength is greatest in these categories and air and naval

naval forces ~~only. American strength is greatest in these categories and air and naval forces~~ have a mobility which presumably would permit their rapid transfer to other more important theaters of operations should the need therefor arise. Prior to an attack on Formosa and following the defeat of such an attack, the U.S. should refrain from direct military action on the Chinese mainland and should maintain a defensive military position. With reasonable self-restraint on our part it should be possible to restrict direct U.S. military action to the participation of air and sea forces in throwing back a Communist attack on Formosa. As has already been pointed out above, Formosa would provide an opportunity to engage Chinese Communist forces under conditions most advantageous to us. The destruction of a Chinese Communist invasion force would have a most salutary effect upon Asian opinion of U.S. military strength and probably upon the Chinese Communists themselves.

(16) On the basis of the foregoing discussion, the following conclusions are suggested:

1. The U.S. military authorities should determine as a matter of urgency whether the defense of Formosa can be assured, in circumstances short of global war, by the use of U.S. air and sea forces in strengths which we would be able and willing to provide.

2. If the

2. If the answer to 1. is negative, we should proceed at once to terminate our ~~direct~~ present commitments respecting the defense of Formosa in the most advantageous way possible and adjust our planning to take into account the probable loss of Formosa during this year.

3. If the answer to 1. is affirmative, we should proceed along the lines outlined below.

a. Advance information to our major friends and allies of our decisions and the reasons therefor.

b. Reaffirmation in suitable terms of our adherence to the Cairo Declaration.

c. Announcement of the termination of the present mission of the Seventh Fleet with a statement that we reserve liberty to take whatever action we deem appropriate to prevent military seizure of Formosa by lawless Communist force.

d. Disposition of U.S. air and naval forces to permit destruction of any Chinese Communist force attacking Formosa.

e. Abstention from military attack against the Chinese mainland by U.S. forces.

f. Freedom for Nationalists to attack or invade the mainland with it clearly understood that such operations could not expect and would not receive direct U.S. military support.

g. Provision

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g. Provision of U.S. military assistance to the National Government in the form of materiel, advice, and training within the limits of availability and Nationalist capacity to utilize it and without prejudice to the direct provision by the U.S. of assistance to other non-Communist Chinese forces.

h. Continuation of economic assistance with increased emphasis on reconstruction.

i.k Intensive efforts to encourage the emergence of a competent military and political leadership on Formosa which could command maximum support on the mainland.

k. Minimum overt intervention in Formosan affairs with the number of U.S. missions and advisers held to a minimum.

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EXHIBIT 15

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FE - Mr. Merchant
THRU: Mr. Clubb - CA
EA - R. F. Barnett

March 2, 1951

Policy Assumptions and Questions for Meeting with ECA Regarding Economic Aid Program for Formosa: Fiscal 1952

At our meeting yesterday it was, I believe, agreed that State should meet separately with Defense and ECA to discuss Fiscal 1952 military and economic aid programs for Formosa. The assumptions stated below which should be discussed with ECA may influence those which we agreed should be discussed with Defense, particularly assumption number .

1. The economic stability of Formosa is a prerequisite for the preservation of morale and will to resist of the government and people of Formosa.

2. Economic stability is the product of psychological as well as strictly economic factors. In consequence, ECA should attempt to engender on Formosa confidence in the long term viability of the Island, a will to assume true responsibility for the operation of the economy, a desire to engage in modest, medium term, balanced development of its resources and productive facilities, as well as to provide assurance that its legitimate requirements for consumable commodities will be met by United States assistance.

3. The scope and character of ECA economic assistance to Formosa should be made known to the Chinese in advance and the best use of that assistance should be understood to depend upon the maximum self-help efforts of the Chinese within that framework.

4. The Seventh Fleet mission in the Formosa Straits should be considered as continuing for an indefinite period of time and United States military assistance to Formosa considered to be for defense purposes only. The possibility that changes in the general international situation will bring about modification of these two assumptions in our military policy towards Formosa should not cause ECA to proceed with its economic assistance on a tentative or timid basis.

5. We believe that escalator arrangements should be worked out with Defense which would make available for Formosa ad hoc assistance to meet needs arising out of that increased military assistance which obviously impinges or encroaches upon the civilian sector of the economy. The Chinese should have it made clear to them that reckless diversion of Formosa's resources for unjustified military expenditures which will result in unplanned balance of payments deficits will be paid for by

increased

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increased austerity in the Formosa standard of living and not by the United States.

6. The local relationship between the ECA Mission on Formosa and the Chinese should be governed by the following principles:

ECA should not present itself to the Chinese as assuming responsibility for the economic viability of Formosa, but rather should present itself as undertaking to assist in making the most effective use of the previously and publicly proclaimed United States resources known to be available to help in achieving that end.

The ECA Mission should advise and supervise. It should not give direction to the Chinese, overtly or tacitly, in the conduct of the economic administration of the Island.

The political purpose of the economic program should be to create on the Island of Formosa a society which has prospect for enduring as a balanced and productive economic system designed to serve the welfare needs and aspirations of the people of Formosa. The economic objective should not be to erect a structure primarily designed to provide Mainland elements with a short term springboard for realization of their future ambitions.

The economic resources of ECA should not be employed to keep in power any particular persons or groups of persons. Where possible, they should be used to encourage positively the emergence of leaders (1) who desire to assume full responsibility for the effective administration of a Formosa government which responds to the desires and serves the interests of the people, (2) who are capable of commanding the respect of Chinese people on the Mainland and in Southeast Asia, and (3) who are friendly but not necessarily servile to the United States.

The ECA should consider it to be its long term objective to render help to Formosa in such a form that whatever the ultimate disposition of the Island--independence, incorporation in Communist China, incorporation in a non-Communist China, trusteeship, etc.--the people of the Island will recognize and cherish the recollection of the humanitarian aims of ECA aid. That this be accomplished is of the utmost importance in the long run. In the short run, to be doing this can serve to mitigate the unfortunate fact that through Asia and Western Europe the impression exists that the United States unilateral commitment in Formosa serves the ulterior purposes of narrow military self-interest.

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET

Washington 25, D.C.

March 23, 1951

My dear Mr. Webb:

There is pending in the Bureau of the Budget a requested Presidential allocation of $21,200,000 for Formosa from funds made available for 1951 pursuant to section 303 of the Mutual Defense Assistance Act, as amended, Since this proposed allocation is part of a total program of approximately $450,000,000 running into 1953, a large part of which will require early action in connection with the foreign aid authorization for 1952, it is believed appropriate at this time to seek a review of our objectives in Formosa and the relationship of these objectives to the developing military and economic programs.

Heretofore, economic and military programs for Formosa have been approved on a tentative basis consistent with the most recent decision of the National Security Council on August 3, 1950. This action, as you know, called for a survey to determine the deficiencies of the armed forces on the Island and, at the same time, to make a realistic appraisal of their ability to repel a determined assault from the mainland of China. This military survey, generally known as the Fox Survey, has been completed.

In addition, the ECA STEM program for Formosa has been developed subsequent to the tentative NSC determination. Because of the magnitude and long range characteristics of these programs, it is believed desirable to clarify our objectives on Formosa and the relationship of the proposed military and economic programs thereto. Specifically:

1. What are immediate U.S. objectives with respect to Formosa?

2. In light of recent and prospective political and military developments, can we continue to assume that accomplishment of these objectives is consistent with efforts to achieve a settlement in Korea?

3. To what extent would a settlement in Korea be likely to affect the amount, form, and timing of U.S. aid to the Chinese Nationalist Government?

4. In what respect is the future of Formosa involved in the proposed pending treaty of peace with Japan?

5. What is the long-term U.S. objective in Formosa:

   a. How are political and economic interests in the area balanced against military objectives in arriving at this policy?

   b. Is it

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b. Is it anticipated that U.S. objectives can be achieved through United Nations action?

6. How are present and projected U.S. programs related to these objectives given in 1 and 5 above?

a. Is the mission of the armed forces purely defensive?

b. How large a military establishment is required?

c. What are its materiel deficiencies?

d. What are its training and morale deficiencies?

e. What degree of U.S. supervision of the Nationalist forces will be required to make military assistance effective?

f. What priority in relation to other mutual assistance programs will be accorded to deliveries of military equipment to Formosa in fiscal year 1951 and fiscal year 1952?

g. What provision will be required to absorb the additional impact of an expanded military end-item program on the economy of Formosa?

h. What level of general economic aid is required to achieve our objectives?

i. Are projects for long-term economic development essential to attainment of presently-known U.S. objectives?

It is understood that subsequent to the submission of this request the subject of our over-all policy in the Far East has been under discussion by the National Security Council senior staff. I would like to urge that every effort be made to expedite the consideration of this matter. In addition, it is requested that the Department of State, in cooperation with the Department of Defense and Economic Cooperation Administration, undertake to develop the specific answers to the above questions which we believe are required to satisfactorily review the pending allocation and the foreign aid authorization for 1952.

Sincerely yours,

F. J. LAWTON
Director

Honorable James E. Webb
Under Secretary
Department of State
Washington 25, D.C.

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EXHIBIT 17

Jan. 1951

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MEMORANDUM - FORMOSA

(1) Formosa cannot be denied to the Chinese Communists without the direct use of U.S. forces in its defense. This is essentially the conclusion of ORE 76-49 (October 19, 1949) and of ORE 7-50 (March 20, 1950).* The intelligence agencies of the Government have been requested to review these reports in the light of present circumstances. Until this review has been completed the conclusion stated above may be considered valid. Implicit support for the same conclusion can be found in the report of the Fox Survey Mission.

(2) The problem of Formosa reduces itself initially to two basic questions:

1. Can we, in fact, insure the defense of Formosa in circumstances short of global war with military forces which we are willing and able to provide?

2. Do we wish to hold the Island badly enough to use U.S. forces?

(3) These questions should be answered as soon as possible. The Chinese Communists will probably resume preparations to launch an attack on Formosa in the spring or summer when the period of favorable weather conditions arrives. Clearly, if the Seventh Fleet is to be withdrawn, the danger to U.S. prestige

* The intelligence agencies of the Army, the Navy, and the Air Force dissented from this ORE Report, but their dissents appear not to affect the basic conclusion cited above.

prestige would be minimized if such withdrawal were accomplished at a time when weather conditions are favorable to the Nationalists and when a Communist attack does not appear imminent. Furthermore, if the U.S. is not to use its own forces in the defense of Formosa there would be in logic little basis for the implementation of the Fox Survey Mission recommendations. Finally, if the U.S. does not intend to continue to commit its forces to the defense of Formosa some advantage might be derived through bargaining and through carefully planned propaganda action. On the other hand, if the U.S. intends to use its own forces for either the neutralization or the defense of Formosa, measures to increase the military capabilities of the Chinese Nationalists should be speeded up.

(4) It is evident that ~~after undertaking to insure the defense of Formosa with U.S. forces~~ failure to throw back a Communist attack after undertaking to insure the defense of Formosa with U.S. forces would cause maximum damage to U.S. prestige and confidence in U.S. military strength and must be avoided. Consequently, prior to undertaking such a course of action, the U.S. military authorities should determine on a thoroughly realistic basis whether failure of a Chinese Communist attack on Formosa could be insured by the provision of U.S. air and naval forces in strengths which the U.S. would be

would be willing and able to provide in view of commitments elsewhere. The clear possibility that a Communist attack would have air, naval, and perhaps submarine support should not be overlooked.

(5) If the answer to the question is no, steps should be taken at once to terminate the present mission of the Seventh Fleet and U.S. planning should envisage the fall of Formosa during the present year.

(6) If the answer to this question is affirmative, the question of the desirability of so using U.S. forces may be considered. It is understood that the JCS have recently reviewed this question from a military standpoint and now view such use of U.S. forces as desirable.* Developments in Korea, particularly the massive and, to date, successful Chinese Communist assault on UN forces, constitute a new and important factor in the consideration of this question. The total effect of these developments, which are probably best interpreted as confirmation of a close working relationship between Peiping and Moscow, is to increase heavily the weight of argument for continued U.S. direct participation in the defense of Formosa. This is so not because support of the Nationalists has become in itself

* Ref., letter from Secretary of Defense dated Jan. 3, 1951 containing views of the JCS respecting Formosa.

in itself more attractive -- the well-known weaknesses of the Kuomintang and dangers of a U.S. commitment to support it remain substantially unchanged -- but rather because the alternative course, withdrawal of U.S. protection followed by loss of the Island to the Communists, has become more costly and less profitable when viewed in the light of these developments. Simply stated, the situation in Korea tends to drive us to what would be in and of itself a wrong course of action.

(7) The massive Communist intervention in Korea has become, owing to its success, not merely a challenge for the control of Korea, but a challenge for the control of the enormous peninsula of Southeast Asia. If this challenge can be dealt with decisively in Korea, we would thereby recover some of our lost freedom of action respecting Formosa. But if it cannot be dealt with decisively in Korea - and at present it appears that it cannot, owing to enormous Chinese manpower resources - we have to seek some other, more favorable arena in which to manifest our continuing opposition to Chinese Communist domination of Asia. If the U.S. withdraws its naval forces from the Formosan Strait, in the face of the general defeat of its forces in Korea, there would be grave danger that, Nehru's attitude notwithstanding, this action would be interpreted by the smaller countries of Southeast

Southeast Asia as clear evidence that the U.S. was unable or unwilling to meet Chinese Communist forces either on land, on sea, or in the air and that those countries would as a consequence seek an accommodation with the Chinese Communists. The Chinese Communists are committed to the "liberation" of Formosa. It is here that the Chinese Communist challenge, if it is to be met at all in Asia, can best be met, for here American air and sea superiority could best be employed. It should be clearly realized, however, that such action would have to be undertaken, initially at least, without the support of our principal allies.

(8) Developments in Korea have a further bearing on U.S. actions respecting Formosa. Withdrawal of U.S. protection from Formosa under present ~~same~~ circumstances would doubtless be interpreted by the Chinese Communists as confirmation of American weakness; It would, therefore, tend to encourage them to continue their expansionist activities in Southeast Asia; it would tend to discourage non-Communist opposition forces in China; and it would strengthen any existing belief of the Chinese Communists that the U.S.S.R. would emerge the victor in any ultimate conflict with the U.S. Manifest U.S. and western strength, not weakness, would be an important element in any deviation of Communist China from the Soviet orbit. It is unfortunate

unfortunate that to make manifest our strength in the only place where this seems to be militarily feasible ties us to the support of a regime which is a heavy political liability and probably would have to be done without the support of our allies.

(9) The net result of major U.S. military reverses in Korea is thus so to restrict the freedom of action of the U.S. with respect to Formosa as to remove from the realm of real possibility any course of action other than the continued use of U.S. forces to prevent Communist capture of Formosa, providing this course, in the light of all the factors involved, is deemed militarily practicable. The problem, then, is to devise ways and means for carrying out this course of action which will maximize the advantages to the U.S. and minimize the disadvantages.

(10) Formosa's geographic position gives it some strategic importance to U.S. defenses in the Western Pacific. As a base for covert or, if it becomes desirable, for overt operations against mainland China, Formosa is close enough to be useful and yet distant enough to be relatively secure against attack by massive Chinese Communist land armies. In addition there are on the Island a Chinese anti-Communist administration, a large pool of more or less trained military manpower, and large stocks of military supplies. ~~Finally~~, the natural

There is at least a possibility of developing this military potential into a major asset; certainly the loss of it to the Communists would contribute substantially to their strength. Finally, the natural resources on Formosa, if properly exploited, should permit the development of an economy relatively prosperous by Asian standards which, if accompanied by reasonably good Government, might make of Formosa a dramatic demonstration for Asia of what can be done with Asian resources under non-Communist administration. The contrast between conditions on Formosa and in China proper might become in time a powerful argument against communism as the solution for Asian problems. Formosa might be today the economic show window of Asia, were it not for its military overload and our ~~dilemma~~ problem would be to try to accomplish the effective militarization of the island while ~~working for progressive economic and political development,~~ holding our overt intervention to a minimum and working for progressive economic and political development.

(11) To maximize these advantages the U.S. should give careful consideration to ways and means for developing fully the maximum military strength of Chinese forces on Formosa, for rehabilitating the Formosan economy and for progressively changing the character of the top Chinese political and military leadership in order that that leadership be less identified

identified with the KMT group largely discredited on the mainland. Were it possible for the U.S. to retain a large measure of control over the end distribution of military equipment and supplies, this might become a useful lever for encouraging desirable change.

(12) We should approach this task with no illusion that anti-Communist forces on Formosa will, within the foreseeable future, be able to wrest control of mainland China from the Communists. Our immediate objectives should be much less ambitious - to administer a costly defeat to any Communist force attacking Formosa, to maintain in being, strengthen and render as politically attractive as possible an organized anti-Communist Chinese force, to use this force or the threat of this force to reduce the external drive of Communist China, and, finally, to use Formosa to contributs to an environment of unrest and revolution in China. While the merging of organized anti-Communist forces in Formosa and unorganized anti-Communist forces on the mainland should be a long-term objective, our provision of aid to Formosa should in no way preclude our independent provision of aid to mainland opposition groups.

(13) In the course of action under discussion there are many disadvantages which we should minimize. Our major friends and allies have opposed and probably would not support this

this course of action. While the importance of this fact should not be underestimated, on the other hand it should not be exaggerated. The ties which bind us to our major allies arise from a community of interests of much more immediate concern to them than Formosa and it is not believed that those ties would be seriously weakened by a difference of opinion respecting that island any more than the ties between the U.S. and Great Britain were seriously weakened by British recognition of the Peiping regime contrary to our judgment. On the other hand, it is of the utmost importance that we convince our allies that we know what we are doing and have the self-discipline and resoluteness to carry it out. We should inform our allies of any decision which we may make respecting Formosa prior to giving public indication of that decision; we should state frankly the real reasons for having taken the decision; and if our decision should be to use U.S. forces to deny Formosa to Communist China, we should make clear to our allies our conviction that the Chinese on Formosa are capable of defending the island if they are provided U.S. air and naval assistance and our determination not to commit U.S. ground forces either directly or indirectly to this cause. We must assume that the interest of our allies in maintaining a united front and not undermining U.S. political strength is equal to our own. Once we have made a firm decision

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decision respecting Formosa it is reasonable to expect that even though our allies may be unwilling to give us positive support, they will refrain from embarrassing us.

(14) There is, of course, danger that the course of action under discussion would be viewed in China and throughout Asia as evidence of new American imperialism. This danger would be minimized by a public reaffirmation by the U.S. of the Cairo Declaration. It may be noted that a reaffirmation of the Cairo commitment would be welcomed by the Chinese Nationalists and in the context would not be equivalent to handing Formosa over to the Chinese Communists. A reaffirmation of the Cairo commitment at this time would seem highly desirable in the light of any realistic appraisal of U.S. interests.

(15) The course of action under discussion involves a continuing commitment of U.S. forces in the Far East. It should be clearly realized that this would probably not be a token commitment and that the Chinese Communists would probably attack Formosa notwithstanding the presence of U.S. forces. This in turn would mean an outbreak of hostilities between U.S. and Chinese Communist forces in an additional theater of operations in the Far East. However, the commitment here envisaged comprises air and naval forces only. American strength is greatest in these categories and air and naval

naval forces ~~only. American strength is greatest in these categories and air and naval forces~~ have a mobility which presumably would permit their rapid transfer to other more important theaters of operations should the need therefor arise. Prior to an attack on Formosa and following the defeat of such an attack, the U.S. should refrain from direct military action on the Chinese mainland and should maintain a defensive military position. With reasonable self-restraint on our part it should be possible to restrict direct U.S. military action to the participation of air and sea forces in throwing back a Communist attack on Formosa. As has already been pointed out above, Formosa would provide an opportunity to engage Chinese Communist forces under conditions most advantageous to us. The destruction of a Chinese Communist invasion force would have a most salutary effect upon Asian opinion of U.S. military strength and probably upon the Chinese Communists themselves.

(16) On the basis of the foregoing discussion, the following conclusions are suggested:

1. The U.S. military authorities should determine as a matter of urgency whether the defense of Formosa can be assured, in circumstances short of global war, by the use of U.S. air and sea forces in strengths which we would be able and willing to provide.

2. If the

2. If the answer to 1. is negative, we should proceed at once to terminate our ~~direct~~ present commitments respecting the defense of Formosa in the most advantageous way possible and adjust our planning to take into account the probable loss of Formosa during this year.

3. If the answer to 1. is affirmative, we should proceed along the lines outlined below.

a. Provision of ~~Advance information to our major friends~~ and allies of our decisions and the reasons therefor.

b. Reaffirmation in suitable terms of our adherence to the Cairo Declaration.

c. Announcement of the termination of the present mission of the Seventh Fleet with a statement that we reserve liberty to take whatever action we deem appropriate to prevent military seizure of Formosa by lawless Communist force.

d. Disposition of U.S. air and naval forces to permit destruction of any Chinese Communist force attacking Formosa.

e. Abstention from military attack against the Chinese mainland by U.S. forces.

f. Freedom for Nationalists to attack or invade the mainland with it clearly understood that such operations could not expect and would not receive direct U.S. military support.

g. Provision

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g. Provision of U.S. military assistance to the National Government in the form of materiel, advice, and training within the limits of availability and Nationalist capacity to utilize it and without prejudice to the direct provision by the U.S. of assistance to other non-Communist Chinese forces.

h. Continuation of economic assistance with increased emphasis on reconstruction.

i. Intensive efforts to encourage the emergence of a competent military and political leadership on Formosa which could command maximum support on the mainland.

k. Minimum overt intervention in Formosan affairs with the number of U.S. missions and advisers held to a minimum.

Jan. 1951

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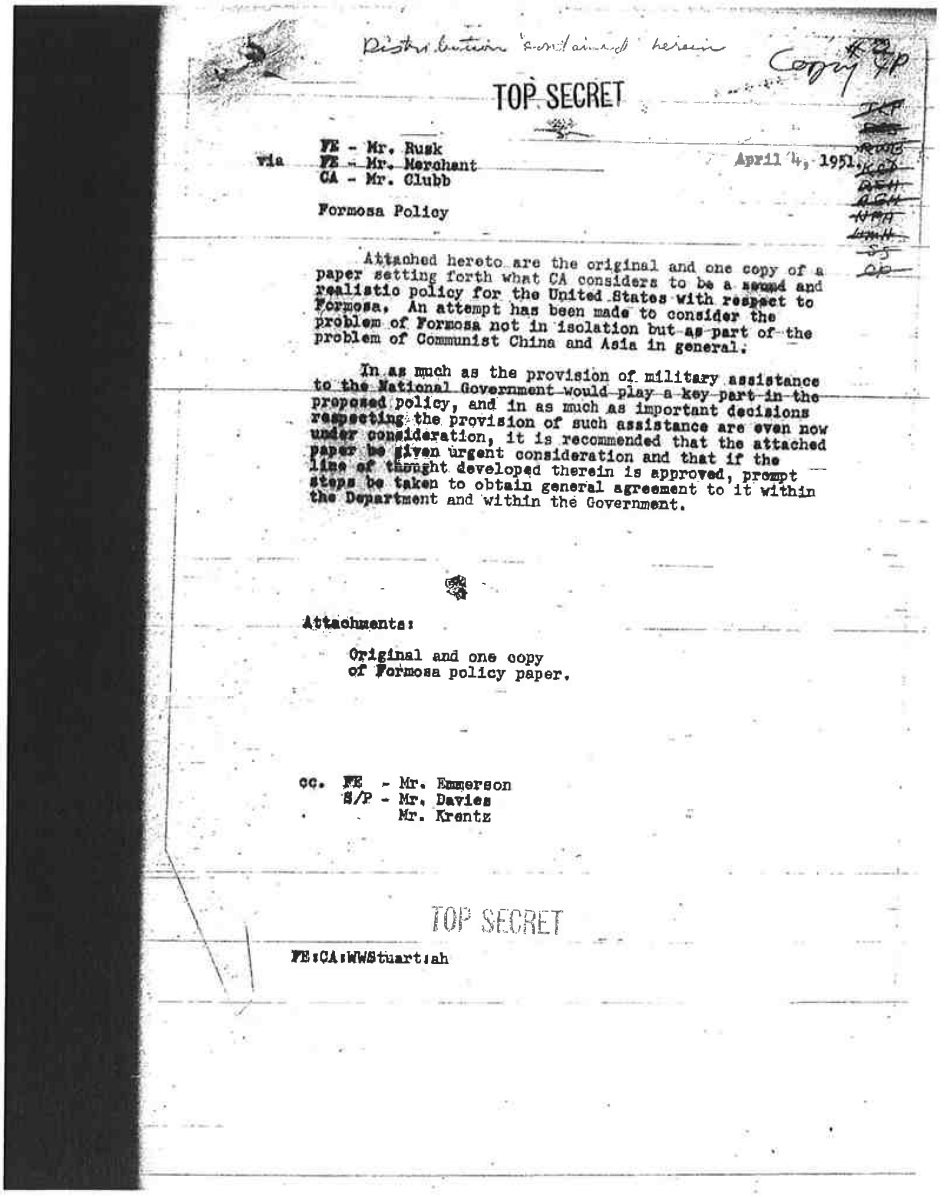

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via FE - Mr. Rusk
FE - Mr. Merchant
CA - Mr. Clubb

April 4, 1951

Formosa Policy

Attached hereto are the original and one copy of a paper setting forth what CA considers to be a sound and realistic policy for the United States with respect to Formosa. An attempt has been made to consider the problem of Formosa not in isolation but as part of the problem of Communist China and Asia in general.

In as much as the provision of military assistance to the National Government would play a key part in the proposed policy, and in as much as important decisions respecting the provision of such assistance are even now under consideration, it is recommended that the attached paper be given urgent consideration and that if the line of thought developed therein is approved, prompt steps be taken to obtain general agreement to it within the Department and within the Government.

Attachments:

Original and one copy
of Formosa policy paper.

cc. FE - Mr. Emmerson
S/P - Mr. Davies
Mr. Krentz

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EXHIBIT 18

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FORMOSA

Purpose

It is the purpose of this paper to weigh the desirability of continuing to deny Formosa to the Chinese Communists, to consider the purposes which we should endeavor to accomplish by so doing, and to outline the principal lines of action by which we might deny Formosa to the Chinese Communists and advance those purposes.

Assumptions

For purposes of this paper it is assumed that if such a course be deemed desirable the U.S. would be able, notwithstanding other commitments and demands on its strength, to provide sufficient sea and air forces to insure the failure of a Communist military attack on Formosa, in the absence of a major diversion of U.S. strength resulting from Soviet aggression in another theatre and of direct large-scale Soviet support of the attack. The question of whether we are in fact able to deny Formosa to the Chinese Communists underlies any consideration of whether we should do so or of what uses we might make of Formosa. This question is treated as an assumption in this paper because it is necessarily a military problem. The briefest

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briefest consideration of the serious consequences which would flow from a failure, in the circumstances set forth above, of the U.S. to make good on an undertaking to defend Formosa is sufficient to make clear the importance of a critical evaluation of this assumption by the appropriate agencies of the Government.

U.S. Military Objectives With Respect to Formosa.

The U.S. military objectives with respect to Formosa so far as they are known at present are:

(1) To deny Formosa as a base or staging area to hostile forces.

(2) To insure the availability of Formosa to U.S. or friendly forces as a base or staging area.

(3) To accomplish (1) and (2) without a binding commitment of U.S. forces.

U.S. Political Objectives with Respect to Formosa.

From the U.S. point of view the central problem of Asia is China's alignment with the Soviet Union. The other outstanding problems of the Far East are, for the most part, peripheral to the problem of China and would probably be reduced to manageable proportions were that key problem solved. Consequently, the primary objective of U.S.

of U.S. policy in the Far East should be to break the present alignment of mainland China with the Soviet Union. This might occur hypothetically as a result of (1) a reorientation of the Peiping regime away from Moscow, (2) the fragmentation of the regime, or (3) the complete overthrow and destruction of the regime. It is impossible to determine at present which of these developments is most likely to occur or which one we should seek primarily to exploit. Such a determination is not necessary at this time for the formulation of U.S. policy toward Communist China because under existing circumstances the U.S. policy best calculated to encourage any one of these hypothetical developments serves equally well to encourage the others. Unilateral concessions by us to the Peiping regime would be interpreted in present circumstances as weakness and, consequently, would serve to enhance the prestige and power of that segment of Chinese Communist leadership which has advocated close alignment with Moscow and the use of armed force in dealing with the West and to strengthen any existing belief of the Chinese Communists that the USSR would emerge victorious in an ultimate struggle with the U.S. Manifest U.S. and western strength, not weakness, would be an important element in any deviation of Communist China from the Soviet orbit. In short, progressively developing

pressure

pressure should be a major element in our policy toward Communist China.

We are already exerting pressure on Communist China in many ways -- in Korea, through our economic and financial control measures, in the United Nations, in regard to Formosa, and through our propaganda activities. There remain to us numerous ways in which we might intensify this pressure, including the support of subversive and anti-Communist groups within China, persuading other countries to adopt economic and financial controls approximating our own, and furthering the development on Formosa of a real threat to Communist control of the mainland.

But if a policy of pressure is to yield maximum results, the Chinese Communists must see a reasonable alternative to their present Moscow alliance. Pressure alone is likely merely to force them into greater internal unity and perpetuate their dependence on Moscow. Suitable inducement, as well as pressure, should, therefore, be a major element in our policy toward Communist China. The possibility of a negotiated settlement with the U.S. (and the West) offering the Chinese Communist regime the prospect

prospect of throwing off the Soviet yoke and obtaining the benefits of normal economic and political relations with the non-Communist world, including recovery of Formosa and general international recognition as the Government of China, would constitute an important inducement. (The conditions for such a settlement should, of course, be hardheaded, realistic, and designed to insure U.S. basic objectives in China. The settlement should have none of the character of one-sided concession by the U.S.) While inducement of this nature could be expected to increase the strain in the Soviet alignment of the Chinese Communists, we should not be optimistic that it would break that alignment. A more likely benefit from our point of view would be its contribution toward dividing Chinese Communist leadership and preparing the way for important defections. In a more limited sense, inducement of defection of Communist leaders would be provided if they were assured a place commensurate with their standing in a progressive nationalist, anti-Soviet front.

In summary, by skillfully combining the principal elements of pressure and inducement in our policy toward Communist China, we would (1) exert maximum pressure on Peiping-Moscow axis; (2) induce divided counsel in Chinese

Chinese Communist leadership, leading very possibly to major defections; and (3) at the same time maintain a position of maximum strength for continuing and increasing pressure against the regime.

From a political standpoint, our policy with respect to Formosa must be directly related to our objectives with respect to mainland China -- that is, the major lines of our policy respecting Formosa must be derived from our policy respecting mainland China and what we do with respect to Formosa must contribute directly to the achievement of our objectives on the mainland. If we hold Formosa simply with a view to supporting indefinitely a refugee government there, we shall from a political standpoint have saddled ourselves with a liability; if we hold Formosa with a clear view to using it as a means toward accomplishing our purposes with respect to mainland China, we may make of it a major asset.

Formosa affords an excellent opportunity for developing the policy of pressure and inducement with respect to Communist China discussed above. It is an important potential instrument of pressure in that it is under present circumstances the only reasonably satisfactory geographic and political base from which to develop a strong,

organized

organized resistance movement and it has in substantial amounts the manpower and equipment for such a movement. On the other hand, because it represents a potential threat to the Communist regime, because it has intrinsic economic value to mainland China, because Communist prestige is committed to its "liberation", and finally because its seizure by military action is, by assumption, beyond the capabilities of the Chinese Communists as long as U.S. forces participate in its defense, Formosa represents an important bargaining counter in any negotiated settlement with the Communist regime or segments of that regime. Consequently, prospect of obtaining it may be made a major inducement to the Chinese Communists tending to increase the strain on their Moscow alignment, to create internal disunity and under suitable circumstances to encourage defections.

In summary the basic political framework within which specific policy questions respecting Formosa should be considered may be outlined as follows:

(1) We should continue to take steps to insure denial of Formosa to Communist China since such denial is the sine qua non for developing it as a military and political asset.

(2) We

(2) We should clearly recognize that denial of Formosa is not an end in itself but only a means to an end.

(3) Beyond those measures deemed absolutely necessary for the defense of Formosa, we should direct our policies and actions toward making Formosa a flexible instrument of pressure and inducement with respect to Communist China.

This basic political framework should, of course, be viewed in relation to certain other factors, arising principally from the fact that we cannot totally disregard our own international commitments regarding Formosa and the interests of other countries in the "Formosa situation". Outstanding among these factors are (1) the Cairo Declaration, (2) Formosa in relation to a Japanese peace treaty, (3) UN interest in Formosa, both in relation to a possible settlement in Korea and in relation to a determination of its ultimate political status, and (4) our political relations with other interested nations in the Western Pacific and in Asia. These factors are discussed subsequently under separate headings.

U.S. Military

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U.S. Military Assistance to Formosa.

Formosa cannot be denied to the Chinese Communists without the direct use of U.S. air and naval forces in its defense. This view is supported by intelligence estimates of Nationalist and Communist capabilities over the past year and a half. Furthermore, owing to the basic imbalance of military potentials, it is unlikely that Nationalist forces on Formosa can be so strengthened through the provision of military materiel and training that they can successfully defend Formosa without the direct participation of U.S. forces unless there is a partial or complete breakdown of the mainland regime. From this, it is evident that we must continue to have available U.S. naval and air forces which we should seek to terminate as soon as possible. We cannot expect to terminate it through the provision of military supplies and training to Nationalist forces. We must, rather, seek to relieve ourselves of this commitment through the partial or complete achievement of our basic objectives respecting mainland China.

If we are to make maximum use of Formosa in achieving these objectives, it is of the utmost importance that we resist the temptation to embark upon a military aid program designed simply to build up Nationalist military strength. To do so

To do so would be to deprive ourselves of our principal means of influencing developments on Formosa. We should, rather, make a clear distinction between military assistance which the Nationalists are confident of receiving and military assistance which they cannot be sure of receiving. Nationalist leaders are doubtless fully convinced now that we will not permit Formosa to fall to the Communists. Consequently, the continued availability of U.S. air and naval forces for the defense of Formosa and the provision of such strictly limited quantities and categories of materiel as is necessary to insure a successful defense against Communist attack are in no real sense subject to negotiation and provide us little, if any, leverage for influencing Nationalist leaders. On the other hand, those leaders cannot be similarly confident that we will provide military assistance beyond the basic minimum for defense, that we will lift the present restriction on military operations against the mainland, or that we will provide logistic or other support for such operations. These measures are clearly negotiable and, if skillfully developed, could provide a powerful leverage for influencing the Nationalist leadership. In short, it is proposed that these measures be conditional upon certain basic changes on

Formosa

Formosa which, as will be discussed later, are necessary if Formosa is to be an asset to us. There should be no element of bluff in our approach to the Nationalists in this matter; we should be fully prepared to stand firm until the necessary changes eventuate. (Under the circumstances outlined, we can afford to stand firm because our military objective of keeping Formosa out of Communist hands will not be jeopardized thereby and our political purpose of using Formosa to further our objectives on the mainland cannot be accomplished unless the changes are made.)

With this in mind, the question of lifting present restriction on Nationalist military operations against the mainland requires special consideration. While this step is theoretically negotiable, it is probable that we shall in due course have to lift this restriction regardless of whether our conditions are accepted or not. In such circumstances it would be unwise to include this measure among the negotiable items. Furthermore, there are some benefits to be derived from lifting these restrictions in the early future. Such a step would increase pressure on the Communists and if, as is deemed likely, the Nationalists engaged in harassing action against the mainland, positive evidence

evidence would become available respecting two heretofore theoretical estimates - (1) the vulnerability of South China, and (2) morale and fighting quality of Nationalist forces. Finally, it is probable that whenever Communist invasion preparations reach an advanced stage, heavy pressure for lifting of these restrictions on military grounds would develop.

U.S. military assistance should be considered but one component of a closely integrated total program. If it is to serve other than limited purposes of military defense, it must be made an effective instrument in complex and delicate political moves. There must be the closest coordination between the U.S. diplomatic and military establishments in Formosa and there must be identical interpretation of U.S. policy to the Chinese by each group. This close operating coordination can only be achieved if the responsibility of all U.S. Government officials on Formosa to the principal diplomatic officer is clearly established.

In summary it is proposed that the question of U.S. military assistance to Formosa be resolved along the following general lines:

(1) The availability of U.S. naval and air forces for participation in the defense of Formosa be

continued

continued until such time as (a) changed conditions in mainland China, such as a decay of Communist power in a reorientation of the regime, make this no longer necessary; or, (b) overall military considerations relating to the disposition of U.S. forces make it impossible;

(2) That at this time only the minimum amounts of military supplies and training necessary for the defense of Formosa, with due regard to (1) above be provided the Chinese;

(3) The provision of any military assistance beyond that specified in (1) and (2) above, and in particular any further military assistance looking toward a return of Nationalist forces to the mainland, be conditional upon certain political changes in Formosa deemed necessary to give such a venture reasonable prospects of success;

(4) The lifting of present restrictions on Nationalist military operations against the mainland not be included in (3) above but rather be looked upon and used, when this becomes desirable, as a means for increasing pressure on the Communists; and

(5) The

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(5) The responsibility of any military mission or advisory group to the principal diplomatic officer in all matters of policy be clear and definitive.

Economic Assistance to Formosa.

Our policy respecting economic assistance to Formosa should parallel that respecting military assistance. That is, we should provide only such assistance as is necessary to maintain the level of economic and political stability needed for the defense of Formosa. Economic assistance designed to contribute to or support a Nationalist return to the mainland should be withheld for bargaining purposes.

Nationalist Leadership on Formosa.

While Formosa has many assets which could, if properly utilized, be of incalculable value to a unified, coordinated, anti-Communist movement, it would be unrealistic to think that forces presently on Formosa could, even with our support, themselves overthrow or fragment the Communist regime. The principal sources of strength for such a movement must be sought on the mainland. Such sources exist potentially in (1) the widespread discontent and unorganized opposition (overt and covert) existing on the mainland, and (2) the defection

defection of Communist military forces. The process of welding the raw materials referred to in (1) into organized forces capable of meeting and defeating the Communist armies in battle would be difficult and slow. Unless the defection of Communist military forces can be stimulated, we can expect no sudden or rapid improvement in prospects for achieving our objectives in China. While there is no conclusive evidence that a process of defection could be set in motion, even under ideal circumstances, such a process would be in keeping with the Chinese tradition. If such a process were to occur, the power relationship in China might well undergo dramatic change. The possibility of it is deemed sufficiently great to warrant intensive and continuing effort to set it in motion. This effort necessarily must be exercised primarily through Chinese channels.

It is judged improbable that the present nationalist leadership on Formosa could have widespread success in uniting existing opposition to the Communists or in organizing new opposition; it is even less probable that it could induce Communist defections. The failure of the same leadership to cope with the Communists when the physical odds were all in its favor does not inspire confidence.

confidence. The fate of independent and semi-independent leaders who have thrown in their lot with Chiang Kai-shek only to be shorn of power and reduced to impotence (General Pai Chung-hsi is currently a case in point) and Chiang's traditional policy of destroying any "third force" movements (it is even now reported that the KMT have given top priority to the destruction of such movements and groups) discourages other leaders from making common cause with him. The psychology of Chiang makes him incapable of subordinating himself and the KMT to the position of a co-equal in a united resistance movement. This means as long as the present leadership continues on Formosa, the objective of any resistance movement in which Formosa plays a part will be the restoration of the present Nationalist hierachy, lock, stock, and barrel, to control of China. This prospect is naturally unappealing to much of the actual and potential opposition in China and probably totally unacceptable to potential defectors in the Communist camp, who could only be attracted by liberal "new deal" movement in which they might find a place. Finally, Chiang has never appreciated the importance of weakening the enemy through defection (although the skillful exploitation of this line of attack contributed greatly to his

to his own defeat) and there is reason to believe that he still does not appreciate the importance and understand the use of this weapon.

Notwithstanding very favorable odds in every category of physical strength, the Nationalists were decisively defeated by the Communists in the short period of two years. An analysis of the record shows that political ineptitude and military incompetence in Nationalist leadership contributed heavily to this defeat. The present Nationalist leadership is substantially the same as that which on the mainland guided the Nationalist cause to the brink of complete and irremediable disaster. There is little reason to believe that there has been important improvement in the basic quality of that leadership. The principal improvement in the situation has been the growth on the mainland of disillusionment with and opposition to the Communists. But, as has been pointed out, the present Nationalist leadership has little prospect of effectively harnessing and exploiting that opposition. In these circumstances it would be unwise for us to support or tie ourselves to a return to the mainland of the Nationalist leadership as at present constituted.

Yet, as has already been observed, Formosa could play an important, perhaps vital, part in a coordinated resistance movement.

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The conclusion

The conclusion is clear -- we should encourage a change in Nationalist leadership. Our principal means of encouraging this change lies in withholding that category of military and economic assistance designated "negotiable" in the preceding sections until the changes are forthcoming. The basic purpose of the Nationalist regime and of the individuals comprising and supporting it is to return to the mainland and there is doubtless a widespread appreciation that such a move would have to be indefinitely postponed or given up altogether without substantial U.S. support, at least in the form of supplies and equipment. Our withholding of this support could thus be expected to develop heavy pressure for the requisite changes. This pressure would be augmented were we to proceed vigorously and independently of the Nationalists to support "third force" groups.

What is contemplated, specifically, is that we would inform Chiang under circumstances of complete privacy of our decisions as set forth above and reasons therefor in such terms as would lead him to see his withdrawal as a final act of patriotism. If this move were unsuccessful, we would then permit our decisions to become known in Chinese Nationalist circles. Details of these steps are beyond

beyond the scope of this paper and would have to be the subject of separate study.

Political Status of Formosa: the Cairo Declaration.

Neither an independent Formosa nor Formosa under a trusteeship could successfully defend itself against mainland China. The protection of Formosa would inevitably fall upon United States forces (no other power would be willing and able to provide such protection). This commitment of U.S. forces would be permanent in nature. Our sponsorship of the detachment of Formosa from China would create great opposition within China and, unless we were able to bring about at some later date the reincorporation of the island, we would find that we had erected a permanent obstacle to the establishment of good relations with any mainland Chinese Government. Finally, Formosa with independent or trusteeship status would not fully meet our present military requirements and would be practically useless as either an instrument of pressure against the Communist regime or as an inducement with respect to the regime. In short, our purposes and interests are best served if Formosa continues to have the status of Chinese territory.

Since

Since Formosa is racially, culturally, and historically predominently Chinese, since it is now in Chinese hands, and since our own interests are, on balance, best served if it continues to have the status of Chinese territory, we should on a suitable occasion reaffirm that we, for our part, continue to support the disposition of Formosa envisaged in the Cairo Declaration. The effect of such reaffirmation within China and Asia would be good and one point of disagreement with our friends and allies would be eliminated. Similarly, we would be able to accede to the British request that the proposed Japanese peace treaty transfer sovereignty over Formosa from Japan to China.

Formosa in relation to the Settlement of Far Eastern Problems.

Since Formosa may be made a major asset in attacking the problem of Communist control of China, we should not make significant concessions with respect to Formosa in order to obtain settlement of limited Far Eastern problems, such as Korea. We should seek to avoid discussions or negotiations, the object or result of which would be to make the settlement of individual Far Eastern problems (as opposed to a general settlement) contingent upon the abandonment of our position respecting Formosa.

We should

We should be prepared to make substantial concessions respecting Formosa only as a part of a general settlement with Communist China which would reasonably assure the achievement of our basic objectives respecting China.

Formosa and our Relations with other Friendly Countries.

The British Government, and possibly certain other friendly governments, should be given the substance of the foregoing as representing basic and carefully weighed U.S. Government policy. It is judged that such governments would find the proposed policy reassuring in many respects. In any case, conviction on the part of those governments that we know what we want with respect to Formosa and China and that we have a national policy respecting these questions, on which we are determined to follow through, would, in itself, lessen discord and create confidence.

Distribution

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4/4/51

Return to CA-Patterson

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WWS #2
RES

January 5, 1951

To: FE - Mr. Rusk

From: FE - Mr. Merchant

Subject: Formosa

It is unnecessary to detail the almost insoluble military foreign policy and domestic political aspects of the dilemma of Formosa. I suggest the following as a formula to be considered:

1. On the assumption that within a few days the UN will make a finding of aggression against Communist China, I suggest that the U.S. immediately thereafter introduce a resolution in the UN which would (1) briefly refer to the problem and its nature, (2) declare that the ultimate political disposition of Formosa should be accomplished by international agreement and not by the use of force and (3) call upon all members to respect and to support this declaration.

2. Concurrently with the introduction of a resolution along these lines, the President should announce (1) that he is withdrawing the Seventh Fleet from the Straits of Formosa, but that (2) it will be available in the event of any future threat of the forceable seizure of Formosa to resist such an attack, (3) that he has released the National Government from its commitment to abstain from any attacks against the Mainland and (4) that the U.S. Government will continue to provide selected military assistance to the National Government but that it will not support with its armed forces any military activities undertaken by the National Government.

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EXHIBIT 19

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US POS/4

DELEGATION OF THE UNITED STATES OF AMERICA
TO THE
CONFERENCE FOR CONCLUSION AND SIGNATURE
OF TREATY OF PEACE WITH JAPAN
San Francisco, California
September, 1951

FORMOSA

In the Cairo Declaration the U.S., U.K. and China stated their purpose to restore Formosa to the "Republic of China". In the Potsdam Proclamation the U.S., U.K., China and subsequently the U.S.S.R. agreed that "The terms of the Cairo Declaration shall be carried out." In the Surrender Instrument Japan accepted the Potsdam provisions and hence the terms of the Cairo Declaration.

It is the view of the United States that circumstances respecting the disposition of Formosa have so altered since the time of the Cairo and Potsdam Agreements as to necessitate a fundamental reconsideration of the matter. In view of the complicated nature of the problem it is not considered advisable or in any way necessary to attempt such a reconsideration in connection with the Japanese peace treaty. In the opinion of the United States it is sufficient merely to have Japan remove itself from the scene by renouncing its rights and interests in Formosa. Attempts to solve the Formosa problem in the treaty would merely mean indefinite postponement of the settlement, which all agree should not be longer deferred. The treaty with Japan should not be thought of as a vehicle for the solution of unrelated or partially related Far Eastern problems, but the right kind of treaty concluded without further delay can be an important step toward the solution of those problems.

It has been suggested by several countries that Formosa be ceded to "China" in the peace treaty but that affectuation of the transfer be deferred until a greater degree of unanimity has been obtained on the question of what government properly represents China. It is the view of the United States that if it is agreed that the question of the time when Formosa should be returned to China should be left open, this equally makes it appropriate that the whole matter be left unresolved by the treaty, save for the elimination of Japan's interest. No one can say that at some future unpredictable date a return to China would necessarily serve the best interests of the inhabitants, whose welfare, under the Charter of the United Nations, is paramount (Article 73). The fact that the Cairo Declaration, which it should be noted also deals with Manchuria and Korea, is not to be now implemented by the Japanese treaty does not mean, however, that the Declaration will later be ignored by the Governments which made the Declaration, two of which are sponsors of the Treaty and the third, Chiang Kai-shek.

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By CM NARA Date 7-7-08

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EXHIBIT 20

BUDGET COMPARISONS

All Governments on Taiwan

February 18, 1952

(00.000 omitted)

	1950	1951	1952
National Government	1,313.0	1,334.7	1494.9 1/
Provincial Government	264.7	446.2	494 2/
Prefectures & Municipalities	325.9 3/	411.0	520.2
Townships and Villages	75.0 3/	101.9	290.4
Total	1,978.6	2,293.8	2,800.2
U. S. Aid	125.2	161.6	290.0
TOTAL	1,853.4	2,132.2	2,510.2

1/ Principally increase in debt service, full year's pay to cover last pay raise in May 1951, and inclusion of more of the service charges (telephone, food, transportation, etc.) not in the 1951 and 1952 budgets.

2/ Principally pay raise for full year and transfer of Peace Preservation Corps (State Police) from the military budget.

3/ No adequate figures. This is estimated.

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EXHIBIT 21

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FE & Mr. Allison

August 22, 1952

CA - Walter P. McConaughy

Program Analysis: MSA Formosa

From fiscal year 1951 through fiscal year 1953 approximately 275.4 million dollars has become available for general economic aid and for items of common use as military support in the program for Formosa. During the same period approximately 424.6 million has become available for military aid, thus making a grand total of about 700 million dollars for aid to Formosa during the three fiscal years.

In presenting program justifications to Congress, in planning within the Department and in conversations with other agencies, State has assumed that both our objectives on Formosa and our program techniques there stem from a basic military consideration that Formosa is of such strategic importance to the U.S. that it must not be allowed to fall under Communist control. Thus, Congress has been advised repeatedly that Formosa is in a class by itself and that the large general economic program, together with the large common use program, is justified primarily by its close relationship with the military assistance program.

In general our objectives on Formosa are:

(1) To prevent Formosa from falling into Communist hands.

(2) To encourage the development of a strong, competent Chinese Government on Formosa capable of commanding the respect and support of Chinese on Formosa and elsewhere.

(3) To increase the capability of the Chinese Nationalist armed forces to resist external attack and insure internal stability through a program of military assistance.

(4) To encourage and assist in the development of a viable economy on Formosa capable of providing an adequate level of economic well-being to permit political stability and to provide such special economic assistance as may be necessary to support the military assistance program.

In reviewing program accomplishments to date, the first important consideration is the rate at which the funds appropriated for military assistance have been expended or obligated for materiel and training. There are approximately 665 members of the MAAG now on Formosa and the training and reorganization plans appear to be going ahead fairly rapidly and smoothly. On the other hand, shipments of materiel are far behind the

limits

SECRET SECURITY INFORMATION

limits authorized by appropriated funds. Since Formosa is sufficiently important to the United States in a military, strategic sense to justify requests to Congress for a large MAAG and an expensive economic program, military materiel shipments should not be permitted to continue to lag far behind schedule.

In the past it has been customary to speak of the Chinese armed forces as consisting of some 600,000 personnel. The best information available to State indicates that the total is not larger than 540,000 including a large number of civilians and non-combat personnel. It appears that a more realistic figure, in a strategic sense, based upon the views of informed observers, is approximately 200,000 combat men of whom not more than one-half might be useable outside Formosa. Considered in these realistic terms, the assignment of about 775 U.S. personnel to MAAG, the continuation of a military assistance program over at least a five-year period, and the expenditure of at least three-quarters of a billion dollars on military assistance should be examined critically. If the present military assistance program is geared solely towards the objective of enabling the Chinese to acquire increased ability to defend themselves, the present MAAG is perhaps overly large and total funds required are probably excessive in view of United States commitments elsewhere, since the Department has been assured repeatedly by many United States military officers that successful defense of the island against a major assault must assume the availability of both Seventh Fleet units and the Thirteenth Air Force. CA believes it more realistic to justify a continuing major military investment in the combat forces on Formosa with a view to building up and maintaining them as a strategic reserve constituting an important part of the total anti-Communist forces available in the Far East area.

Politically it is in the interest of both the United States and the Chinese Government that the Chinese Government acquire increasing international prestige, acquire internal economic stability, and develop an impressive military strength. While financial, technical and materiel assistance was necessary during emergency conditions which developed upon the abrupt departure of the National Government from the mainland, and likewise is still necessary while basic adjustments are being made, it is imperative that the Government on Formosa through its own actions demonstrate to the world its decreasing dependence on the United States. The acquisition of major military materiel items, the securing of replacement parts therefore and the purchase of such closely related common use items as petroleum may well require an indefinite U.S. financial contribution to Formosa. However, this consideration should not be viewed as an automatic justification on military grounds for an indefintely continued large-scale assistance program.

In 1950 about 40 million dollars worth of general commodities were channeled to Formosa through ECA. From 1950 through 1951 the general nature of the aid program effort on Formosa was such as to make general welfare and consumer commodity projects largely justifiable under emergency conditions. Today Formosa is just barely solvent

economically

economically because U.S. aid funds not only are generating sizeable counterpart funds for use in costly military projects but also continue to generate funds for direct support of the Formosa budget. In that sense the program to date has been a success. However, continuing expenditures of this sort are likely to accomplish little of a permanent nature, will encourage the Chinese Government to look to the U.S. Government annually for sufficient supplementary funds to balance its budget and probably will contribute to an indefintely prolonged United States financial involvement in the Formosa economy.

The Embassy at Taipei and the MSA Formosa mission, with encouragement from the Department and MSA Washington, are already beginning consultations with the Chinese looking to the termination of purely economic assistance from the United States within a definite time. The target date in these discussions is mid-1956, which should accord with the termination of the military "hardware" program except for a fixed amount of maintenance costs and upkeep. This effort, which is keyed to inducing the Chinese Government to want to stand on its own feet, is a worthwhile one and in our view should be encouraged despite the interest of some groups on Formosa and in the U.S. in continuing a sort of charitable relief program far beyond Formosa's normal needs and contrary to the best interests of the Chinese in the long run.

An essential corollary of this effort is a shift in type of economic aid from saleable commodities to generate counterpart over to industrial and capital repair, expansion, and development. There appears further room for development of natural resources (coal, possibly oil, other minerals, forestry products, etc.). It is a disappointment that early 1954 budget submissions from MSA Formosa continue to urge a large commodity program at the expense of industrail development. The chief reason given is the necessity to generate sufficient local currency, without added printing-press money, to meet the local costs of the military support (common-use) program. This reasoning should be examined very closely, since it approaches a spend-land philosophy which could be fatal to aid programs in general, were it to be adopted as a rationale for all such efforts.

What seems required to assure Formosa's maximum use of resources and skills is incentive, greater productivity, a philosophy of self-support, and undoubtedly some outside capital. If the Chinese can be guided to stimulate production and carry on the affairs of the Government on Formosa in a businesslike, realistic way, there are increasing evidences that capital from private U.S. sources will flow into the economy, bringing with it American developmental and engineering talent. Such a development, which this Department has tried to assist by encouraging the MSA investment guaranty program (protecting U.S. investors against unreasonable expropriation and inconvertibility), by the recent

appointment

appointment to the Embassy staff of personnel skilled in private U.S. commercial relations with citizens of foreign countries, and by repeated emphasis in discussions with MSA on the benefits of channeling operations to private enterprise, could do much to restore the political and financial credit of the Chinese Government. The restoration of credit and prestige could, in turn, serve to induce the flow to Formosa from Chinese throughout the world of the funds and skills which have been largely denied to the Chinese Government from this source since their flight from the mainland.

FE:GA:AOHope:WOAnderson:gwb/ga

EXHIBIT 22

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(Chinese agency Classification)

Translation of Prime Minister Chen Cheng's letter to Dr. Hubert G. Schenck

November 30th, 1952

Dr. Hubert G. Schenck
Chief of Mission
Mutual Security Agency
Mission to China
Taipei, Taiwan

Dear Dr. Schenck:

I have the honor to transmit to you under the instructions of the President, the attached Four-Year Plan for Attainment of Economic Independence by the Government of the Republic of China, with the request that you forward the Plan to your Government for consideration.

The Chinese Government's own efforts and United States aid have been instrumental in bringing about Taiwan's recent remarkable success in achieving a relative economic stability and an increase in industrial and agricultural production. Appreciation of your Government's friendly assistance accelerates our effort towards an eventual attainment of economic independence in the near future. The aforesaid Plan may be viewed as an initial crystallization of such an effort. Under this Plan, economic independence will be attained through rational agricultural and industrial development, eventual increase in national income, and balance in the Government's budget.

It is realized that implementation of the Plan calls for an effective organization or authority with full power to implement this Plan, and coordinate all bodies and institutions concerned, to attain this objective. Such an organization or authority is now under consideration and will be discussed in and coordinated with the Economic Stabilization Board.

While in the Plan are embodied such composite feature as agricultural and industrial production goals, means for their attainment, foreign exchange earnings and savings, expenditures and investments, and estimated national incomes, detailed component projects are being further worked out. In the course of implementation, unforeseen events, national or international, may of course necessitate changes. The previously mentioned authority also would be charged with a continuing refinement in the Plan in the further details obviously requiring additional analysis and planning.

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By D NARA Date 5/22/08

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As you will note, an estimated increase in national income is the keystone of the Plan. It has been estimated that by 1956 the net national income will be some 1.6 billion New Taiwan Dollars over that of 1952. Thirty per cent (30%) of this increase must be absorbed into Government revenue for balancing the budget. Equitable devices are being designed for siphoning this 30% into the Government revenue channel.

It is also realized that the implementation of the Plan is a monumental undertaking. An all-out effort is a pre-requisite. Therefore, private investment is to be vigorously induced and fully enlisted to share with the Government in increasing production and national income.

The Chinese Government intends to spare no effort in implementing the Plan. As you will note, the ultimate objective requires a total final economic aid of US$242,060,000 (apart from Military Assistance) over the entire period to the point of economic independence, in decreasing annual amounts.

Your Government's aid to Free China has brought about remarkable results in this strategic bastion against communism. This Plan intends to continue these improvements to their ultimate conclusion, an economically strong and independent ally in the family of democratic nations.

The foundation on which this result is premised is the availability of the above indicated minimum total amount of economic aids in order to avoid further dependence upon the generosity of our American ally.

Yours sincerely,

Chen Cheng
Prime Minister,
Concurrently Chairman of the
Council for United StatesAid

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EXHIBIT 23

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FOUR-YEAR PLAN

for

ATTAINMENT OF ECONOMIC INDEPENDENCE

by the

GOVERNMENT OF THE REPUBLIC OF CHINA

November 1952

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(Note: With Table Attachments)

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GENERAL INTRODUCTION

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GENERAL INTRODUCTION

In 1949 & 1950, the influx of both civilian population and troops evacuated from the mainland confronted this island immediately with a burden that has proved a strain on the whole field of its economy. The inflation of currency and the almost continuous rise of commodity prices throughout 1949, 1950 and 1951 resulted. But, with the gradual increase of American goods arriving in Taiwan, achieved increased production of rice, and the extension of industrial reconstruction, there has been a stable trend of prices as shown by the indices and inflation was held in check during 1952, especially since March 1952. It has been said, "We are leaving the phase of defensive protection against inflation; we are entering the phase of progressive development".

During the 45 months from January 1949 to September 1952, what was required to support our military expenditure, above our productivity? It may be calculated as follows:-

1949	US-aid supplies arrivals	US$ 8,000,000
1950	" " "	19,252,052
1951	" " "	56,621,030
1952 (Jan.-Sept.)	" " "	72,869,466
	Sub-Total	US$156,742,548
1949-1950	Gold sold by Gov't (1,872,970 Shih Liang)	US$ 65,553,950
1949 up to the end of Sept 1952	Foreign Exchange supplied by Government Banks	33,365,758
	Sub-Total	US$ 98,919,708
	Grand Total	US$255,662,256

Judging from the above figures, we know that in the past 45 months we have been supplied with about US$68,000,000 per year, or about US$5,680,000 per month to sustain our army of 600,000 combat men. It should be noted that at the same time, we have begun to invest some of these resources in developing industry and agriculture. So it can be recognized that Taiwan has entered a "new phase". We have now both a determination to make increasing progress on this island, and we trust we have enough ability to overcome all the difficulties. In fact, some difficulties have been surmounted.

Now it is most important that we strive to continue increasing production, in anticipation of self support being realized at a given time. To carry this out, we must from now on increase our investments in industrial and agricultural fields. With this aspiration and effort we hope to be worthy of aid, both economical and technical, from America in the immediate future years.

Through a long period of study and investigation, technical experts and agriculture specialists, both Chinese and American, have evolved two plans of immense value:

1. A four year plan for increasing production and exports of rice and other principal agricultural products through 1953 to 1956. It is estimated that by 1956 there will be an increase of US$22,858,000 in foreign exchange proceeds, as compared with 1952 from the exportable surplus of the crops.

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2. The industrial development-financing and production plan. It is estimated that by 1956 there can be an increase of US$48,599,000 in foreign exchange earnings and savings, as compared with 1952.

We have made an estimate of foreign exchange receipts and the import requirements for the years 1953 to 1956. The increase of consumption following the upward trend of population has been allowed for. The forecast takes a conservative point of view as to the prices of rice, salt and sugar in foreign markets within these future years. Then by adding in the amount of industrial investments required for these years and the balance from remittances, outward and inward, we foresee a deficit in foreign exchange of the following amounts:-

1952	US$ 98,219,000
1953	97,340,000
1954	84,401,000
1955	44,466,000
1956	27,771,000

It should be noted that only a rather conservative estimate of foreign investments has been included in the above figures. Viewing the gradual diminution of deficit, we are convinced that foreign exchange required for imports and international payments can be self supplied from 1957, if MSA-aid supplies arrive in time and quantity to offset our deficit in foreign exchange through the formative years of our productive development. Only then, can our plan for increased production be carried out accordingly.

Technical aid, economic aid, and supplementary military aid have all been included in the estimates of the aid program.

It is hoped that by 1954, military common-use items can gradually be purchased with foreign exchange realized from exports. (In 1952, about US$12,500,000 of Government exchange were used for procuring military supplies, such as uniforms and flour. In preparing these estimates, 1952 figures were used, though less exchange will be required in the future, since military uniforms will be made locally and flour can be bartered with military rice. It is planned that exchange thus saved can be laid aside as a resource for other military common items.)

(A) Amount already authorized:		(A) Amount already arrived:	
FY1949	-	CY1949	US$ 8,000,000 (Aid trans-shipped from mainland)
FY1950	US$. 11,240,847	CY1950	19,242,052 (commodities only)
FY1951	94,567,940	CY1951	56,621,030 (commodities only)
FY1952	83,667,275	CY1952 (Jan-Sept)	72,869,466 (commodities only)
FY1953	102,378,000	CY1950-52 (Sept.)	4,285,981 (Technical Assistance)
TOTAL	US$291,854,062	TOTAL	US$153,018,529

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(B) Amount Needed:		(B) Needed Arrivals:	
FY1954	US$134,163,000	CY1952 (Oct-Dec)	US$ 36,457,533
		CY1953	130,796,000
FY1955	64,896,000	CY1954	105,751,000
		CY1955	64,896,000
FY1956	43,001,000	CY1956	43,001,000
TOTAL	US$242,060,000	TOTAL	US$380,895,533
GRAND TOTAL	US$533,914,062	GRAND TOTAL	US$533,914,062

Concomitantly with this plan for increased production and balancing international payments, the Government should undertake:

(a) to hold Government expenditures to those absolute necessary

(b) to increase the Government revenues concurrent with the increased production and ratably upon its net value.

In CY1952, our budget has not been balanced from our own revenue sources The items appropriated from the Counterpart Fund Account, into which the proceeds from American aid supplies are transferred, show budgetary aid as follows:

Government Budgetary Aid (direct)	NT$290,000,000
Supplementary Military Budget	225,000,000
JCRR Fund	60,000,000
Industrial Construction	153,000,000
Administrative Expenses for CUSA, MSA, JCRR, JGWhite	40,000,000
TOTAL	NT$768,000,000

Under the plans formulated, no special appropriation will be necessary for industrial reconstruction and for CUSA projects from 1957 onward. By that time, the military supplementary budget perhaps can be cut to half (50%). But, the balance, together with the other two items, amounts to NT$462,500,000.- and must be balanced by increasing governmental revenues.

There is attached an estimate of net national income at factor cost reflecting the increased productivity which we visualize under the industrial and agricultural plans Therein it is estimated that by 1956 the net national income may be some NT$1.6 billion more than that of 1952. If 30% of the increase be absorbed into governmental revenue, the indicated shortage (NT$462.5 million) may be met and a balanced budget attained with Government revenues secured.

It should also be noted that the capital requirements for the agricultural and industrial production programs covering the 4-year period from 1953 to 1956 may be derived from the following three resources:

(1) The Counterpart Fund,

(2) Repayments of bank loans made by various productive enterprises, and

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(3) Increased bank deposits made possible under a stable economy.

All the financial resources have been included in the detailed explanations of the various projects herein contained. As to the manpower required for such production programs, it is estimated that there will be an annual increase of 3% in the population and 15,000 - 25,000 military personnel retiring from active duty annually Such available manpower can all be directed to channels of production.

It is believed that, through the collaborated efforts of the Government and the U. S. Aid authorities, the objective for the gradual attainment of economic self-support in Taiwan can be reached according to the formulated plan.

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I. AGRICULTURAL PRODUCTION GOALS

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PART I. AGRICULTURAL PRODUCTION GOALS

A. Production Goals

As a part of the effort to further build up the economy of the National Government of China in Taiwan to approach self-sufficiency, it is contemplated that 14 kinds of major crops will be placed on a basis of planned production starting 1953. Goals for the acreage and production of these crops from 1953 through 1956 have been projected herein based on technical feasibilities and proper coordination and functioning of the available personnel, capital and facilities.

1. Increase of rice production: -- On one hand, to meet the increasing local demand for rice following the growth of population, and, on the other hand, to enhance the rice export for acquiring more foreign exchange. The production goals in term of brown rice are as follows:

1952	1,600,000 M.T.
1953	1,700,000 M.T.
1954	1,760,000 M.T.
1955	1,810,000 M.T.
1956	1,850,000 M.T.
Increase in 1956 over 1952	250,000 M.T.

(For details refer to Appendix Table 1 and 2)

2. Increase of production of 7 other exportable farm products: -- to expand the export of these products and thereby increase the revenue of foreign exchange. The production of these crops in 1956 is projected to increase over that in 1952 at the following rate:

Products	1952 Production M.T.	1956 Production M.T.	Increase M.T.
Brown rice	1,600,000	1,850,000	250,000
Sugar	600,000	650,000	50,000
Brown sugar	13,800	15,000	1,200
Tea	11,900	15,400	3,500
Pineapple	43,396	108,800	65,404
Banana	120,000	120,000	--
Citrus	30,000	42,000	12,000
Citronella oil	1,461	943	--

The production goals of these crops are set after due consideration is given to the prospect of the export market. Increase in the export of brown sugar, banana and citronella oil is not expected to increase in the coming 4 years; neither is that of sugar after 1953. (For details refer to Appendix Table 1 and 2)

3. Increase of production of 4 farm products which Taiwan is now in deficit: -- to reduce the amount of import. The production of these crops in 1956 is projected to increase over that in 1952 at the following rate:

Products	1952 Production M.T.	1956 Production M.T.	Increase M.T.
Wheat	15,680	31,200	15,520
Peanuts	58,100	90,000	31,900
Soybean	13,200	28,000	14,800
Jute	20,800	20,800	--

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The above increase is estimated to have a total value of US$10,494,000 figuring according to the 1952 export price (Re Appendix Table 3). The increased portion of the production, however, is expected to be absorbed by the consumption of the ever growing population; and, therefore, may not successfully effect any actual reduction of import. It, however, does represent the amount of extra foreign exchange which Free China would have to spend in the coming years if the production of these crops are not increased as planned.

Local cotton production is very small. The entire amount of the cotton needed by the local textile industry will have to be imported at present as well as in the future. Since the cotton production on this Island will have little effect on the cotton import, this crop is not included in the present plan.

4. The acreage of sweet potato is projected for a gradual reduction after 1953 so that land may be released to accomodate, after irrigation facilities are installed, the expansion of rice acreage. Effort however should be made to boost the yield of sweet potatoes per hectare and to reduce the spoilage during harvesting, drying and storage, so that, in spite of the projected reduction of acreage, the total production of this crop may yet be raised to meet the expected increasing demand from the expanding hog population of the Island.

The tobacco production is to be maintained at the self-sufficient level. Up-grading of the quality of the tobacco leaves, instead of expansion of tobacco acreage, is the point of importance. (For details, refer to Appendix Table 1)

5. The present plan aims to set the course and relative magnitude of the production increase of the various major crops according to condition and trend foreseeable at present. Detail field programs based on, and in addition to, this Plan must be worked out and implemented so that the goals may be reached as closely as possible. It is to be expected, however, that the actual acreage and production of these crops in any one year may differ to some, and sometimes considerable, extent from the goals due to weather and other unpredictable conditions. For instance, it is entirely possible that the actual rice acreage planted in any one year may be several thousand hectares below or above the goal; or actual rice production may miss the goal by several thousand M.T. If sudden changes of world condition or the international market demand and supply should occur, the present Plan will be revised to meet such changes. The production of animal products, i.e. hog and chicken, is not included in this plan, because it is almost entirely for home consumption and perhaps will remain so in the coming four years; and, therefore, has little bearing on the international payment of the Island.

B. Means of Goal Attainment

1. Rice:

a. Expansion of acreage -- It is planned that the rice acreage will be increased by 55,000 hectare in 4 years ending 1956; (Re Appendix Table 1) which may be apportioned roughly as 48,000 hectare increase in first rice crop and 7,000 hectare for the second rice crop. The expansion will take place mostly in the southern part of the Island where large area of rice field are only planted to the second rice crop due to lack of irrigation in the spring. These lands can be turned into regular double rice crop fields with the help of irrigation projects. According to the plan, 40,000 hectares of the prospective new rice fields are to be

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watered by the installation of a large number of scattered small scale pumping water wells; whereas 15,000 hectare will obtain water from large irrigation projects. (Re Appendix Table 8 and 9). Acreage needed for expansion of rice fields will be provided mainly by reduction of the acreage of sweet potatoes.

b. Increase of yield per hectare -

(1) Quota of chemical fertilizer to each hectare of rice to be raised from year to year (Re Appendix Table 4).

(2) Increase of application of compost manure - Encouragement program, with subsidy from Government and JCRR, for farmers to repair or build compost houses have already been carried out for 2 years and is still being continued.

(3) Improvement of irrigation (Re Appendix Table 8 and 9.)

(4) Increase of the proportion of high yielding Horai varieties in the total rice acreage.

(5) Further improvement of the rice farming technique.

(6) Control of rice pest and disease has made good progress in recent years.

2. Sugarcane:

a. Acreage - The depression of the international and domestic sugar price and the gloomy outlook of the near future have prevented Free China to hold any optimism for its sugar export in the coming few years. While 100,000 hectare is set as the ceiling for sugarcane acreage for the coming years, it is probable that there will be a strong tendency for sugarcane acreage to stay below this goal. The tendency will also be for sugarcane to be pushed in some areas onto poorer land by rice. Intercropping of sugarcane with other upland crops will probably increase. In other words, even if the ceiling of 100,000 hectare is reached, the sugarcane will be occupying lower grade of land which is less desired for rice planting and sharing a higher percentage of its land with other intercrops. Therefore the basic productive capacity of a given area of sugarcane will be lower than heretofore, but attempts will be made to offset this by special measures to maintain or even increase yield per hectare.

b. Increase of yield per hectare - With the prospect of land use (including increased intercropping) for sugarcane as above, the maintenance or possible increase of yield per hectare becomes exceedingly important.

(1) Extension of improved varieties - Extension of NCO-310, a high yielding, poor land tolerant and wind resistant variety, has made a rapid start in 1952. The extension of this and other improved variety will be continued in the coming years.

(2) Land improvement - Including drilling of deep wells, extension of green manure, and application of more compost manure.

(3) Control of insect and disease - has always been given and will continue to receive adequate attention.

(4) Mechanization of sugarcane farming (Re Appendix Table 8)

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(5) Closing down of sugar mills in areas where the production and yield of cane are low - has been carried out in 1951 and 1952.

(6) Timely distribution of sugarcane production loan and chemical fertilizer - to encourage early fall planting.

(7) Extension of ratooning - is being initiated in promising areas.

3. Sugarcane for making brown sugar: The small increase of the acreage of sugarcane for brown sugar in 1953 as shown in the Plan is to be accounted by the fact that some of the cane growing in regions where the white sugar mills are closed down will be milled by the brown sugar mills. Otherwise, no sign is foreseen for increase of production of brown sugar.

4. Tea:

a. Acreage - The small increase in tea acreage projected for each year in the Plan is based on the tendency of rehabilitation of abandoned tea plantations by the farmers and the shifting to tea growing on slopes where farmers are gradually abandoning cymbopogon after the price of citronella oil had fallen.

b. Increase of yield per hectare - Small increase of yield of tea per hectare is deemed feasible as the JCRR projects of multiplication of improved tea seedlings and extension of lupine on tea plantation as green manure have entered their 3rd year and gradually taken effect in some regions. Chemical fertilizer has been allocated to tea plantations in 1952 for the first time since the War ended. The Provincial Department of Agriculture and Forestry has made plan to carry out a forceful educational and demonstrative program on improvement method for the management of tea plantations, starting 1953.

c. Reduction of production cost of the tea factories - Along with the Plan to boost the yield of fresh tea leaves from the plantations, the price of the fresh tea leaves, which has been unreasonably high for the last year and half, is to be rationalized, so that the production cost of the finished tea may be lowered.

d. Promotion of tea export - The export of tea is to be further facilitated by provision of production loan to the tea factories and of support prices to the tea exporters by the Government. The Government will undertake as a special project to assist in every way to help the private tea industry to expand the export of tea.

5. Pineapple:

a. Expansion of acreage - Acreage of pineapple is to be expanded by 5,000 hectare in the coming 4 years; mainly by rehabilitation of the former plantations that were abandoned during the War and by terracing the wasted land on gentle foot hills. In general, putting in new pineapple plantation in such a manner will not be in competition for land with any of the main crops. Attention has also been given to the need of soil conservation measures in openning up new hillside plantations.

b. Increase of yield per hectare - is to be brought about mainly through:

(1) Pest and disease control - is constantly being carried out.

(2) Selection and multiplication of seedlings of improved strains - has been started since 1951.

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c. Expansion of canning capacity - The present capacity of the pineapple canning industry in Taiwan is approximately 500,000 cases (or canning 25,000 M.T. of fresh pineapples) a year.

(1) In order to bring the export quantity from the present 300,000 cases (15,000 M.T. of fresh fruits) a year to a goal of 800,000 cases (40,000 M.T. of fresh fruits), the old canning machinery has to be inaugmented and partly replaced by new machineries. (Re Appendix Table 8).

(2) The tin plates for making cans are at present entirely imported. With the production of canned pineapple planned for enlargement, increasing supply of tin plates must be provided, or the export goal would not be realized. (Re Appendix Table 8).

6. Banana: The acreage, production and export goals for banana are to be maintained at their present levels.

7. Citrus: The farmers found it fairly profitable in growing citrus fruits in recent years. It is expected that new orchards will be put in by them in the coming years. Their attention to the control of pests and diseases and the use of seedlings of improved strains have also been aroused by JCRR projects. Since 1952, citrus has received allocation of chemical fertilizer. The increase of yield of fruits as projected in the Plan is deemed feasible.

8. Cymbopogon grass: Due to the rapid fall of the price of citronella oil on the international market, the acreage of Cymbopogon has started to decline. Unless up-turn of the price occurs, it is expected that the acreage of this grass will continue to fall from its present 16,000 hectare to 12,000 hectare in 4 years. Neither is it likely for the yield per hectare to rise.

9. Wheat:

a. Expansion of acreage - Wheat is planted in late fall on the rice field after the harvest of 2nd rice crop, or shortly prior to the rice harvest between the rice rows, and harvested in early spring before the 1st rice crop is transplanted. Expansion of its acreage is, therefore, not in conflict with other main crops. The following are the ways by which wheat acreage may be increased:

(1) In Taichung area where wheat acreage is the largest, wheat usually follows the 2nd crop of early Horai rice, but rarely follows the native rice which is harvested too late for planting wheat. Since it is our plan to increase the proportion of Horai rice acreage, wheat acreage may also be increased.

(2) The limiting factor for planting wheat in the Tainan area is the winter drought. Since irrigation in that area is to be improved under the rice expansion program more wheat planting will be made possible.

(3) Wheat seeds lose viability quickly in Taiwan when stored through the hot and moist summer and fall. Lack of seeds often becomes a problem in past attempts to introduce wheat planting into new areas. Cement drying grounds and wheat seed warehouses are to be built so that wheat seeds can be easily dried and properly stored for preservation of the viability of the seeds. Granary pest control will be carried out in the wheat seed warehouses.

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b. Increase of yield per hectare:

(1) Planting one crop of wheat after two crops of rice taxes heavily on the soil fertility. Allocation of chemical fertilizer to wheat is therefore important. Wheat farmers should also be encouraged to use more compost manure and to plant wheat only once in every two years on the same field, in alternation with one crop of winter green manure.

(2) Production loan are to be provided to wheat farmers to encourage them to adopt better farming practices.

(3) Regulation of import price of wheat - A low import price of wheat would naturally handicap the domestic wheat extension program. The price of imported wheat at the flour mills should be so regulated to leave enough incentive for domestic wheat production to expand to our goals.

10. Peanuts:

a. Expansion of acreage -

(1) Expansion of acreage of peanuts will take mainly the form of increasing intercropping with sugarcane. When the sugar price is low, interplanting with peanuts means additional income to the farmers and thus is actually helpful to the maintenance of sugarcane acreage.

(2) Utilization of newly reclaimed land - There are not much land to be reclaimed in the west coastal plain; but small patches are being reclaimed here and there in the eastern coast. Part of these lands could be used for planting peanuts.

(3) Encouraging the farmers to feed the hogs with peanut cakes in the place of soybean cake, and thereby to liven their interest in planting peanuts.

(4) Provision of production loan to peanut growers in general and seed loan to areas where peanut is a new crop.

b. Increase of yield per hectare -

(1) To gradually raise the quota of chemical fertilizer allocated to peanut fields, especially the phosphorous and potash fertilizers.

(2) To advocate the use of more compost manure.

(3) Extension of improved varieties - May be started after one or two years.

11. Soybean:

a. Expansion of acreage - Of the total soybean acreage on this Island, about one-third is spring-planted, whereas two-thirds are fall-planted. The present plan does not call for expansion of spring planted soybean acreage, lest it will compete for land with other major crops. The fall crop of soybean is usually planted on rice fields after the harvest of Horai rice, or between the rice rows a few weeks prior to the harvest of rice; and harvested before the transplanting of the first rice crop of the next year. So actually, fall planted soybean does not compete for land with other major crops. Like in the case of wheat, the 2nd crop of native rice is harvested too late to be followed by soybean. The expansion of soybean, therefore, also will be consequencial to the expansion of Horai rice acreage.

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b. Increase of yield per hectare - of soybean will depend mainly on the increase of using more phosphorous and potash fertilizer and compost manure.

12. Jute:

a. Acreage - The 1952 acreage of jute in Taiwan was 16,000 hectare. Due to the rare good weather for jute, a bumper crop was harvested. Besddes fulfilling the capacity of the local gunny bag mills, a carry over of 6,000 M.T. of jute fiber is available. The 1953 jute acreage is therefore projected at only 10,000 hectare, expecting to produce 10,000 M.T. of fiber. This plus the 6,000 M.T. of carry over from 1952 will meet the entire demand of the Island for 1953. From 1954 on, the acreage of jute is to be kept at 16,000 hectare to maintain the fiber production at a self-sufficient level.

b. Increase of yield per hectare - The yield of jute fluctuated considerably in the past, perhaps at a larger range than most of other crops. The very high yield (1,300 kg./ha.) is rather exceptional for Taiwan. A normal crop is at present estimated at a provincial average of about 1,000 kg. fiber per hectare. However, jute improvement work has taken long strides during the past few years. It is expected that the yield may be more stabilized and increased after 1954; through the following improvements:

(1) Extension of improved varieties.

(2) Choise of proper land, advocation of using more compost manure and prompt drainage after heavy rain storms.

(3) Field control of pests and disease of jute.

c. Improvement of quality of fiber - A few years ago, it took more than 1.50 kg. of the local jute fiber to weave one sugar bag weighing 1.20 kg.; whereas only 1.30 kg. of Indian/Pakistan jute was needed. In recent years, the quality of the local fiber has been greatly improved. The fiber requirement for making each 1.20 kg. bgg has been lowered to 1.35 kg. of the local fiber. It is to be further reduced to 1.30 kg. per bag so as to equate the Indian/Pakistan fiber. The means to effect the desired improvement are as follows:

(1) To build more jute retting ponds and warehouses.

(2) To strengthen the field supervision during the retting season to improve farmers' retting and drying methods in general.

(3) To improve the grading and baling of the fiber -- fiber of different grades should be strictly separated before baling.

13. Sweet Potato:

a. Reduction of acreage - The fluctuation of the acreage of sweet potato has always been following its natural course. The acreage planted in the fall of 1951 (harvested in 1952) dropped to around 210,000 ha. following low price of sweet potato of 1950 and 1951. The price went up rather sharply in 1952, and so did the planted acreage in the fall of 1952, reaching again to the neighborhood of 235,000 ha. according to a preliminary estimation.

Under the present plan, land is to be squeezed out for the further expansion of rice acreage, and the land of sweet potato is being looked upon as the main provider. The goal, therefore, calls for gradual reduction of the latter's acreage.

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A good portion of the fall planted sweet potatoes in the central and southern Taiwan on the west coast is planted between the rows of second rice crop before the latter is harvested. After the harvest of rice, sweet potato occupies the field for itself throughout the winter. After the sweet potato is harvested the next spring, the field is again planted to the first rice crop. By using this rotation system, sweet potato does not really compete with rice for land. Under the present plan, this system is to be further extended. Sweet potato is also quite extensively intercropped with sugarcane and peanuts. Intercropping with peanuts is also to be extended.

If the proportion of the acreage of intercropped sweet potato in the total sweet potato acreage be increased and that of single-cropped sweet potato proportionally decreased, the land area released from this crop will be even larger than the reduction of its total acreage as projected in the Plan.

b. Increase of yield per hectare -

(1) Allocation of chemical fertilizer to sweet potato has been started in 1952.

(2) Improvement of drainage in main producing area will serve to reduce damage due to excessive rain prior to and during the harvesting season.

c. Reduction of spoilage. Because of the hot and moist weather, the spoilage during sun-drying and storage (of sweet potato chips) amounts to at least 10 percent of the total production. Such tremendous loss is to be reduced by:

(1) Encouraging farmers to build cement drying grounds and small storage houses for sweet potato chips.

(2) Pest and mold control of the sweet potato chips in the warehouses of Farmers' Associations and Provincial Food Bureau.

14. Tobacco:

a. Acreage - Tobacco is a winter crop in Taiwan, planted on rice field after the harvest of the second rice crop and before the planting of the first rice crop of the next year. Expansion of tobacco acreage, therefore, is not in conflict with other main crops. However, indigenous tobacco production is now sufficient to meet the local demand as far as quantity is concerned. The acreage of tobacco is, therefore, not being planned for large expansion.

b. Yield per hectare - Unlike other crops, no plan is being made to emphasize the elevation of yield per hectare of tobacco, for, in that case, farmers will incline to harvest more leaves at the expense of the quality of the leaves.

c. Improvement of leave quality is the theme of tobacco production in Taiwan; and effort has been made from various approaches to bring about the desired improvement. The chances are promising.

C. Fertilizer and Funds Required for Goal Attainment

The amount of fertilizer required for carrying out the production plan of different years is given hereunder:

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1953	666,156 M.T.
1954	701,874 M.T.
1955	730,488 M.T.
1956	766,475 M.T.

It is estimated that the fertilizer requirement of 1956 will be 120,000 M.T. higher than that of 1953. But the local production of fertilizers is expected to be increased to 452,000 M.T. in 1956, which is 320,000 M.T. more than the production of 1952. The amount of imported fertilizer, therefore, can be reduced year after year although the total consumption will be increasing. (Re Appendix Table 4).

Even though the local production of fertilizer is to be increased, the present system of controlled allocation of chemical fertilizer will have to be continued, as long as considerable portion of the fertilizer must still be imported and the necessity remains for the Government to hold a sizable portion of the rice for maintaining social stability.

With the increase of local production of chemical fertilizer, the Government will need increasing amount of funds in local currency to make advance payment to the fertilizer company, though after the fertilizers are distributed to farmers these funds will be recovered in form of either paddy rice (in case of barter) or cash.

The Government will also need funds in local currency to provide production loans for the production of rice, sugarcane, sweet potato, wheat, soybean and peanuts, and marketing loans for the production of tea, pineapple, jute and tobacco. The total loan requirement for the coming four years is estimated as follows:

Year	Funds for advance payment for purchasing locally produced fertilizers NT$	Production and marketing loans NT$	Total loan requirement NT$
1953	187,916,410	359,500,000	547,416,410
1954	296,816,410	411,850,000	708,666,410
1955	560,816,410	420,000,000	980,816,410
1956	673,562,410	424,500,000	1,098,062,410

(For details, refer to Appendix Tables 5 and 7)

Furthermore, the Government will also need to make certain necessary capital investments (in irrigation projects and other construction) so that the desired increase of production may become physically possible. The total capital investment needed is estimated as follows:

Year	Capital needed for irrigation projects NT$	Capital needed for other construction NT$	Total capital requirement NT$
1953	37,600,000	36,700,000	74,300,000
1954	77,490,000	91,000,000	168,490,000
1955	78,398,000	58,700,000	137,098,000
1956	55,400,000	66,700,000	122,100,000

(For details refer to Appendix Tables 8 and 9).

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The following are among the possible sources of funds needed for the loan and capital investment.

(1) The funds received by the Bank of Taiwan from repayment of various loans of 1952 will be available for revolving in 1953 and later years.

(2) Counter-Part Fund will be called upon to contribute as much as may be available.

(3) If the stability of the economy of the Island continues or improves, part of the bank deposits may be used for agricultural production purposes.

(4) The funds needed for large irrigation projects will be covered mostly through increase of taxation.

D. Receipt of Foreign Exchange (and the Economic Value of the Locally Produced Farm Products Consumed in Taiwan)

It is estimated that the receipt of foreign exchange in 1956 from rice and other seven exportable farm products will be US$22,858,000 more than that of 1952. The export price of sugar in 1952 is considered as fair. For coming years, to be conservative, it is estimated at a lower price; and the total foreign exchange dervied from sugar export from 1953 on may be less than that from the 1952 export. The same condition applies to citronella oil. (For details, refer to Appendix Table 2).

In estimating the quantity of farm products available for export, the amount needed for home consumption is taken into consideration. This is especially true with the case of rice. For instance, the rate of increase of population in Taiwan is over 3 percent each year. The home consumption of rice is therefore estimated with a yearly increase of 3 percent, using the consumption of 1952, 1,448,500 M.T., as a base.

Year	Production goal M.T.	Estimated home consumption M.T.	Quantity of rice available for export M.T.
1953	1,700,000	1,491,963	208,000
1954	1,760,000	1,536,727	223,000
1955	1,810,000	1,582,824	227,000
1956	1,850,000	1,630,308	219,000

As for farm products for which Taiwan is deficient, i.e., wheat, although increase of production is projected for the coming years, it is assumed that the increased amount will be absorbed by the mounting domestic consumption. This conservatism is especially important in view of the fact that the population increase is above 3 percent while our estimate of the increase of home consumption of rice is only 3 percent per annum. Even at this rate, the amount of exportable rice in 1956 will already be less than that in 1955. In order to maintain the rice export at a high level, the deficit at home must be fulfilled by consuming more of other food crops. For the same reason, conservatism is also applied to the estimate of the effect of increasing production of peanuts and soybean on the saving of foreign exchange through reducing import. In short, the import of wheat, peanut and soybean (and their products) is not expected to be reduced even if the home production is increased.

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"The economic value of the locally produced farm products consumed in Taiwan" is calculated by multiplying the 1952 farm price of each of these products by the differences between their respective total production and quantity of export. This local "economic value" of these crops plus their value of export give us the total economic value of farm products in Taiwan for each year under planning.

It is estimated that the "economic value of the locally produced farm products consumed in Taiwan" in 1956 will be NT$699,955,250 higher than that of 1952. This increase is attributable mainly to the increase of consumption of food products (including cereal, oil crops and fruits) by the growing population. (For details, refer to Appendix Table 11).

In Appendix Table 11, one may wonder about the striking increase planned for the home consumption of pineapple. This is to be explained by two desires. One is that the local price of pineapple is relatively high. It is desirable to have it lowered so that more people will eat pineapple in the place of melons, which competes for land with crops grown on the alluvial plains, and milky cold drinks, which consumes foreign exchange. The second is the desirability to include some fruits as a part of the regular diet of, instead of a rare treat to, the armed forces.

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Table I Production Goals of Principal Crops in Taiwan, 1952-1956

Crop	1952 Acreage (ha.)	1952 Production (M.T.)	1952 Yield (kg/ha.)	1953 Acreage (ha.)	1953 Production (M.T.)	1953 Yield (kg/ha)	1954 Acreage (ha.)	1954 Production (M.T.)	1954 Yield (kg/ha)	1955 Acreage (ha.)	1955 Product (M.T.
Rice	790,000	1,600,000	2,025	805,000	1,700,000	2,112	820,000	1,760,000	2,146	835,000	1,810,0
Sugarcane	100,000	600,000	6,000	100,000	650,000	6,500	100,000	650,000	6,500	100,000	650,0
Sugarcane for brown sugar	4,600	13,800	3,000	5,000	15,000	3,000	5,000	15,000	3,000	5,000	15,0
Tea	42,500	11,900	280	43,000	12,900	300	44,000	14,000	320	44,000	14,5
Pineapple (planted acreage)	6,124			7,731			9,129			10,167	
(Harvested acreage)	2,924	43,396	14,840	3,731	62,083	16,900	5,129	86,688	16,900	6,167	99,4
Banana	16,000	120,000	7,500	16,000	120,000	7,500	16,000	120,000	7,500	16,000	120,0
us	5,000	30,000	6,000	5,500	33,000	6,000	6,000	36,000	6,000	6,500	39,0
pogon	16,600	1,461	79	15,000	1,179	79	14,000	1,100	79	13,000	1,0
t	14,350	15,680	1,093	20,000	24,000	1,200	22,000	26,400	1,200	24,000	28,8
uts	83,000	58,100	700	85,000	61,200	720	90,000	72,000	800	95,000	80,7
ean	22,000	13,200	600	23,000	13,800	600	26,000	18,200	700	30,000	22,5
	16,000	20,800	1,300	10,000	10,000	1,000	16,000	17,600	1,100	16,000	19,2
t potato	210,000	2,100,000	10,000	235,000	2,585,000	11,000	225,000	2,587,500	11,500	215,000	2,580,[illegible]
cco	5,800	8,700	1,500	5,800	8,700	1,500	6,200	9,300	1,500	6,200	9,[illegible]

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aiwan, 1952-1956

1954		1955			1956			Product to which "Production" and "Yield" refer:
Production (M.T.)	Yield (kg/ha)	Acreage (ha.)	Production (M.T.)	Yield (kg/ha)	Acreage (ha.)	Production (M.T.)	Yield (kg/ha)	
1,760,000	2,146	835,000	1,810,000	2,168	845,000	1,850,000	2,189	Brown rice
650,000	6,500	100,000	650,000	6,500	100,000	650,000	6,500	Sugar
15,000	3,000	5,000	15,000	3,000	5,000	15,000	3,000	Brown Sugar
14,000	320	44,000	14,500	330	44,000	15,400	350	Crude tea
		10,167			11,200			
86,688	16,900	6,167	99,486	16,120	7,200	108,800	15,110	Fresh pineapple
120,000	7,500	16,000	120,000	7,500	16,000	120,000	7,500	
36,000	6,000	6,500	39,000	6,000	7,000	42,000	6,000	
1,100	79	13,000	1,021	79	12,000	943	79	Citronella oil
26,400	1,200	24,000	28,800	1,200	26,000	31,200	1,200	
72,000	800	95,000	80,750	850	100,000	90,000	900	
18,200	700	30,000	22,500	750	35,000	28,000	800	
17,600	1,100	16,000	19,200	1,200	16,000	20,800	1,300	Jute fiber
2,587,500	11,500	215,000	2,580,000	12,000	210,000	2,625,000	12,500	Fresh potato
9,300	1,500	6,200	9,300	1,500	6,200	9,300	1,500	Cured leaves

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Table 2. Goals of Export of Principal Farm Products from Taiwan, 1952-1956

Crop	Unit price US$/M.T.	1953 Quantity (M.T.)	1953 Value (US$)	1954 Quantity (M.T.)	1954 Value (US$)	1955 Quantity (M.T.)	1955 Value (US$)	1956 Quantity (M.T.)	1956 Value (US$)	Value of export, 1956 vs. 1952: 1952 value (US$)	Value of export, 1956 vs. 1952: Increase in 1956 (US$)
Rice	200	208,000	41,600,000	223,000	44,600,000	227,000	45,400,000	219,000	43,800,000	27,287,000	(+) 16,513,000
Sugar	120	540,000	64,800,000	590,000	70,800,000	590,000	70,800,000	590,000	70,800,000	72,168,000	(-) 368,000
Brown sugar	100	10,000	1,000,000	10,000	1,000,000	10,000	1,000,000	10,000	1,000,000		
Tea	660	10,000	6,600,000	11,000	7,260,000	12,000	7,920,000	12,000	7,920,000	3,867,000	(+) 4,053,000
Pineapple	130	20,000	2,600,000	30,000	3,900,000	40,000	5,200,000	40,000	5,200,000	2,029,000	(+) 3,171,000
Banana	150	40,000	6,000,000	40,000	6,000,000	40,000	6,000,000	40,000	6,000,000	6,196,000	(+) 1,189,000
Citrus	277	3,600	997,200	4,200	1,163,400	4,800	1,329,600	5,000	1,385,000		
Citronella oil	800	1,000	800,000	1,000	800,000	1,000	800,000	1,000	800,000	2,500,000	(-) 1,700,000
Total			124,397,000		135,523,400		138,449,600		136,905,000	114,047,000	(+) 22,858,000

Note: (1) Export prices for 1953 to 1956 are conservative estimates made according to the forseeable prospects of the international market condition.

(2) Export values of 1952 are based on the 4th revised estimates of the international payment balance budget of Economic Stabilization Board of the Executive Yuan.

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Table 3. Plan of Increasing Production of Farm Products which Taiwan is in Deficit, 1953-1956

Crop	Unit Price (US$/M.T.)	1953 Local production (M.T.)	1953 Value (US$)	1954 Local production (M.T.)	1954 Value (US$)	1955 Local production (M.T.)	1955 Value (US$)	1956 Local production (M.T.)	1956 Value (US$)	1952 Local production (M.T.)	1952 Value (US$)	Increase of value in 1956 over that of 1952 (US$)
Wheat	100	24,000	2,400,000	26,400	2,640,000	28,800	2,880,000	31,200	3,120,000	15,680	1,568,000	1,552,000
Peanuts	220	61,200	13,464,000	72,000	15,840,000	80,750	17,765,000	90,000	19,800,000	58,100	12,782,000	7,018,000
Soybean	130	13,800	1,794,000	18,200	2,366,000	22,500	2,925,000	28,000	3,640,000	13,200	1,716,000	1,924,000
Jute	300	10,000	3,000,000	18,300	5,490,000	19,000	5,700,000	20,800	6,240,000	20,800	6,240,000	--
Total			20,658,000		26,336,000		29,270,000		32,800,000		22,306,000	10,494,000

Note: It is assumed that the increased production of these products will be largely absorbed by the growing domestic consumption following the yearly expansion of the population. The "Increase of value in 1956 over that of 1952", therefore, does not point to possibility of reduction of import expenditure, but rather represent the amount of additional foreign exchange which Taiwan will need to spend if the production of these crops is not increased.

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Table 4 Requirement of Fertilizer Elements for Goal Attainment, 1954 to 1956

Crop	1954 Acreage (ha.)	1954 Element requirement per ha.(kg.) N	P_2O_5	K_2O	1954 Total element requirement (M.T.) N	P_2O_5	K_2O	1955 Acreage (ha.)	1955 Element requirement per ha. (kg.) N	P_2O_5	K_2O	1955 Total element requirement (M.T.) N	P_2O_5	K_2O	1956 Acreage (ha.)	1956 Element requirement per ha. (kg.) P_2O_5	K_2O	Total element r N	P
Rice	820,000	72	30	15	59,040	24,600	12,300	835,000	75	30	15	65,625	25,050	12,525	845,000	80	30	15	67,600	25
Sugarcane	100,000	180	25	72	18,000	2,500	7,200	100,000	180	25	72	18,000	2,500	7,200	100,000	180	25	72	18,000	2
Tea	44,000	40	10	10	1,760	440	440	44,000	40	10	10	1,760	440	440	44,000	40	10	10	1,760	
Pineapple	9,129	80	20	40	730	183	365	10,167	80	20	40	813	203	407	11,200	80	20	40	896	
Banana	16,000	40	10	20	640	160	320	16,000	40	10	20	640	160	320	16,000	40	10	20	640	
Citrus	6,000	80	40	40	480	240	240	6,500	80	40	40	520	260	260	7,000	80	40	40	560	
Cymbopogon	14,000	-	-	-	-	-	-	13,000	-	-	-	-	-	-	12,000	-	-	-	-	
Wheat	22,000	60	40	20	1,320	880	440	24,000	60	40	20	1,440	960	480	26,000	60	40	20	1,560	1
Peanuts	90,000	6	12	12	540	1,080	1,080	95,000	7	14	14	665	1,330	1,330	100,000	8	16	16	800	1
Soybean	26,000	6	12	12	156	312	312	30,000	7	14	14	210	420	420	35,000	8	16	16	280	
Jute	16,000	60	20	20	960	320	320	16,000	60	20	20	960	320	320	16,000	60	20	20	960	
Sweet Potato	225,000	22	11	22	4,950	2,475	4,950	215,000	24	12	24	5,160	2,580	5,160	210,000	26	13	26	5,460	2
Tobacco	6,200	50	50	150	310	310	930	6,200	50	50	150	310	310	930	6,200	50	50	150	310	
Brown Sugar	5,000	80	10	15	400	50	75	5,000	80	10	15	400	50	75	5,000	80	10	15	400	
Green manure	100,000	-	20	-	-	2,000	-	100,000	-	20	-	-	2000	-	100,000	-	20	-	-	2
Total	1,499,329				89,286	35,550	28,972	1,515,867				93,503	36,583	29,867	1,533,400				99,226	37

Note: The fertilizer quota of 1953 for Taiwan has already been decided by CUSA to contain 85,050 M.T. of N, 34,300 M.T. of P_2O_5 and 25,175 M.T. of K_2O

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ible 4 Requirement of Fertilizer Elements for Goal Attainment, 1954 to 1956

					1955							1956					
require- ha.(kg.)		Total element requirement (M.T.)			Acreage (ha.)	Element requirement per ha. (kg.)			Total element requirement (M.T.)			Acreage (ha.)	Element requirement per ha. (kg.)			Total element requirement (M.T.)		
O_5	K_2O	N	P_2O_5	K_2O		N	P_2O_5	K_2O	N	P_2O_5	K_2O		N	P_2O_5	K_2O	N	P_2O_5	K_2O
30	15	59,040	24,600	12,300	835,000	75	30	15	65,625	25,050	12,525	845,000	80	30	15	67,600	25,350	12,675
25	72	18,000	2,500	7,200	100,000	180	25	72	18,000	2,500	7,200	100,000	180	25	72	18,000	2,500	7,200
10	10	1,760	440	440	44,000	40	10	10	1,760	440	440	44,000	40	10	10	1,760	440	440
20	40	730	183	365	10,167	80	20	40	813	203	407	11,200	80	20	40	896	224	448
10	20	640	160	320	16,000	40	10	20	640	160	320	16,000	40	10	20	640	160	320
10	40	480	240	240	6,500	80	40	40	520	260	260	7,000	80	40	40	560	280	280
-	-	-	-	-	13,000	-	-	-	-	-	-	12,000	-	-	-	-	-	-
40	20	1,320	880	440	24,000	60	40	20	1,440	960	480	26,000	60	40	20	1,560	1,040	520
12	12	540	1,080	1,080	95,000	7	14	14	665	1,330	1,330	100,000	8	16	16	800	1,600	1,600
12	12	156	312	312	30,000	7	14	14	210	420	420	35,000	8	16	16	280	560	560
20	20	960	320	320	16,000	60	20	20	960	320	320	16,000	60	20	20	960	320	320
11	22	4,950	2,475	4,950	215,000	24	12	24	5,160	2,580	5,160	210,000	26	13	26	5,460	2,730	5,460
30	150	310	310	930	6,200	50	50	150	310	310	930	6,200	50	50	150	310	310	930
10	15	400	50	75	5,000	80	10	15	400	50	75	5,000	80	10	15	400	50	75
20	-	-	2,000	-	100,000	-	20	-	-	2000	-	100,000	-	20	-	-	2,000	-
		89,286	35,550	28,972	1,515,867				93,503	36,583	29,867	1,533,400				99,226	37,564	30,828

3 for Taiwan has already been decided by CUSA to contain 85,050 M.T. of N, 34,300 M.T. of P_2O_5 and

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Table 5 Procurement Plan for Chemical Fertilizer Needed for Goal Attainment, 1953 to 1956

Year	Source of fertilizer	Requirement of element			Requirement of fertilizer				Estimated cost			
		N (M.T.)	P_2O_5 (M.T.)	K_2O (M.T.)	Nitrogen (M.T.)	Phosphorous (M.T.)	Potash (M.T.)	Total (M.T.)	Nitrogen fertilizers	Phosphorous fertilizers	Potash fertilizer	Total
1953	Indigenous	15,000	15,000	-	75,000	83,333	-	158,333	NT$123,750,000	NT$64,166,410	-	NT$187,916,410
	Imported	70,050	19,300	25,175	350,250	107,223	50,350	507,823	US$ 28,020,000	US$ 5,361,150	US$2,517,500	US$ 35,898,650
	Total	85,050	34,300	25,175	425,250	190,556	50,350	666,156				
1954	Indigenous	28,200	15,000	-	141,000	83,333	-	224,333	NT$232,650,000	NT$64,166,410	-	NT$296,816,410
	Imported	61,086	20,550	28,972	305,430	114,167	57,944	477,541	US$ 24,434,400	US$ 5,708,350	US$2,897,200	US$ 33,039,950
	Total	89,286	35,550	28,972	446,430	197,500	57,944	701,874				
1955	Indigenous	60,200	15,000	-	310,000	83,333	-	384,333	NT$496,650,000	NT$64,166,410	-	NT$560,816,410
	Imported	33,303	21,583	29,867	166,515	119,906	59,734	346,155	US$ 13,321,200	US$ 5,995,300	US$2,986,700	US$ 22,303,200
	Total	93,503	36,583	29,867	467,515	203,239	59,734	730,488				
1956	Indigenous	73,333	15,000	-	368,667	83,333	-	452,000	NT$609,400,000	NT$64,166,410	-	NT$673,562,410
	Imported	25,493	22,564	30,828	127,463	125,356	61,656	314,475	US$ 10,197,040	US$ 6,267,800	US$3,082,800	US$ 19,547,640
	Total	99,226	37,564	30,828	496,130	208,689	61,656	766,475				

Note: (1) The cost of locally produced fertilizers is calculated on the basis of local currency (NT$) and that of imported ones, US dollars.

(2) For imported fertilizers, each M.T. of nitrogen fertilizer containing 20% N is estimated at a cost of US$80; and each M.T. of phosphorous fertilizer containing 18% P_2O_5 and potash fertilizer containing 50% K_2O both at a cost of US$50.

(3) For locally produced fertilizers, each M.T. of nitrogen fertilizer containing 20% N is estimated at a cost of NT$1,650; and each M.T. of phosphorous fertilizer containing 18% P_2O_5 at a cost of NT$770.

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Table 6 Estimated Balance Sheet of International Payment of Agricultural Production in Taiwan, 1952 to 1956

Year	Import of fertilizer (US$)	Export of Farm Products (US$)	Surplus (US$)
1952	28,833,600	114,047,000	85,213,400
1953	35,898,650	124,397,000	88,498,350
1954	33,039,950	135,523,400	102,483,450
1955	22,303,200	138,449,600	117,146,400
1956	19,547,640	136,905,000	117,357,360

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Table 7 Estimated Requirement of Agricultural Loans for Goal Attainment, 1952 to 1956
(May be revolved each year)

Crop	Nature of Loan	1952 Object of loan		1952 Amount (NT$)	1953 Object of loan		1953 Amount (NT$)	1954 Object of loan		1954 Amount (NT$)	1955 Object of loan		1955 Amount (NT$)
Rice	Production loan	Rice	790,000ha.	90,000,000	Rice	805,000ha.	100,000,000	Rice	820,000ha.	100,000,000	Rice	835,000ha.	100,000,000
Sugarcane	Production loan	Sugar-cane	100,000ha.	90,000,000	Sugar-cane	100,000ha.	90,000,000	Sugar-cane	100,000ha.	90,000,000	Sugar-cane	100,000ha.	90,000,000
Tea	Production loan to factories			---	Fresh leaves	10,000MT.	20,000,000	Fresh leaves	11,000MT.	20,000,000	Fresh leaves	12,000MT.	20,000,000
Pineapple	Marketing loan	Pine-apple	15,000MT.	7,500,000	Pine-apple	20,000MT.	10,000,000	Pine-apple	30,000MT.	15,000,000	Pine-apple	40,000MT.	20,000,000
Wheat	Production loan			---	Wheat	20,000ha.	3,000,000	Wheat	22,000ha.	3,000,000	Wheat	24,000ha.	3,000,000
Peanuts	Production loan			---	Peanuts	85,000ha.	10,000,000	Peanuts	90,000ha.	10,000,000	Peanuts	95,000ha.	10,000,000
	Seed loan			---			5,000,000			5,000,000			5,000,000
Soybean	Production loan			---	Soybean	23,000ha.	3,500,000	Soybean	26,000ha.	3,500,000	Soybean	30,000ha.	3,500,000
Jute	Marketing loan	Jute fiber	19,000MT.	96,000,000	Jute	8,000MT.	36,000,000	Jute	16,300MT.	73,350,000	Jute	17,000MT.	76,500,000
Sweet potato	Loan for improved farming			---	Sweet potato	5,000ha.	5,000,000	Sweet potato	50,000ha.	5,000,000	Sweet potato	50,000ha.	5,000,000
Tobacco	Marketing loan	Cured leaves	8,700MT.	60,000,000	Crued leaves	8,700MT.	70,000,000	Crued leaves	9,300MT.	80,000,000	Crued leaves	9,300MT	80,000,000
Brown Sugar	Production loan			---	Sugar-cane	5,000ha.	7,000,000	Sugar-cane	5,000ha.	7,000,000	Sugar-cane	5,000ha.	7,000,000
Total				343,500,000			359,500,000			411,850,000			420,000,000

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ment, 1952 to 1956

1955 Object of loan		Amount (NT$)	1956 Object of loan		Amount (NT$)	Remark
Rice	835,000ha.	100,000,000	Rice	845,000 ha.	100,000,000	Amount of loan for 1953 on is allowed 10% increase over that of 1952, but maintained at NT$100,000,000 for later years.
Sugar-cane	100,000ha.	90,000,000	Sugarcane	100,000 ha.	90,000,000	Estimated on the basis of NT$138,000,000 per 18 months, which is the sum of 1952-1953 l
Fresh leaves	12,000MT.	20,000,000	Fresh leaves	12,000 MT.	20,000,000	Approximately 10,000 M.T. of fresh leaves can be bought with NT$20,000,000, and made in 2,500 M.T. of crude tea, loan to be revolved 4 time in each year.
Pine-apple	40,000MT.	20,000,000	Pineapple	40,000 MT.	20,000,000	Fresh pineapple at NT$500 per M.T.
Wheat	24,000ha.	3,000,000	Wheat	26,000 ha.	3,000,000	Loan at NT$150 per ha. for 1953, and total loan to be maintained at NT$3,000,000 for la years .
Peanuts	95,000ha.	10,000,000	Peanuts	100,000 ha.	10,000,000	Loan at NT$120 per ha. for 1953, and total loan to be maintained at NT$10,000,000 for later years
		5,000,000			5,000,000	
Soybean	30,000ha.	3,500,000	Soybean	35,000 ha.	3,500,000	Loan at NT$150 per ha. for 1953 and total loan to be maintained at NT$3,500,000 for later years.
Jute	17,000MT.	76,500,000	Jute	18,000 MT.	81,000,000	Jute fiber at NT$4,500 per M.T. (Farm price for 1953 and later years at NT$3,500 per MT. plus about 30% more for commission, handling, baling, etc.)
Sweet potato	50,000ha.	5,000,000	Sweet potato	50,000 ha.	5,000,000	Loan at NT$100 per ha. in selected areas only.
Crued leaves	9,300MT	60,000,000	Cured leaf	9,300 MT.	60,000,000	The average price of cured tobacco leaves is NT$7.00 per kg. in 1952. Prices will be raised to average of NT$8.00 per kg. in 1954 and NT$9.00 per kg. in 1955 and 1956 respectively due to gradual up-grading of leave quality.
Sugar-cane	5,000ha.	7,000,000	Sugarcane	5,000 ha.	7,000,000	Loan to deserved brown sugar mills only.
		424,500,000			424,500,000	

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Table 8 Estimated Capital Investment (besides large scale irrigation projects)

Crop	Projects	1953 Item of construction	1953 Capital needed (NT$)	1954 Item of construction	1954 Capital needed (NT$)	1955 Item of construction	1955 Capital needed (NT$)
Rice	To increase rice acreage by small scale pumping well	Pumping well irrigation for 5,000 ha.	15,000,000	Pumping well irrigation for 15,000 ha.	45,000,000	Pumping well irrigation for 10,000 ha.	30,000,0
Sugar-cane	To increase yield of sugar-cane by land improvement drilling deep wells and mechanization	Land improvement 1,000 ha. Drilling of 40 deep wells Purchase of farm machinery	1,500,000 3,600,000 3,000,000	Land improvement 2,000 ha Drilling of 60 deep wells Purchase of farm machinery	3,000,000 5,400,000 3,000,000	Land improvement 1,000 ha. Drilling of 40 deep wells. Purchase of farm machinery	1,500,0 3,600,0 2,000,0
Pine-apple	Expand and strengthen the canning factory for increasing export of canned pineapple	---	---	Purchase of new machinery and parts Purchase of tin plates	12,500,000 7,500,000	--- Purchase of tin plates	--- 10,000,
Wheat	Construction of seed warehouses and cement drying ground to prevent loss of wheat seeds	Construct 660 m^2 of wheat seed warehouse and subsidizing farmers to build 2,000 cement drying grounds	1,100,000	Construct 660 m^2 of wheat seed warehouses and subsidizing farmers to build 2,000 cement drying grounds	1,100,000	Construct 660 m^2 of wheat seed warehouses and subsidizing farmers to build 2,000 cement drying grounds.	1,100,
Jute	Subsidize the Farmers' Associations to build jute warehouses and retting ponds to further improve the fiber quality	---	---	3,300 m^2 of warehouses 200 retting ponds of 165 m^2 each	2,000,000 1,000,000	3,300 m^2 of warehouses 200 retting ponds of 165 m^2 each	2,000, 1,000,
Sweet Potato	Subsidize farmers to build small sweet potato storage houses to reduce spoilage	10,000 sweet potato storage houses	3,000,000	20,000 sweet potato storage houses	6,000,000	10,000 sweet potato storage houses	3,000,
For all crops	Increase production of compost manure by subsidizing poor farmers to repair their compost houses	15,000 compost houses	4,500,000	15,000 compost houses	4,500,000	15,000 compost houses	4,500,
Total			36,700,000		91,000,000		58,700,

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: scale irrigation projects) for Constructions Needed for Goal Attainment, 1953-56

1955		1956		Remark
construction	Capital needed (NT$)	Item of Construction	Capital needed (NT$)	
:ll irrigation for	30,000,000	Pumping well irrigation for 10,000 ha.	30,000,000	Estimated at NT$3,000 per ha., to be repaid by farmers after 5 or more years.
ovement 1,000 ha.	1,500,000	Land improvement 10,000 ha.	1,500,000	Estimated at NT$1,500 per ha.
of 40 deep wells.	3,600,000	Drilling of 30 deep wells	2,700,000	Drilling of 170 deep wells in 4 years for a total of US$1,500,000
of farm machinery	2,000,000	Purchase of farm machinery	2,000,000	Purchase a total of US$1,000,000 worth of farm machines in 4 years; estimated according to 10 NT to 1 US exchange rate.
---	---	Purchase of new machinery and parts	12,500,000	Estimated according to 10 NT to 1 US exchange rate
of tin plates	10,000,000	Purchase of tin plates	10,000,000	
t 660 m^2 of wheat ehouses and subsi- armers to build 2,000 rying grounds.	1,100,000	---	---	
of warehouses	2,000,000	---	---	Farmers' Associations to match the Government subsidies with their own funds.
ing ponds of 165 m^2	1,000,000	100 retting ponds of 165 m^2 each	500,000	
sweet potato storage	3,000,000	10,000 sweet potato storage houses	3,000,000	
compost houses	4,500,000	15,000 compost houses	4,500,000	
	58,700,000		66,700,000	

Table 9 Estimated Capital Investment for Large Scale Irrigation Projects needed for Goal Attainment, 1953 to 1956

Year	Existing area under irrigation (ha.)	Projected increase of irrigated area (ha.)	Area under irrigation after the completion of the project (ha.)	Capital Need (NT$)
1951	613,016	6,446	619,462	
1952	619,462	4,837	624,299	
1953	624,299	7,700	631,999	37,600,000
1954	631,999	24,050	656,049	77,490,000
1955	656,049	24,050	680,099	78,398,000
1956	680,099	16,900	696,999	55,400,000

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Table 10 Summary Table of Estimated Requirement of Loan and Capital Investment Needed for Goal Attainment, 1953 to 1956

Year	Loan Requirement (NT$)			Capital Investment (NT$)		
	Production and marketing loan	Advance payment for indigenous fertilizer	Total	Large scale irrigation projects	Other construction	Total
1953	359,500,000	187,916,410	547,416,410	37,600,000	36,700,000	74,300,000
1954	411,850,000	296,816,410	708,666,410	77,490,000	91,000,000	168,490,000
1955	420,000,000	560,816,410	980,816,410	78,398,000	58,700,000	137,098,000
1956	424,500,000	673,562,410	1,098,062,410	55,400,000	66,700,000	122,100,000

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1952 to 1956.

1954			1955				1956			
Estimated export (M.T.)	Estimated local consumption		Total production (M.T.)	Estimated export (M.T.)	Estimated local consumption		Total production (M.T.)	Estimated export (M.T.)	Estimated local consumption	
	Quantity (M.T.)	Value (NT$)			Quantity (M.T.)	Value (NT$)			Quantity (M.T.)	Value (NT$)
223,000	1,537,000	2,766,600,000	1,810,000	227,000	1,583,000	2,849,400,000	1,850,000	219,000	1,631,000	2,935,800,000
590,000	60,000	172,800,000	650,000	590,000	60,000	172,800,000	650,000	590,000	60,000	172,800,000
10,000	5,000	12,350,000	15,000	10,000	5,000	12,350,000	15,000	10,000	5,000	12,350,000
11,000	3,000	31,360,000	14,500	12,000	2,500	26,150,000	15,400	12,000	3,400	35,564,000
38,000	56,688	28,344,000	99,486	40,000	59,400	29,700,000	108,800	40,000	68,800	34,400,000
40,000	80,000	24,000,000	120,000	40,000	80,000	24,000,000	120,000	41,000	80,000	24,000,000
4,200	31,800	22,260,000	39,000	4,800	34,200	23,940,000	42,000	5,000	37,000	25,900,000
1,000	100	900,000	1,021	1,000	21	193,200	543	1,000	-	-
-	26,400	55,968,000	28,800	-	28,800	61,056,000	31,200	-	31,200	66,144,000
-	72,000	201,600,000	83,750	-	80,750	266,100,000	90,000	-	90,000	252,000,000
-	18,200	44,044,000	22,500	-	22,500	54,450,000	28,000	-	28,000	67,760,000
-	17,600	61,600,000	19,200	-	19,200	67,200,000	20,800	-	20,800	72,800,000
-	2,587,500	776,250,000	2,580,000	-	2,580,000	774,000,000	2,625,000	-	2,625,000	787,500,000
-	9,300	83,700,000	9,300	-	9,300	83,700,000	9,300	-	9,300	83,700,000
		4,201,796,000				4,405,039,200				4,570,718,000

2. Please note that the "estimated export of sugar and brown sugar" for any one year in this table is equal to that for one year after in Table 2; i.e., the estimated sugar export in 1952 is 540,000 M.T. in this Table, which is not equal to the estimated sugar export of 1952 but to that of 1953 in Table 2. This is because that the actual export of the sugar produced from the sugarcane crop harvested in winter of 1952 will not actually be exported until 1953. In Table 2, our aim is to show the amount of foreign exchange realized from the exports. The sugar export, therefore, should be listed under the year during which the export takes place. In this table, our emphasis is on the sugar consumed on this Island, which is estimated at about 60,000 M.T. per year for all years. The same case is true for brown sugar.

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Table 11 Estimated Economic Value of Locally Produced Farm Products Consumed in Taiwan

Crop	Unit Price (NT$/M.T.)	1952				1953				Total production (M.T.)
		Total production (M.T.)	Estimated export (M.T.)	Estimated local consumption		Total Production (M.T.)	Estimated export (M.T.)	Estimated local consumption		
				Quantity (M.T.)	Value (NT$)			Quantity (M.T.)	Value (NT$)	
Rice	1,800	1,600,000	164,340	1,435,660	2,584,188,000	1,700,000	208,000	1,492,000	2,685,600,000	1,760,000
Sugarcane	2,880	600,000	540,000	60,000	172,800,000	650,000	590,000	60,000	172,800,000	650,000
Brown sugar	2,470	13,800	10,000	3,800	9,386,000	15,000	10,000	5,000	12,350,000	15,000
Tea	10,460	11,900	8,500	3,400	35,564,000	12,900	10,000	2,900	30,334,000	14,000
Pineapple	500	43,396	15,000	28,396	14,198,000	62,083	20,000	42,083	21,041,500	86,688
Banana	300	120,000	40,000	80,000	24,000,000	120,000	40,000	80,000	24,000,000	120,000
Citrus	700	30,000	3,000	27,000	18,900,000	33,000	3,600	29,400	20,580,000	36,000
[illegible]ronella oil	1952 12,150) 1953 on 9,200)	1,461	1,000	461	5,601,150	1,179	1,000	179	1,646,800	1,100
[illegible]at	2,120	15,680	-	15,680	33,241,600	24,000	-	24,000	50,880,000	26,400
[illegible]nuts	2,800	58,100	-	58,100	162,680,000	61,200	-	61,200	171,360,000	72,000
[illegible]bean	2,420	13,200	-	13,200	31,944,000	13,800	-	13,600	33,396,000	18,200
[illegible]e	1952 4,200) 1953 on 3,500)	20,800	-	20,800	87,360,000	10,000	-	10,000	35,000,000	17,600
[illegible]et potato	300	2,100,000	-	2,100,000	630,000,000	2,585,000	-	2,585,000	775,500,000	2,587,500
Tobacco	1952 7,000) 1953 8,000) 1954 on 9,000)	8,700	-	8,700	60,900,000	8,700	-	8,700	69,600,000	9,300
Total					3,870,762,750				4,104,088,300	

Note: 1 The unit price for rice, sugar, brown sugar, tea, wheat, peanuts, soybean and sweet potato are obtained by averaging the bi-weekly survey price reports from January to October, 1952, as appear in the JCRR-USIS published "Harvest". Price of jute in 1952 is the actual average purchasing price paid by the local gunny bag mills and that from 1953 on is an estimated farm price. Those for pineapple, banana and citrus are based on reports of Taiwan Pineapple Corporation and Taiwan Fruit Marketing Cooperative.

1952 to 1956

1 9 [illegible]	
Estimated export (M.T.)	Q[illegible]
223,000	1,
590,000	
10,000	
11,000	
30,000	
40,000	
4,200	
1,000	
-	
-	
-	
-	
-	
-	

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II. INDUSTRIAL PLAN

November, 1952

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INDUSTRIAL PLAN

(A) Production Goal

We consider the Taiwan economy as a whole, with the achievement of a balanced economy as our objective. Consequently the developments of certain industries would have to be so regulated as to coordinate with our overall efforts. Many of the local industries have plenty of room for further expansion But, in view of the limited financial resources and manpower, we have to concentrate our effort on some of the most urgent projects. Too ambitious a plan may impede its materialization and heavy capital expenditures may even lower our standard of living.

So far, we have not been able to discover in Taiwan mineral resources which are worthy of large-scale exploitation. Coal seams are rather thin; petroleum, gold, copper, sulphur etc. show very lean reserves. Fortunately, we have large sources of hydraulic power, which can generate electricity sufficient for future industrial development. Particularly power-consuming industries seem to have a very bright future for this reason. It therefore follows that fertilizer industry can be amply developed to meet the demand of agricultural production. It may be recalled that, in 1945, the rice production dropped to about 600,000 tons when the fertilizer supply was extremely short. The sugar industry will not be included in this plan because it has been already included in the agricultural plan.

The target for increased production is as follows:-

		Estimated Production 1952	Estimated Production 1956	Increased Production
1.	Power (Capacity)	329,250 KW	530,000 KW	200,750 KW
2.	Fertilizers	132,000 MT	452,000 MT	320,000 MT
3.	Coal	1,700,000 MT	2,500,000 MT	800,000 MT
4.	Pyrite	6,000 MT	30,000 MT	24,000 MT
5.	Copper	-	1,500 MT	1,500 MT
6.	Sulfur	4,000 MT	6,000 MT	2,000 MT
7.	Cotton Yarn	70,800 bales	109,200 bales	38,400 bale
8.	Cotton Cloth	72,000,000 yds	109,200,000 yds.	37,200,000 yds.
9.	Gunny bags	6,000,000 pcs	10,000,000 pcs.	4,000,000 pcs
10.	Salt	300,000 MT	450,000 MT	150,000 MT
11.	Lube Oil	-	21,000 MT	21,000 MT
12.	Hinoki	190,000 Cu.M.	220,000 Cu.M.	30,000 Cu.M

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(B) Description

1. POWER

The contemplated industrial development calls for much more electric power than the existing facilities can possibly supply Power development definitely warrants our prior consideration Furthermore, the potentiality of hydraulic power in Taiwan is a well-known fact. The following consists mostly Hydraulic projects. However, in view of the dry seasons, thermo-power is indispensable to maintain the firm capacity. Therefore the following projects are recommended for the coming years:

		Increase of Installed Capacity	Investment U.S.$ (US$1,000)	Required N.T.$ (NT$1,000)
a.	Tienleng Second Unit	26,500 KW	-	2,500
b	Sung-shan Steam Extension	5,000 "	-	1,000
c.	Wu-lai Second Unit	11,250 "	-	1,800
d.	Li-wu Second Unit	16,000 "	-	3,500
e.	Pen-hu Steam Project	1,000 "	15	2,500
f.	Transmission & Distribution Extension		5,000	70,000
g.	Wulei Taipei Transmission Line		141	300
h.	Peipu Steam Extension	40,000 "	5,500	26,000
i.	Kaohsiung Steam Project	40,000 "	5,500	32,000
j.	Tung-men Hydro Project	21,000 "	1,600	30,000
k.	Wu-sheh Hydro Project	20,000 "	1,100	105,700
l.	Pa-tu Substation Extension		670	1,000
m.	Nan-shih Hydro Project	20,000 "	1,960	93,800
n.	Chu-keng Hydro Project	100,000 "	8,560	185,000
	Total	300,750 KW	30,046	555,100

Completion of the above 14 projects will give a total increase of generating capacity of 300,750 KW which is nearly equal to the present installed capacity.

Investments required for these projects are as follows:

	Foreign exchange (US$1,000)		Local Currency (NT$1,000)
FY 1953	10,276	CY1952 (July to Dec.)	2,000
1954	6,345	1953	81,600
1955	4,710	1954	166,000
1956	4,090	1955	136,700
1957	3,125	1956	108,800
1958	1,500	1957	60,000
Total:	30,046	Total:	555,100

US$5,500,000 from 1952 to 1957 for Pei-pu project are to be financed by the Chinese Government.

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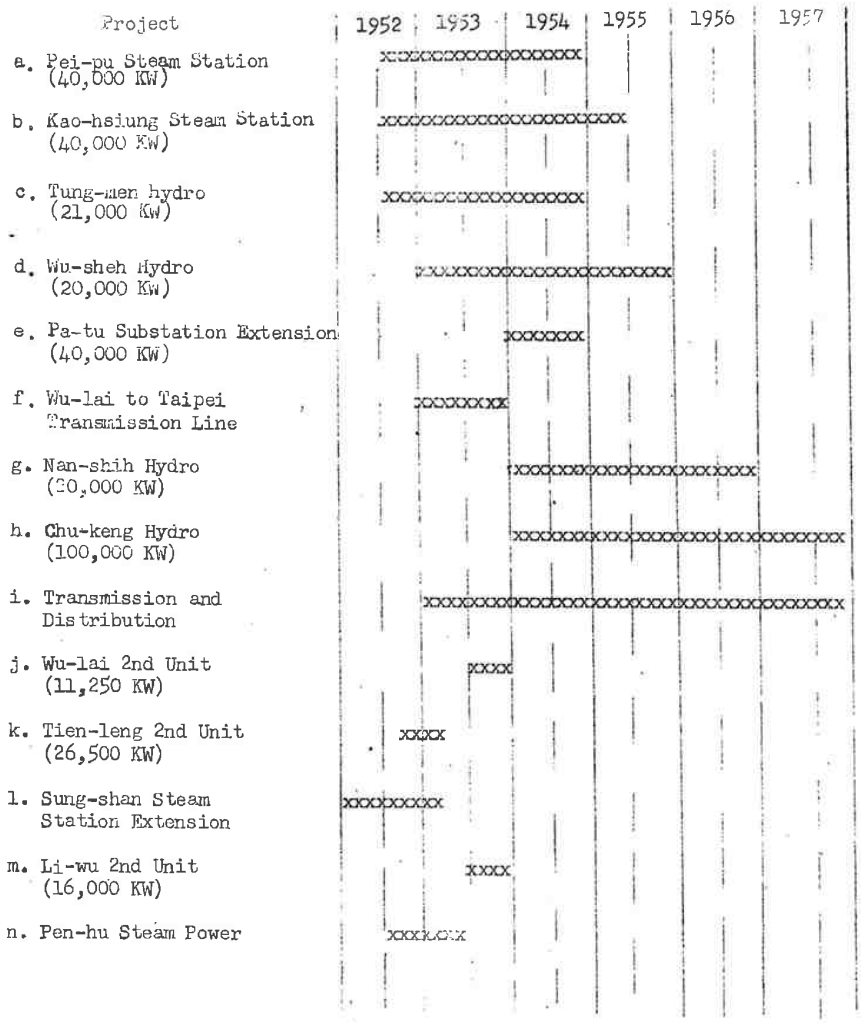
Construction Sechdule of the New Projects



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2. FERTILIZERS

During the period of Japanese occupation, the yearly average of local fertilizer consumption for the period from 1933 to 1942 was as follows:

Nitrogenous fertilizer	288,110 metric tons
Phosphorous fertilizer	118,360 "
Potassium fertilizer	13,856 "
	420,326 metric tons

After V-J day, on account of intensive agricultural development, the requirement has been even higher. Although the damaged fertilizer plants have been all put back into operation and two new plants, the Kaohsiung Ammonium Sulfate Plant and Hsin-Chu Cyanamide Plant, have been completed, yet the local production is still far from sufficient. Large quantities of fertilizers have been imported every year, partly financed by MSA and partly by our own foreign exchange.

According to latest estimate, the actual annual requirement is about 600,000 tons, about 100,000 tons for sugar, 430,000 tons for rice and the balance for other crops.

	Total Req't (MT.)	Local Production (MT.)	Deficit (MT.)
Nitrogenous Fertilizer	400,000	72,000	328,000
Phosphorous Fertilizer	150,000	68,000	82,000
Potassium Fertilizer	40,000	nil	40,000
Total:	590,000	140,000	450,000

In order to maintain our agricultural economy and minimize the continuous heavy drain on our foreign exchange reserve for importation of fertilizers, the expansion of our fertilizer industry should be given high priority, only next to power. Three projects are now in progress and all three focus on the increase of nitrogenous fertilizer production. As the present domestic production of nitrogenous fertilizers covers only about 18% of the total actual requirement, these projects are justified.

(a) The Kaohsiung Ammonium Sulfate Plant Expansion Porject - Designing of this plant has been completed and the equipment is now in the process of purchasing. A fund of US$1,594,000 has been allocated from the MSA FY 1952 Industrial Aid Fund and the balance will be financed by the Chinese Government. On completion, the production will be increased from 6,000 tons to 66,000 tons a year.

(b) The Hwa-lien Project - The Hwa-lien Project is aimed at the annual production of 66,000 to 70,000 tons of nitro-chalk, containing 20% nitrogen. Capital expenditure required are estimated at US$4,000,000 and NT$20,000,000.

(c) The Taiwan Fertilizer Company No.6 Plant - This plant will produce 70,000 to 80,000 tons of urea a year, equivalent to 150,000 to 170,000 tons of ammonium sulfate. The investment is estimated at US$13,200,000 and NT$70,000,000. As this project is still in the designing stage, major portion of the 1953 allocation should be applied to the Hwa-lien Project while the urea plant should be mostly financed by the FY1954 allocations.

The estimated capital investments for the new projects are as follows:

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	Capital Investments					
	US$ (in US$1,000)			NT$ (in NT$1,000)		
	FY1953	FY1954	FY1955	CY1953	CY1954	CY1955
Kaohsiung Ammonium Sulfate Plant	-	-	-	7,500	-	-
Hwalien Plant	3,400	600	-	7,000	11,000	-
TFC No.6 Plant	600	9,400	3,200	1,500	22,000	22,500
Total	4,000	10,000	3,200	16,000	33,000	22,500

To complete the Taiwan Fertilizer Company No 6 Plant, an additional fund of NT$23,000,000 will have to be provided for in 1956.

By 1956, the increased production of the above mentioned new plants will be as follows:

Kaohsiung Ammonium Sulfate Plant	60,000 tons	(20% N)
Hwalien Plant	66,000 "	(")
TFC No. 6 Plant	150,000 "	(")
Total	276,000 tons	(20% N)

If power and raw material supplies are adequate, the existing plants may produce more fertilizers. The estimated yearly production including the increased production of existing plants will be as follows:

Year	Production
1949	45,840 MT
1950	59,162 "
1951	112,222 "
1952	132,000 "
1953	158,333 "
1954	224,333 "
1955	384,333 "
1956	452,000 "

Taking this increased production into consideration, the total increase of US$ savings by 1956 will be US$21,400,000 a year.

3. MINING

(a) Coal - In recent years the domestic coal consumption including steamship requirements has been barely covered by local production in the amount of 1.4 to 1.7 million tons a year. The occasional surplus and shortages are often due to fluctuation of production coupled with seasonal change of requirements. For instance, the sugar industry requires extra coal during the grinding season and the power company consumes considerable quantity of coal during the dry season. In view of future industrial development, the requirement will definitely be greatly increased. According to recent investigation, the annual production can be gradually increased to about 2.5 million tons without major exploitation of new fields. If such is the case, we would have about 800,000 tons more coal e ery year. However, it might be just barely enough to meet the increased requirement the new TPC thermo-stations may consume 300,000 to 400,000 tons a year and the fertilizer plants will require more. Even with increased production, there might not be surplus for export.

Exploitation of the Nanchuang Coal Field will require substantial amount of investment and may produce considerable

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quantity of high grade coal. However, it is still in the exploration stage and arrangement might be made to cooperate with foreign investors. Both capital investment and earnings in foreign exchange are not included in this plan.

(b) Pyrite, Copper, Gold Sulfur, etc.- The main copper and gold producer on this island is the Gold and Copper Mining Administration. According to our recent investigation, the most economical production seems to be 500 tons of copper ore and 250 tons of gold ore per day. The future annual production including that of private mines may be around the following figures:

Copper	1,500 - 1,700 tons/year
Pyrite	30,000 -40,000 tons/year
Gold	20,000 oz. /year

Sulfur production amounts now to 4,000 tons per year; increased production might not exceed 6,000 tons a year.

The annual savings or earnings in foreign exchange after completion of the projects would be about US$800,000 for copper, US$600,000 for pyrite and US$160,000 for sulfur. A total gain of annual earnings or savings in foreign exchange over 1952 is estimated around US$1,560,000.

4. TEXTILES

This project consists of the addition of 2,000 new looms and a gunny bag factory with a capacity of 4 million bags per year. 57,000 more spindles will be installed soon, part of which has arrived and another part has been ordered. On completion, the local production would be enough to cover both civilian and military requirements and the annual production would be about 109,200 bales of cotton year, 109,200 yards of cotton piece goods and 10,000,000 pieces of gunny bags. With a population of about 8 million, the annual supply per capita will be about 2.5 kg. of yarn and 13.6 yd. of grey sheeting. The gunny bags will be mostly used for sugar and rice export. The increased annual savings will be about US$3,699,300. As to the capital investment, we only list the U. S. dollar part; the N.T. dollar part can be financed by the industries themselves.

5. SALT

Salt production of Taiwan is entirely by solar evaporation; it depends largely on the weather. Of course, revision of method of operation, improvement of harvesting method, etc. may increase the production. With these improvements and if not adversely effected by weather, the annual production of 450,000 tons of salt, we have reason to believe, can be achieved. The increase in foreign exchange earnings will be about US$1,500,000. The increased savings for salt by-products will be US$300,000.

To put the salt industry on a solid footing, the best thing we can do seems to be the reduction of cost. Many experts, such as Dr. W. L. Badger, after visiting the salt fields, come to the conclusions that:

(a) The contracted labor should be gradually replaced by hired labor.

(b) Inland transportation system should be improved in order to reduce the inland freight.

(c) Operation method should be improved.

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(d) Quality of salt should be improved by washing.

6. PULP AND PAPER

The present paper production in Taiwan is only about 24,000 tons per year. In view of the increasing local demand, paper production must be gradually increased.

The amount of foreign exchange spent in importing pulp and paper in 1951 was US$3,112,000. While that for the first half of 1952 was US$1,219,000. A proposed expansion program of TPPC is listed below. According to this program, the estimated increase of annual savings of foreign exchange will amount to 1.5 million US dollars in 1955, and after its completion in 1956, it may be further increased to about 6 million US dollars.

Year	Description	Investment US$(FY)	Investment NT$(CY)
1953	(Lotung Mill - Reconditioning and improving	350,000	2,500,000
	(Hsinying Mill - Improving raw material preparation, Pulp screening and bleaching equipments	250,000	2,500,000
1954	(Tatu Mill - Reconditioning of Paper machine	210,000	1,400,000
	(Hsinying Mill - Converting to sulphate pulping process	350,000	4,500,000
1955	(Tatu Mill - Adopting soda-chlorine pulping process	440,000	4,600,000
	(Hsinying - Converting one set of pulp machine into paper machine	650,000	3,000,000
		2,378,000	19,250,000

It is estimated that Lotung and Tatu mills of Taiwan Pulp and Paper Corporation may produce 15,000 tons of paper in 1952, and after completion of the above-mentioned expansion program, the total production may be increased to 34,100 tons per annum, or an increase of 19,100 tons a year.

Kind of Paper Produced	Increase of Production/Year
Lotung Mill:	
Newsprint	6,000 tons (to be achieved in 1954)
Printing & Writing Paper	1,000 tons (to be achieved in 1954)
Cigarette Paper	400 tons (to be achieved in 1954)
Tatu Mill:	
Printing Papers	4,200 tons (to be achieved in 1955)
Hsinying Mill:	
Printing Papers	7,500 tons (to be achieved in 1956)
Total Increase	19,100 tons

Dr. R. A. Packard of MSA/CM is now engaging in drafting the TPPC expansion project. Our estimation on U S. dollar expenditures is chiefly based on his opinion.

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7. HARDWARE

In spite of the efforts made to improve iron and steel foundry and machinery industries in the past few years, these industries are still lagging behind respect. Many items of machinery and parts which could be made locally have to be imported. The following items are included:

(a)	New equipment for machine shops & foundries	US$1,200,000.- NT$3,000,000.-
(b)	Blast furnace and sintering machine	US$ 100,000.-
(c)	Auto and truck tire manufacturing equipment	US$ 450,000.-
(d)	Equipment for manufacture of utensils	US$ 250,000.-
(e)	Shallow water work salvaging equipment	US$ 30,000.-

On completion of these projects, gross savings of US$2 million could be achieved through local production of pig iron, reinforcing bars, machineries, utensils, etc.

8. PETROLEUM

(a) Lube Manufacture - The existing equipment of Kaohsiung Refinery of the Chinese Petroleum Corporation can produce from imported crude oil motor gasoline, kerosene, diesel fuel and fuel oil sufficient to meet the present and future local requirements, while lubricating oil and aviation gaso line,both calling for special equipment for manufacturing, are now imported as products. Present lube oil import is about US$4,000,000 a year. The aviation gasoline requirement show steady increase and will amount to US$8,000,000 a year in the near future. These two kinds of oil are highly valued among all principal petroleum products. Their production in Taiwan would entail large foreign exchange savings, without which the attainment to self-support economy will be imcomplete or delayed. The present project anticipates additions to the Kaohsiung Refinery of lube oil manufacturing equipment together with polymerization and Perco units to recover waste gases and step-up gasoline quality. Construction will start in FY 1953 and will be completed in 1954. Gross savings per year after subtracting raw materials cost will be US$3,500,000 or just about the amount of total investment.

	Capital Investment US$	NT$
1953	300,000	3,600,000
1954	1,100,000	15,400,000

Aviation gasoline plant is not included in the present project, pending further study and the availability of funds. Its costs will be in the order of US$4,000,000 and NT$15,500,000 to produce aviation fuel meeting partial requirements and additional US$2,825,000 and NT$5,000,000 to complete the plant sufficient to meet total local requirements.

(b) Exploration - Recent investigations indicate there are excellent chances of commercial petroleum production in the area not yet exploited hitherto mostly in the Western Plains area, notwithstanding present indigenous production representing only a few percent of the local requirements. The project recommended consists of seismograph survey and

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well drillings. The gross savings given in the following are only a prediction to the best of our present knowledge and on the conservative side. It is more or less uncertain in comparison with corresponding estimates of other projects. Further project after 1954 cannot be made for the time being and depends upon the results of first stage exploration.

	Capital Investment		Savings in Subsequent 5 yrs.
	US$	NT$	US$
1953	1,300,000	5,000,000	2,600,000
1954	1,400,000	8,000,000	3,700,000

Increase of savings in 1956 is estimated to be US$1,000,000 or over.

9. OIL AND FAT

The Rice Bran and Soybean Oil Solvent Extraction Unit of Taiwan Agricultural Chemical Works will be completed in 1953. NT$4,300,000 are required to complete this unit. Additional US$150,000 is provided in early 1954 for importation of oil producing equipment by other firms. With the capital investment, an annual saving of foreign exchange around US$6 million may be expected.

Local production of 19,200 tons of soybean last year was all consumed directly as food. Soybeans for oil production has to be imported. There was large import of soybean oil and cake besides soybean in 1951. In the first half of 1952, soybean oil and cake imports remained unabated. If proper arrangement be made whereby an amount of soybean equivalent to soybean oil and cake requirements be supplied to Taiwan Agricultural Chemical Works for processing, together with production of private oil pressing factories it would be possible to supply sufficient oil for military and civilian consumption.

10. CHEMICALS

This project will consist of a number of smaller projects, recommended either because of the cheap and abundant raw material supplies, such as chlorine, alcohol, waste acetylene, salt etc. or local requirements.

The high-test-bleach project, financed by U.S. Aid, is now in progress. The balance of about NT$3 million, required to complete this project should be provided for in the CY1953 counterpart fund budget. In view of the large quantity of wasted acetylene gas in the Cyanamide factories, and abundant alcohol supply, the acetic acid project seems worthy of serious consideration. Other projects like polyvinyl-chloride, poly-ethylene, solvents etc., which may enjoy the advantage of cheap raw material, are also recommended. The glycerine manufacturing equipment is available on this island and only some NT$ are required to put it into operation. The anti-biotics repacking, soda ash etc. due to their local requirements are also worthy of consideration.

It is rather difficult to make an accurate estimation of capital investment on each of the above mentioned projects. Tentatively we may list the total investments as follows:

FY 1953	FY1954	FY1955	CY1953	CY1954	CY1955
US$	US$	US$	NT$	NT$	NT$
-	1,565,000	1,525,000	10,000,000	12,000,000	13,000,000

The annual US$ savings and earnings are estimated at about US$2 million.

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11. FOOD PROCESSING

This project consists of four major items:

(a) Pine-apple canning - Canned pineapple has great potential market abroad; improving of its canning capacity and canning method are deemed necessary.

(b) Fish canning - The gradual expansion of fishery industry may call for the expansion of fish canning industry on this island.

(c) Flour milling - The advantage of milling our own flour are saving of foreign exchange and yielding of bran which is a valuable animal feed. In view of the present favorable rice export price, it seems advisable to decrease the rice consumption by inc easing wheat import. Therefore, the local flour milling capacity should be further increased.

(d) Cold-storage improvement - To accommodate the increasing fish production.

The total capital investment required is as follows:

	Capital Investment US$	NT$
1953	-	2,500,000
1954	300,000	5,000,000
1955	250,000	5,000,000
Total	550,000	12,500,000

12. SHIPBUILDING

For the Taiwan Shipbuilding Corporation, the following ite are proposed:

(a) First stage -- to increase the present ship repairing by one third.
  (1) NT$2,800,000.- for extension of factory buildings,etc.
  (2) US$326,000.- for cranes, etc.
(b) Second stage -- to construct new cargo ships, at one 0,000 T ship/year.
  (3) NT$12,000,000.- for one 55 ft building berth, etc.
  (4) US$726,000.- for equipment.

The yearly funds required are:

	US$	NT$
1953	326,000	5,000,000
1954	726,000	5,000,000

The Taiwan Machinery Manufacturing Corp. needs US$100,000 and NT$2,000,000 to improve its shipbuilding facilities at Kaohsiung for meeting the increasing demand of fish boats.

Total increased earnings or savings of foreign exchange by the project is estimated at US$2,000,000 a year.

13. HOME INDUSTRIES

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The home industries are very diversified in nature and it is very difficult to make a definite development plan. However, if developed, they would contribute substantially to the local economy. It is, therefore, strongly recommended that funds should be earmarked every year primarily for home industries Funds required may not be too large. They are not listed in the summary. We believe, our whole picture will not be affected.

It may be noted that many other industries are not mentioned in this plan. Some of them, such as cement, have been fairly well established. Further improvement and modernization may be financed through the 'Maintenance and Essential Supplies' Program of US Aid, as short term loans, and therefore are not included in the long-term projects. With still others, although their further developments would contribute considerably to the local economy if materialized, they have to be postponed to a later date.

14. FISHERY

According to authoritative estimation, an average Chinese adult needs 60 grams of protein food every day. In Taiwan, fish is the cheapest protein food. It is estimated that an adult should consume a minimum of 45 grams of fish or 25 grams of fish flesh every day The armed forces need more, a minimum per capita of 93 grams of fish instead of 45 grams. The total requirement of the local inhabitants would be therefore about 132,000 tons per year.

Total catch this year is estimated between 110,000 tons and 120,000 tons. The deficit has to be made up by importation of salted fish. It is contemplated to build or import more fishing vessels and to improve the fishing harbors etc.

The savings derived from the increase of fish production may be around US$1,500,000.

15. FORESTRY

Objective of this project is to increase the timber production so as to export about 30,000 M of "Hinoki" every year after the completion of this project in 1955. The local production of Hinoki may also substitute the plywood peeler logs now being imported from the Philippines and some exportable Hinoki oil may also be produced. For a conservative estimation, the foreign exchange savings and earnings US$2,100,000, listed include only the export of timber

16. COMMUNICATIONS

(a) Railway - The growing economic prosperity of Taiwan has greatly increased the need for railway transportation. As reported by the Taiwan Railway Administration, the daily transportation of this Spring has hiked by 17% than that of the last. The total capacity of freight cars now can only accommodate 23,000 tons of cargoes per day while the current daily freight demand amounts to 40,000 tons.

To overcome this transportation difficulty, a sum of US$1,200,000 is first required in 1953 to procure 8 new locomotives and materials for making 150 30-ton freight cars and the building of the new 36-span Tseng-Wen-Hsi Bridge. The labor costs and expenses needed in replacing 200,000 pieces of crossties and fabrication of freight cars will require about NT$11,000,000 in the same year

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Improvement of signal system, rail connections, additional replacement of sleepers, expansion of railway stations and procurement of new locomotives will be included in the following years.

	Expenditures	
	US$	NT$
1953	1,200,000	11,000,000
1954	2,000,000	13,000,000
1955	1,000,000	9,000,000
	4,200,000	33,000,000

(b) Highway - An increase in highway transportation, 50% in passengers and 10% in freight as compared with that of last year, has been reported recently. More increase is expected in the coming years. The US$876,000 will be for the procurement of vehicles, parts and tires. The NT dollar expenditures will be self-financed. Since it is hard to predict an exact picture of highway transportation in the future, project after 1954 is not included here.

(c) TELECOMMUNICATIONS

	Expenditures US$	Remarks
1953	17,000	To procure 1,000 sets of automatic telephones
1954	150,000)	To procure more equipment for city telephone service
	150,000)	

The above are tentative figures subject to future modifications.

(C) Capital Investment Required

According to this plan, the yearly capital investments will be as follows:

	FY 1953	FY 1954	FY 1955	FY 1956
US Dollars	22,302,700	27,146,000	12,675,000	4,090,000
	CY 1953	CY 1954	CY 1955	CY 1956
NT Dollars	182,500,000	293,800,000	206,800,000	131,800,000

All projects will be completed in 1955 except power to be completed in 1957, fertilizer and paper in 1956.

A detailed summary is appended.

(D) Foreign Exchange Earnings & Savings

On the completion of this plan, the increase of the annual foreign exchange savings and earnings will be US$48,599,000.

A detailed summary is appended. (Together with Table for C)

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SUMMARY OF INDUSTRIAL PLAN

(November 20, 1952.)

Investments, NT$1,000			Production			Unit Price US$	Increased US$ Savings or Earnings, US$1,000 (Per Year)	Remarks
1954	CY1955	CY1956	CY1952	CY1956	Increase CY1952-56			
00	-							
00	6,000	-						
00	-	-						
00	45,700	-						
00	-	-						
	-	-						
00	30,000	-						
10	40,000	33,800						
0	15,000	60,000						
	-	15,000						
	-	-						
	-	-						
	-	-						
	-	-						
5	136,700	108,800						
	-	-						
	-	-	6,000 MT.	66,000 MT	60,000 MT			
	22,500	23,000	0 "	66,000 "	66,000 "	70	4,200 20%N	
			0 "	150,000 "	150,000 "	70	4,620 "	
			26,000 "	33,000 "	7,000 "	70	10,500 "	
			30,000 "	35,000 "	5,000 "	70	490 "	(Full production by 1957)
			)	48,000 ")			350 "	
			)	36,000 ")				
			) 70,000 "	12,000 ")	32,000 "			
-	22,500	23,000	)	6,000 ")		40	1,280 18% P_2O_5	
							21,440	
			1,700,000 "	2,500,000 "	800,000 "	-	-	
			6,000 "	30,000 "	24,000 "	25	600	
			0 "	1,500 "	1,500 "	533	800	
			4,000 "	6,000 "	2,000 "	80	160	
	8,000	-						
	-	-	70,800 bls.	109,200 bls.	38,400 bls.		-	
	-	-	72,000,000 yds.	109,200,000 yds.	37,200,000 yds.		3,699	
	-	-	6,000,000 pcs.	10,000,000 pcs.	4,000,000 pcs.		-	
	5,000	-	300,000 MT.	450,000 MT.	150,000 MT.		1,500	

Remarks

1. Investments in 1952, 1956, 1957 and 1958 are detailed in article 1 "P
2. On completion, increase of instal capacity 300,750 KW.

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	Keelung (No.1)									26,000 "	33,000 "
	Sinchu (No.5)									30,000 "	35,000 "
	Kaohsiung (No.3)									)	48,000 "
	Keelung (No. 2)									)	36,000 "
	Lotung (No. 4)									) 70,000 "	12,000 "
	Hwalien TIMC									)	6,000 "
		4,000	10,000	3,200	-	16,000	33,000	22,500	23,000		
III	Mining-Coal									1,700,000 "	2,500,000 "
	Pyrite									6,000 "	30,000 "
	Copper (concentrate)									0 "	1,500 "
	Sulphur									4,000 "	6,000 "
		435	1,000	500	-	10,000	12,000	8,000	-		
IV	Textile-Cotton Yarn	-	-	-	-	-	-	-	-	70,800 bls.	109,200 bls.
	Cotton Cloth	800	-	-	-	-	-	-	-	72,000,000 yds.	109,200,000 yds.
	Gunny Bags	574	-	-	-	-	-	-	-	6,000,000 pcs.	10,000,000 pcs.
V	Salt	250	200	-	-	16,000	6,000	5,000	-	300,000 MT.	450,000 MT.
	By-products										
VI	Paper	600	560	1,090	-	5,000	5,900	7,600	-	-	-
VII	Hardware	800	900	-	-	1,500	1,500	-	-	-	-
	Petroleum-Exploration	1,300	1,400	-	-	5,000	8,000	-	-	-	-
	Lube Manufacture	300	1,100	-	-	3,600	15,400	-	-	-	21,000 MT.
	Oil & Fat	-	150	-	-	4,300	-	-	-	-	-
	Chemicals	-	1,565	1,525	-	10,000	12,000	13,000	-	-	-
	Food Processing	300	250	-	-	2,500	5,000	5,000	-	-	-
	Shipbuilding	426	726	-	-	6,000	6,000	-	-	-	-
XIII	Fisheries	300	250	-	-	10,000	10,000	-	-	-	-
V	Forestry	68	500	250	-	-	-	-	-	190,000 M^3	220,000 M^3
V	Railway	1,200	2,000	1,000	-	11,000	13,000	9,000	-		
I	Highway	876	-	-	-	-	-	-	-		
I	Telecommunications	17	150	150	-	-	-	-	-		
		22,302	27,146	12,675	4,090	82,500	293,800	206,800	131,800		

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Capital Investments, US$1,000

Item	Projects	FY1953	FY1954	FY1955	FY1956
I	Power - 1. Peipu	1,625	1,450	1,450	850
	2. Kaohsiung	4,125	1,375	-	-
	3. Tung-Men	1,400	200	-	-
	4. Wu-Shen	800	300	-	-
	5. Pa-Tu	670	-	-	-
	6. Wu-Lai Transmission	141	-	-	-
	7. Nan-Shih	500	980	480	-
	8. Chu-Keng	500	1,040	1,780	2,240
	9. Transmission & Distribution	500	1,000	1,000	1,000
	10. Wu-Lai 2nd Unit				
	11. Tien-Leng				
	12. Sung-Shan				
	13. Li-Wu				
	14. Pen-Hu	15	-	-	-
		10,276	6,345	4,710	4,090
II	Fertilizer-KASW				
	Hwalien	3,400	600	-	-
	TFC (No.6)	600	9,400	3,200	-
	Keelung (No.1)				
	Sinchu (No.5)				
	Kaohsiung (No.3)				
	Keelung (No. 2)				
	Lotung (No. 4)				
	Hwalien TIMC				
		4,000	10,000	3,200	-
III	Mining-Coal				
	Pyrite				
	Copper (concentrate)				
	Sulphur				
		435	1,000	500	-
IV	Textile-Cotton Yarn	-	-	-	-
	Cotton Cloth	800	-	-	-
	Gunny Bags	574	-	-	-
V	Salt	250	200	-	-
	By-products				
VI	Paper	600	560	1,090	-
VII	Hardware	800	900	-	-
VIII	Petroleum-Exploration	1,300	1,400	-	-
	Lube Manufacture	300	1,100	-	-
IX	Oil & Fat	-	150	-	-
X	Chemicals	-	1,565	1,525	-
XI	Food Processing	300	250	-	-
XII	Shipbuilding	426	726	-	-
XIII	Fisheries	300	250	-	-
XIV	Forestry	68	500	250	-
XV	Railway	1,200	2,000	1,000	-
XVI	Highway	876	-	-	-
XVII	Telecommunications	17	150	150	-
		22,302	27,146	12,675	4,090

,500	-	-	-	8,000 MT.	88,000 MT	80,000 MT	70	4,200	20%N
,000	11,000	-	-	0 "	66,000 "	66,000 "	70	4,620	"
,500	22,000	22,500	23,000	0 "	150,000 "	150,000 "	70	10,500	" ---------- (Full production by 1957)
				26,000 "	33,000 "	7,000 "	70	490	"
				30,000 "	35,000 "	5,000 "	70	350	"
				)	48,000 ")				
				)	36,000 ")				
				) 70,000 "	12,000 ")	32,000 "	40	1,280	18% P_2O_5
				)	6,000 ")				
,000	33,000	22,500	23,000					21,440	
				1,700,000 "	2,500,000 "	800,000 "	-	-	
				6,000 "	30,000 "	24,000 "	25	600	
				0 "	1,500 "	1,500 "	533	800	
				4,000 "	6,000 "	2,000 "	80	160	
,000	12,000	8,000	-						
-	-	-	-	70,800 bls.	109,200 bls.	38,400 bls.		-	
-	-	-	-	72,000,000 yds.	109,200,000 yds.	37,200,000 yds.		3,699	
-	-	-	-	6,000,000 pcs.	10,000,000 pcs.	4,000,000 pcs.		-	
,000	6,000	5,000	-	300,000 MT.	450,000 MT.	150,000 MT.		1,500	
								300	
	5,900	7,000	-	-	-	7,400 "		1,500	
	1,500		-	-	-	-		2,000	
	8,000		-	-	-	-		1,000	
	15,400		-	-	21,000 MT.	21,000 MT.		4,000	
	-	-	-	-	-	-	-	6,000	
	12,000	13,000	-	-	-	-	-	2,000	
	5,000	5,000	-	-	-	-	-	-	
.000	6,000	-	-	-	-	-	-	-	
	10,000	-	-	-	-	-	-	1,500	
	-	-	-	190,000 M^3	220,000 M^3	30,000 M^3	70	2,100	Production of Hinoki
	13,000	9,000	-						
	-	-	-						
	-	-	-						
	293,800	206,800	131,800					48,599	

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APPENDIX I ESTIMATES OF FOREIGN EXCHANGE RECEIPTS AND DISBURSEMENTS FOR THE PERIOD FROM CY1952 TO CY1956

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(1) FOREIGN EXCHANGE ESTIMATE

SUMMARY

Unit: US$1,000 September 20, 1952

DESCRIPTIONS	CY 1952	CY 1953	CY 1954	CY 1955	CY 1956
I. Import/Export					
1 Import requirements:					
A General imports	201,[illegible]	213,579	210,229	179,687	164,013
B Military procurement	12,500	12,500	12,500	12,500	12,500
Total	213,5[illegible]	226,[illegible]79	222,729	192,187	176,513
2 Export Receipts	124,[illegible]73	137,874	150,963	155,856	156,377
3. Deficit	88,[illegible]54	88,205	71,766	36,331	20,136
II. Remittances					
1. Outward remittances					
A. Gov't Organ. & enterprises	5,755	5,755	5,755	5,755	5,755
B Ordinary remittances	5,380	5,380	5,380	5,380	5,380
C. Foreign Services & International Organ.	5,500	5,500	5,500	5,500	5,500
Total	16,635	16,635	16,635	16,635	16,635
2. Inward remittances	7,500	7,500	8,000	8,500	9,000
3 Deficit	9,135	9,135	8,635	8,135	7,635
III. Total Exchange deficit	98,[illegible]89	97,340	80,401	44,466	27,771
IV. Estimate of MSA aid arrivals:					
1. Commodities, machinery & materials etc.	92,[illegible]59	97,340	80,401	44,466	27,771
2. Public health, literature, educational training, public administration, etc	830	830	730	630	530
Total	92,[illegible]59	98,170	81,131	45,069	28,301
3. TA & trainees, JCW,JCRR,etc	2,[illegible]00	2,120	2,120	1,800	1,500
4. Military common use or impact aid	18,[illegible]68	30,500	22,500	18,000	13,200
5. Total amount of U.S. aid expected	113,027	130,790	105,751	64,896	43,001

REMARKS: (1) Please see Tables "B" and "C" for detailed figures on commodities to be imported under foreign exchange allocations for imports and on export settlements.

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(2) Figures on international remittances are based on the viewpoint that remittances will diminish gradually since economic stability will be achieved upon the implementation of this plan. Large-scale foreign investments will have to be estimated separately.

(3) Foreign exchange deficits for 1953 to 1956 are equal to the amount of expected arrivals of U.S. Aid commodities, machineries and supplies. In 1952, such deficit has been partially offset by the foreign exchange amounting to US$6,500,000 received from various Government banks.

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(2) FOREIGN EXCHANGE ESTIMATE EXPORT RECEIPTS

Unit US$1,000

ITEMS	CY 1952	CY 1953	CY 1954	CY 1955	CY 1956
1. Sugar (including brown sugar)	72,168	65,800	71,800	71,800	71,800
2. Rice	27,287	41,600	44,600	45,400	43,800
3. Tea	3,867	6,600	7,260	7,920	7,920
4. Salt	3,000	3,450	3,900	4,350	4,800
5. Citronella, etc.	2,500	800	800	800	800
6. Banana, etc.	6,196	6,997	7,163	7,329	7,3[illegible]
7. Coal	63	600	600	600	600
8. Canned Pineapples, etc.	2,029	2,600	3,900	5,200	5,200
9. Cement	891	900	900	900	900
10. Camphor, etc.	346	150	100	-	-
11. Pulp, etc.	292	532	770	1,012	1,252
12. Chemicals, etc.	100	350	600	850	1,100
13. Metals	419	620	820	1,020	1,220
14. Feathers	1,352	1,650	1,800	2,000	2,200
15. Hat Bodies	500	500	500	500	500
16. Forestry Products	-	525	1,050	1,575	2,100
17. Others	3,941	4,200	4,400	4,600	4,800
TOTAL	124,971	137,874	150,963	155,856	156,377

REMARKS:

(1) Figures of export settlements for 1952 were based on the 4th Revised Estimate compiled by the Working Group on Balance of Payments, Sub-Committee "A", ESB, Executive Yuan.

(2) For export figures of sugar, rice, tea, citronella oil, banana, orange and pineapple after 1953, please refer to agricultural plan hereof with appendixes.

(3) For export figures of salt, pulp, metals and forestry products, please refer to the Industrial Plan hereof with appendixes.

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(3) FOREIGN EXCHANGE ESTIMATED IMPORT REQUIREMENTS

Units US$1,000 September 20, 1952

ITEMS	CY 1952	CY 1953	CY 1954	CY 1955	CY 1956
1. Chemical Fertilizer	40,680	35,898	33,039	22,303	19,549
2. Rice	--	--	--	--	--
3. Beans 4. Bean Cakes	16,822	15,322	13,822	12,322	10,822
5. Wheat Flour 6. Wheat Bran	10,077	10,077	10,077	10,077	10,077
7. Peanuts 8. Peanut Oil	661	661	661	661	661
9. Milk & Products	2,181	2,181	2,181	2,181	2,181
10. Salted Fish	3,657	3,282	2,907	2,532	2,157
11. Cigarette & Tobacco	1,579	1,579	1,579	1,579	1,579
12. Cotton, Raw 13. Cotton Yarn 14. Cotton Piece Goods 15. Cotton Products	30,082	29,157	28,232	27,307	26,382
16. Wool & Products	1,752	1,752	1,752	1,752	1,752
17. Hide & Leather	1,854	1,854	1,854	1,854	1,854
18. Gunny Bags & Jute	2,565	2,565	2,565	2,565	2,565
19. Logs & Lumber	1,266	1,266	1,266	1,266	1,266
20. Ores, Metal & Manufactures 21. Machinery & Tools 22. Electrical Materials	34,382	33,732 + 22,302	33,082 + 27,146	32,432 + 12,675	31,782 + 4,090
23. Bicycle & Parts	1,464	1,464	1,464	1,464	1,464
24. Vehicles, Vessels & Parts	4,458	4,458	4,458	4,458	4,458
25. Chemicals	2,617	2,117	1,617	1,117	617
26. Pharmaceuticals	8,819	8,819	8,819	8,819	8,819
27. Chinese Medicines	2,451	2,451	2,451	2,451	2,451
28. Dyes & Paints	1,945	1,945	1,945	1,945	1,945
29. Glass & Products	871	871	871	871	871
30. Rubber & Products	4,371	4,371	4,371	4,371	4,371
31. Paper & Pulp	2,960	2,829	2,694	2,559	2,424
32. Oil & Wax	3,661	3,000	2,000	1,000	1,000
33. Crude & Fuel Oil	6,317	6,067	5,817	5,567	5,317
34. Others	13,559	13,559	13,559	13,559	13,559
TOTAL	201,055	213,579	210,229	179,687	164,013

REMARKS: (1) 1952 figures of import settlement are based on the 4th Revised Estimates compiled by the Working Group on Balance of Payments, Sub-Committee "A", ESB, Executive Yuan.

(2) In connection with import figures of fertilizer after 1953, please refer to explanation on fertilizer under the agricultural and industrial plans hereof with appendixes.

(3) In connection with import figures of textile products, paper, metals, crude oil, oils, beans, chemicals and salt fish after 1953 please refer to the explanation under the Industrial Plan hereof with appendixes.

(4) Figures under Items 20-22 (Ores, Metal & Manufactures, Machinery & Tools & Electrical Material) in the above table marked (+) represent amount of capital in foreign exchange required under the Industrial Plan. Please refer to the explanation given in the plan concerned.

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APPENDEX II. ESTIMATED NATIONAL INCOMES FOR THE PERIOD FROM CY 1952 TO CY 1956

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ESTIMATE OF NET NATIONAL INCOME (AT FACTOR COST)

IN TERMS OF TAIWAN DOLLARS OF 1937

Unit NT$1,000 (Except Item V Unit NT$1.) September 12, 1952.

DESCRIPTIONS	CY 1952	CY 1953	CY 1954	CY 1955	CY 1956
I. Domestic Net National Output (at factor cost)	806,789	869,326	911,157	962,968	1,025,907
A. Net Output of goods (at factor cost)	678,122	736,799	774,654	822,369	881,090
a. Net Products (at factor cost of production)	511,173	555,404	583,939	619,908	664,172
1. Agriculture, Forestry & fishery	311,321	323,846	335,169	347,139	359,834
2. Mining	29,660	31,688	33,234	38,427	48,150
3. Manufacturing	128,632	153,518	164,637	178,470	194,857
4. Electricity, gas & water	23,058	27,514	29,235	30,958	32,681
5. Building & construction	18,511	18,838	21,664	24,914	28,650
b. Net Services of Transportation & Distribution of Goods	166,949	181,395	190,715	202,461	216,918
6. Transportation of Goods	30,670	33,324	35,036	37,194	39,850
7. Distribution of Goods	136,279	148,071	155,679	165,267	177,068
B. Net Output of Services	128,667	132,527	136,503	140,599	144,817
1. Communication (excluding transportation of goods)	27,348	28,169	29,014	29,884	30,781
2. Financing	7,922	8,160	8,404	8,657	8,916
3. Professional Services	28,649	29,508	30,393	31,305	32,344
4. Personal Service & Amusement	29,150	30,024	30,925	31,853	32,808
5. Household	4,102	4,225	4,352	4,483	4,618
6. Government (Including education)	31,496	32,441	33,415	34,417	35,350
II. Net Income from Abroad	159,516	169,259	139,881	77,752	48,795
III. Net National Income (at factor cost I + II)	966,305	1,038,585	1,051,038	1,040,720	1,074,702
IV. Population	8,002,611	8,242,687	8,489,969	8,744,168	8,986,494
V. Income per Capita (III + IV)	121	126	124	119	119

EXPLANATION

1. The years stated in above table represent general calender years i.e. from January to December.
2. Net output of Gov't services does not include those of soldiers.

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3. The population excludes the military and is based on that at the end of 1952 with a natural increase of 3% yearly.
4. Net income from abroad is based on the estimate of MSA aid arrivals; the figures which do not include technical assistance and military common use as they are not treated as a sort of national income, are as follows:

Year 1952	US$ 92,519,000.-
" 1953	" 98,170,000.-
" 1954	" 81,131,000.-
" 1955	" 45,096,000.-
" 1956	" 28,301,000.-

5. Figures listed in above table are in terms of Taiwan Dollars of 1937 which should be converted into the New Taiwan Currency according to the cost of living index. For instance, as the cost of living index of public workers in Taipeh in August this year is 1,495, so 1 Taiwan Dollar in 1937 in the above table is equal to NT$14.95 in August this year.
6. If calculated according to the above method, national income of 1952 should be NT$144,446,260,000 and that of 1956 should be NT$16,066,795,000.- which will exceed the former by NT$1,620,535,000.- in comparison.

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EXHIBIT 24

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By NARA Date 5/29/8

copy - [illegible]

BUREAU OF
FAR EASTERN AFFAIRS
NOV 25 1953
SPECIAL ASSISTANT
REGIONAL PROGRAMS

FE- Mr. Robertson

November 25, 1953

CA - Walter P. McConaughy

Call of General Yu Ta-wei November 25: Probable Subject of Conversation

General Yu Ta-wei, Head of the Chinese Government Technical Assistance Group in Washington, is about to leave for Taipei for a brief period of consultation with the Generalissimo, Finance Minister C. K. Yen, and other high officials of the Government on the level of the U. S. economic and military assistance programs for the current fiscal year, and on planning for the next fiscal year. He is seeing Governor Stassen and Mr. Moyer of FOA at 3:15 today.

I understand that the expects to discuss with Governor Stassen the amount to be allotted for economic assistance. The Chinese are still insisting that they should receive $81.4 million, rather than 70 - odd million. The Chinese argument is based on the Dirksen amendment to the aid bill for China and Indochina. This amendment provides for a flat percentage increase for Formosa. There is no doubt that the Senate intended for the fixed percentage increase to apply to the economic assistance appropriation for Formosa. On the basis of the Senate Bill, the Chinese contention would be correct. However, the original House Bill provided $70 million for Formosa, and the compromise bill reported out by the Conference Committee, and passed, is ambiguous on this point.

X

In error

Discussed with CA.

FOA has made at least a tentative ruling that the total economic aid program for Formosa will be in the neighborhood of $77 million. I am not sure that this decision is final. Senator Bridges is apparently bringing heavy pressure on Governor Stassen to fix the total at $81.4 million.

While the larger figure could be used to good advantage, we think that the smaller figure of $77 million is fairly liberal and can be made to suffice. If the figure is raised to $81.4 million, we feel strongly that the increase should not be at the expense of the Indochina program.

General Yu will probably also bring up the need for a greater allotment of funds for "common use". If a flat increase over the budgeted $30 million cannot be granted by Defense, he wants the Chinese Government given authority at its discretion to take a cut in "military hardware" deliveries and receive correspondingly increased "common use" funds instead. In view of the increasing need on Formosa for items financed by "common use" funds, for airfields, aviation fuel, bridges of military importance, et. there is something to be said for allowing this flexibility.

General Yu also is concerned with the budgetary deficit, particularly the shortage of counterpart funds derived from the sale of FOA - financed imports.

It is my guess that General Yu wishes to do you the countesy of informing

you of his trip, and to seek your support in principle of his objectives.

CA:WPMcConaughy/lkb

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EXHIBIT 25

CONFIDENTIAL

FE
Mr. Patterson

BUREAU OF FAR EASTERN AFFAIRS
FEB 4 1954
SPECIAL ASSISTANT REGIONAL PROGRAMS

FE - Mr. Drumright

February 4, 1954

CA - A. Guy Hope

FOA Proposal for Economic Advisory Group for Formosa

Chinese Embassy and Chinese Technical Mission officials (Counselor Tsui, Yu Ta-wei, Special Assistant to the Ambassador and P.H. Ho, Chief of CTM) informed me a few days ago that they have been discussing with Dr. Moyer of FOA the desirability of sending a U.S. economic advisory mission to Formosa to survey the economic and financial picture and to recommend courses of action for improving economic stability. Mr. Turner of FOA has told us that his office is quite enthusiastic about the project, feeling that it is necessary to get top-level, non-Government advice about the progress of the FOA program and the soundness of the measures taken and planned to check inflation, balance the economy, and maintain stability.

This proposal has been advanced in previous years by FOA or its predecessors but has been discouraged in the Department and by Ambassador Rankin on the grounds that Chinese hopes of increased aid could be raised too high or the political impact of any such report might be otherwise undesirable, and that there were sufficient "experts" on the scene now without attempting to add others.

The differences in this proposal are (1) it has been advanced first by the Chinese (2) Ho told me in strict confidence that he, Finance Minister Yen and others of the group which has tried to preserve the civilian economy are convinced that such a move is necessary to dramatize to President Chiang the importance of the economic sector and the dangers of allowing the Chinese military to dominate the budget beyond all hope of management (3) Dr. Moyer had advanced pretty far along in his discussions before this matter was brought to our attention; as an appointee of the new Administration, he feels the need of a review of the entire program, an indication of future direction, and possible "outside" support for the FOA budget before Congress.

Mr. Chafkin, of Treasury, telephoned me about the attched draft telegram from FOA, and his informal views agreed with mine: if such a message is to be sent it should be in the nature of an inquiry as to the Embassy's and FOA mission's views as to the necessity, desirability, and political consequences of such a mission.

If,

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If, after exploration of the matter with Dr. Moyer (who will be in Taipei tomorrow), the Ambassador and Mr. Brent feel disposed to recommend such a mission, the interested agencies in Washington could then discuss it in an orderly way. There are very basic questions which must be resolved here as essential to a sound decision; for example, the choice of a person to head such a mission could be all-important, and timing might be a major factor.

I believe you may want to discuss this with Mr. Robertson. If FE concurs, I will re-draft the telegram to assure that it is purely exploratory and will not bind us to any decision until the case has been studied. Mr. Turner is extremely anxious to have a telegram out before Dr. Moyer leaves Formosa.

Attachment:

Draft Tel by FOA
to Taipei.

CC: FE - Mr. Parelman

FE:CA:AGHope:gwb

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By D NARA Date 5/22/8

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EXHIBIT 26

CHINESE EMBASSY
WASHINGTON

November 12, 1954

Dear Mr. Secretary:

Pursuant to recent conversations which my Foreign Minister and I had with the U.S. Secretary of Defense, Mr. Wilson, the Assistant Secretary of Defense, Mr. McNeil, and Admiral Radford, Chairman of the Joint Chiefs of Staff, my Government directs me to submit to you for early and favorable consideration by the Government of the United States the accompanying Memorandum on an "Outline of a Special Direct Military Support Program" and a Supplementary Memorandum on "Urgent Requirements of the Chinese Navy, in Addition to the Annual MDAP Program."

I wish to add that a copy of the said Memorandum, together with the Supplementary Memorandum, is also being sent to the Secretary of Defense, the Director of the Foreign Operations Administration, and the Chairman of the Joint Chiefs of Staff.

With high esteem,

Yours sincerely,

/s/ V. K. Wellington Koo

Enclosure as stated.

The Honorable John Foster Dulles
Secretary of State
Department of State
Washington, D. C.

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By AL NARA Date 01/14/08

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C
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MEMORANDUM

Outline of a Special Direct Military Support Program

I.

1. The Government of the Republic of China, in view of the danger of Communist attacks from the mainland against its island territories, has drawn up a special military aid program (Hsieh Plan) for the urgent purpose of building up its armed strength moderately to a degree which would enable it effectively to counter the attacks.

2. This program of training additional officers and men for the Chinese Army, Navy and Air Force calls for the expansion of facilities to accommodate:

(1) 50,000 man at one time for the Army;

(2) 7,000 men at one time for the Navy; and

(3) 6,000 men at one time for the Air Force;

totaling 63,000 men at one time, exclusive of the existing facilities for training 20,000 provided free from aid and those for training 10,000 men, which have been provided for under the FY program. These two training arrangements are both for the Army.

3. Maintenance expenses are needed for the above-mentioned additional 63,000 men to be trained, including food, clothing equipage, pay, etc., and expenses for necessary constructions, administration and operational needs.

4. Clothing and equipage for the additional 341,700 men (300,000 for the Army, 26,000 for the Navy, and 15,700 for the Air Force) are required for the armed forces, so that, in the event of an emergency, there will be no sh

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5. Necessary expenses to fill up the 20,700 vacancies in nine army divisions in order to bring them up to full strength.

6. The total amount of funds required to carry out the above special military support program is US$106,225,000. The breakdown of these sums in itemized form will be presented in due course.

7. The Government of the Republic of China earnestly hopes that the United States Government will give this program its prompt and favorable consideration. It will appreciate a favofable reply at the earliest date possible.

II.

1. Parallel to the proposed building up of the Army, the Chinese Navy urgently needs a certain amount of additional strength so as to be better able to cope with probable attacks from the Communist mainland. The types and number of vessels required are the following:

(1) 4 Destroyers (DD);

(2) 6 Escorts (DE);

(3) 30 Landing ships (LST); and

(4) 6 Modern non-magnetic minesweepers.

2. The considerations supporting the request for the additional vessels are explained in the attached supplementary memorandum on urgent requirements of the Chinese Navy, in addition to the annual MDAP program.

Chinese Embassy
Washington, November 12, 1954

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SUPPLEMENTARY MEMORANDUM

Subject: Urgent requirements of the Chinese Navy, in addition to the annual MDAP program.

1. For the defense of Taiwan, the Chinese Navy is in need of additional strength. This need is particularly urgent now in view of the repeated announcements made by the Peiping regime of its aggressive designs.

2. A list of the types and number of vessels required is presented below:

	Type	Number
(1)	DD (Destroyers)	4
(2)	DE (Escorts)	6
(3)	LSTs	30
(4)	Modern non-magnetic minesweepers	6

3. Employment:

With a view in mind of what course of action the Communists will probably take against Taiwan, the following gives a planned assignment of tasks to the units of the Chinese Navy, according to their types, their respective capabilities and their limitations.

(1) Destroyers:

To maintain patrols along the mainland coast in areas which outrange smaller vessels.

To retaliate against bombardment by shore batteries on forward islands.

To form, in case of air attack, mobile anti-aircraft batteries in the channel or waters around the islands, including Taiwan itself.

To form, in case of combat, highly mobile forces against any invasion attempt, in order to prevent the crossing of the channel.

To form, in case of an invasion, attack forces against enemy home ports.

To support, in case of an enemy success in landing on Taiwan, counter-landing by defensive forces.

To protect shipping between Taiwan and forward islands.

To perform, in case of necessity, anti-submarine warfare.

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(2) Destroyer escorts:

The assignment of tasks for DEs is generally similar to that for the destroyers. However, due to limitations both in armament and in speed, adjustment is to be made accordingly. With the economy of operation of this type and the superior speed and fire power of the destroyers, best results could be achieved with minimum of waste. DEs will normally perform a heavier share of patrol and anti-submarine duties in nearby waters, while the destroyers will compose stronger and more mobile forces which can better carry the fight into the source of the invading enemy.

(3) Landing ships:

To form logistic support forces for forward islands. Due to lack of harbor facilities in these islands, this type of vessel is found to be the most suitable.

To form counter-landing amphibious forces in case the enemy should succeed in landing on Taiwan during an invasion. Road transportation in Taiwan is inadequate for large movements. Although planned improvement is being made, it is limited by the nature of the terrain. Should invasion occur, it is most likely that communication between North and South will be interrupted and it will be necessary to move reinforcements from other points by sea directly into areas of fighting or to points below or above for flanking purposes.

To carry out routine military sea transport duties.

(4) Modern non-magnetic minesweepers:

Mine warfare is expected to be accentuated by the enemy. There are only three ports in Taiwan to handle ocean shipping. Closing of these ports by enemy mines would hamper Taiwan greatly, both in military and economical aspects, if not causing paralysis. At present, while the Chinese Navy has some AMs operating, it has none of this type to deal more safely with magnetic mines.

4. The above task assignment does not mention the air aspect of the problem; however, it is borne in mind.

5. Conclusion:

While there is nothing new about the assignment plan, it is presented in the light to show the inadequacy of the present Chinese naval strength, which consists of only two DDs

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transferred in February this year under authority of law passed by the last Congress, six DEs and nine operable LSTs both transferred prior to 1949.

The above-outlined additional strength to the Chinese Navy is urgently needed to strengthen the defense of Taiwan and the other islands which are in control of the Government of the Republic of China. The need is the more urgent because of the repeated threats by the Red regime to attack and seize Taiwan and the other islands in the not too distant future. Taiwan is regarded by the Peiping regime as a thorn in its side. The mere act of transfer of such strength may serve as a deterrent to the Communist intention to attack, as it has been demonstrated by the slackening of Communist bombardment of Quemoy islands after rapid retaliation in which the two recently transferred DDs took an active part.

It is to be added that with a well-planned schedule of transfer and a co-ordinated air program the Chinese Navy will be able to absorb such additions without difficulty.

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EXHIBIT 27

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2p CA

S - Mr. Murphy

January 27, 1955

CA - Walter P. McConaughy

Juridicial Status of Formosa and the Pescadores

The first clear assertion of Chinese administrative control over Formosa and the Pescadores occurred under the Yuan (Mongol) Dynasty (1206 - 1368), during which period an administrative office was set up in the Pescadores to rule both places (when under Chinese or Japanese rule, the Pescadores have always been administered as part of the administrative unit including Formosa). Present-day Chinese tend to date Chinese sovereignty over Formosa and the Pescadores from this period, although some, including apparently the Chinese Communists, would place the origin of Chinese sovereignty even further back, dating it from the early military expeditions sent to the islands in the third century, or the establishment of fishermen's settlements in the Sui Dynasty (seventh Century). Actually, even after the Mongol Dynasty, there were long gaps in the continuity of Chinese control, including a period of fairly effective Dutch control from 1622 to 1661. The period of continuous Chinese control over Formosa and the Pescadores (prior to their cession to Japan) dates from 1661, when the Chinese general Koxinga drove the Dutch out and established Formosa as a stronghold for remnants of the Ming Dynasty. Koxinga held the islands until the forces of the Manchu Dynasty (1644 - 1911) conquered Formosa in 1683. From 1661 to 1895, Chinese control was never completely broken, although it was sometimes challenged. Administratively, Formosa and the Pescadores were a part of Fukien Province until 1886, when they were set up as a separate province.

Formosa and the Pescadores were ceded by China to Japan in 1895 by the treaty of Shimonoseki ending the Sino-Japanese war. The Formosan population, in reaction against the cession of Formosa to Japan, in 1895 proclaimed their independence as the "Republic of Taiwan". This "Republic", however, overwhelmed by Japanese forces in a few months, before it had achieved any international recognition. Japan had uncontested sovereignty over the islands from 1895 until the end of World War II.

The Japanese Government, at the time of the surrender, accepted the terms of the Potsdam Proclamation, one of which was that "the terms of the Cairo Declaration shall be carried out and Japanese sovereignty shall be limited to the islands of Honshu, Hokkaido, Kyushu, Shikoku, and such minor islands as we determine." At the direction of the Supreme Commander for the Allied Powers (General Order #1) the Japanese forces in Formosa surrendered to the Chinese, and the Republic of China has been in continuous occupation since that time.

Japan

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Japan renounced all right, title, and claim to Formosa and the Pescadores in the San Francisco Peace Treaty, and repeated this renunciation in the bilateral treaty with the Republic of China (signed April 28, 1952). In neither instance, however, was any action taken which would constitute cession of the islands to China.

The question of sovereignty over Formosa and the Pescadores is thus still undetermined. This fact has been recognized by the Chinese themselves; in the course of the Legislative Yuan's discussions of the bilateral treaty with Japan, Foreign Minister Yeh admitted that while Formosa and the Pescadores were in his view Chinese territory, they had not been formally returned to China.

L/FE - Mr Snow (cleared in draft) PLO

FE:CA:DLOsborn:ls

EXHIBIT 28

SECRET (4/20/55)

MUTUAL SECURITY PROGRAMS FOR FORMOSA

FY 1950 through FY 1955

(In millions of dollars)

	Charged to Appropriation	"Excess" not charged to Appropriation	Total
MILITARY ASSISTANCE			
1950 - 1954	$ 832.8	$ 101.7	$ 934.5
1955 a/	154.1	.9	155.0
Total	986.9	102.6	1,089.5 b/
NON-MILITARY ASSISTANCE			
1951			92.9
1952			81.0
1953			105.5
1954			111.7
1955			137.7
Total			528.8
Total Military and Non-Military Assistance			$ 1,618.3

a/ Programs not yet approved by FOA.
b/ Excludes training cost (approximately $18 million) and cost of packing, handling and transportation (costs not available.)

FE:RCYost:STPerelman:bto

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By NARA Date 01/14/08

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SECRET

(4/20/55)

MILITARY ASSISTANCE PROGRAM FOR FORMOSA
FY 1950 through FY 1955

(In millions of dollars)

	Regular	Excess	Total
Materiel:	$	$	$
1950-1954			
Army	501.8	64.9	566.7
Navy	66.3	6.5	72.8
Air Force	264.7	30.3	295.0
Total 1950-1954	832.8	101.7	934.5
1955 a/			
Army	58.5	-	58.5
Navy	33.3	.1	33.4
Air Force	62.3	.8	63.1
Total 1955	154.1	.9	155.0
Total 1950-1955	$ 986.9	$ 102.6	$ 1,089.5

	Army	Navy	Air Force	Total
Training:	$	$	$	$
1950-1954	4.0	2.0	7.2	13.2
1955	2.7	.6	2.4	5.7
Total 1950-1955	$ 6.7	$ 2.6	$ 9.6	$ 18.9

Materiel and Training:

1950-1954:

Materiel (Incl. Excess)	$ 934.5
Training	13.2
Total	947.7

1955

Materiel (Incl. Excess)	155.0
Training	5.7
Total	160.7
Total 1950-1955	$ 1,108.4

a/ Programs not yet approved by

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By RC NARA Date 01/14/08

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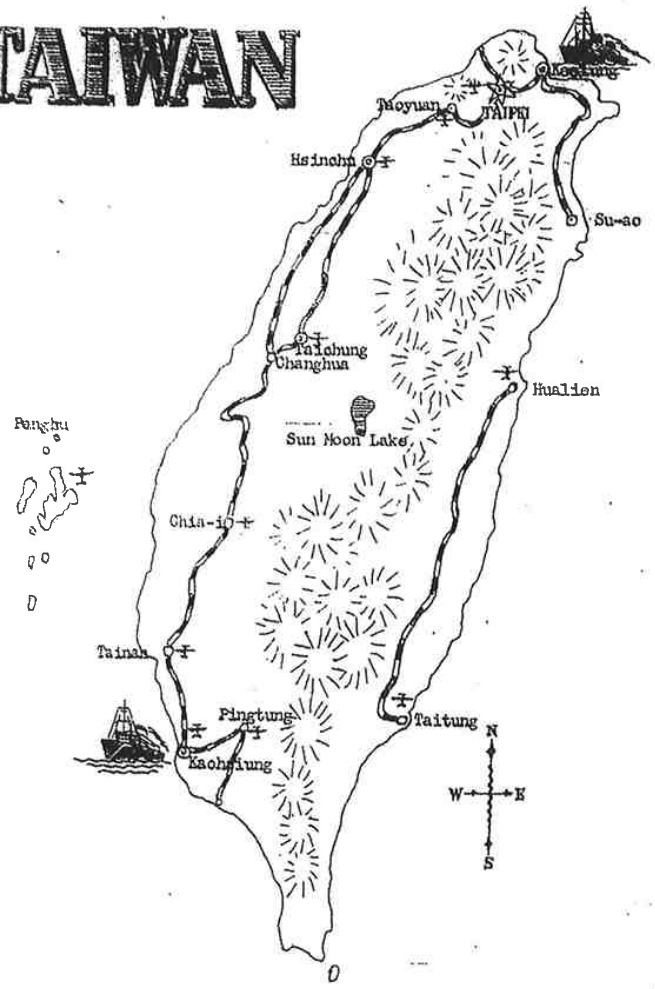
EXHIBIT 29

Prepared in Taipei

TAIWAN



American Embassy
Taipei, Taiwan
May 10, 1955

T A I W A N

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I. INTRODUCTION

Taiwan, chronically one of the hotter spots in the world news and one of the key links in America's chain of alliances and defenses in the western Pacific, has been governed as a province of the Republic of China since 1945 and has been the seat of its national government since 1949. In considering Taiwan's problems, as faced by the United States as well as by the Chinese, comparison in American terms may be helpful. Since the national government moved here, as an emergency measure, the situation has been somewhat as though the federal government of the United States, with an important portion of its military forces and accompanied by over a million refugees, had been forced to withdraw into a single state with approximately double the area and population of New Jersey, but with less arable land and far less industrialization. The difficulties -- political, economic, financial, and psychological as well as military -- are more easy to imagine than to comprehend. In Taiwan, today, there are two layers of government. The people of one state are called upon to support the national government and the military forces of the entire nation. Large numbers of refugees add to the burden. The shortcomings still evident are not to be wondered at -- the marvel is that they are not greater.

The Mutual Defense Treaty between the Republic of China and the United States, signed in Washington December 2, 1954, and activated March 3, 1955, was concluded for hard-headed reasons. Taiwan is regarded not only as an asset to the Free World in general, but also an essential link in the chain of American security. Taiwan must remain in hands friendly to the United States. To that end, the Government of the Republic of China is being helped to develop its capacity to defend its territories, and to create on Taiwan and various smaller islands which it holds, conditions favorable to the improved existence of a free people, resistant to the deceptive promises of Communism, and who some day can be economically self-supporting. The United States is giving substance to its desire that Free China be a bastion not only against Communist aggression but also of the Four Freedoms.

Meanwhile, the United States Government not only supports the Chinese Government in its own efforts to strengthen its defenses and rehabilitate itself, but also stands ready to assist in the defense of Taiwan and nearby Penghu, with naval and air support, against any outside attack. Specifically, the Seventh Fleet has the mission of protecting Taiwan in the event of such aggression. Until February 1953 it also had the mission of preventing an assault on the mainland by the military forces

on Taiwan

I. INTRODUCTION (Cont'd)

on Taiwan. This latter mission has been withdrawn; Taiwan is no longer "neutralized". At the same time, it is recognized by both Chinese and Americans that no large scale military attack could be mounted by the Chinese forces against the Communist-held mainland without substantial naval, air and logistic support from other sources.

In considering the global conflict with communism, a unique feature of Taiwan should not be overlooked. Although mainland China has disappeared behind the Iron Curtain, there still remains on the side of the free world (a) a sizable territory with a large Chinese population, under the control of the legitimate government of China, and (b) strong military forces still buoyed up by frequently-reiterated Chinese declarations of fundamental policy - to liberate their homeland across the Formosa Strait.

II. TAIWAN AND ITS PEOPLE

For a variety of reasons the Island of Taiwan has been recurrently in the American public eye since it served as the chief Japanese base for the attack on the Philippines in December 1941. Prior to that time not many people in the United States were aware that Taiwan is eight times as large as Long Island, or has four times the area of Puerto Rico, to compare it with another island in about the same latitude. Still fewer knew that its mountains range up to nearly 14,000 feet -- the highest in the former Japanese Empire. It is less than 100 miles from the China mainland at the nearest point.

While geography changes but little, Taiwan is one of many places which have undergone substantial shifts in population since World War II. More than a quarter of a million Japanese left the island for their home land. Some two million Chinese civilians and soldiers came in from mainland China. The result today is a total population of approximately ten million, over 98 percent of whom are ethnically Chinese. The remainder include some 150,000 aborigines and small numbers of assorted foreigners. The eight million Chinese who were born on the island, and hence are called Taiwanese, are descendants of immigrants from the mainland who came over in successive waves to settle on Taiwan, which until the 19th Century had been very sparsely populated.

III. TAIWAN - EDUCATION, HEALTH, WELFARE

Primary education on Taiwan starts at the age of six and lasts six years. More than 80 percent of all children of school age actually attend school; the proportion in the two largest cities, Taipei and Kaohsiung, is over 97 percent. Middle, normal and vocational schools have a total enrollment of over 100,000. The six higher institutions of learning have approximately 7,000 students, of whom approximately one-half attend the National Taiwan University. Altogether, more than 12 percent of the island's total population is attending school.

Literacy on the island among those of school age or older is over 75 percent and is steadily rising. The substitution in all schools of Mandarin, the Chinese national language, in the place of Japanese, has taken place with comparative ease, largely due to the fact that Mandarin is more closely related to the local dialects, and because Chinese characters, which have the same meaning throughout China, generally have equivalent significance in Japanese as well.

The state of public health on Taiwan is high by Asian standards. There have been no serious outbreaks of epidemics in recent years and local production of vaccine permits general inoculation for smallpox, cholera, etc. Tuberculosis is the island's most serious disease. Taiwan has one medical doctor for about 2,500 of population -- a good proportion for Asia -- but is relatively less well provided with qualified nurses. The death rate is among the lowest in the Far East and the birth rate among the highest, resulting in a natural population increase of nearly 3 percent annually.

Welfare activities sponsored by the Chinese Government include a variety of relief projects for the benefit of destitute refugees in Taiwan, Korea, Hong Kong and elsewhere. The Children's Emergency Service was created to work with UNICEF among the children of Taiwan, and has been active in carrying out tests for tuberculosis. The Chinese Women's Anti-Aggression League, with a membership of more than 100,000, devotes itself to the needs of the Armed Services and their families.

IV. TAIWAN - FORM OF GOVERNMENT

Since its liberation in 1945 after 50 years of Japanese rule, Taiwan has been administered as a province of the Republic of China. The national government moved to the island as an emergency measure late in 1949, but has operated on a skeleton basis with practical authority for internal affairs remaining largely in the hands of the provincial government. This is reflected in the relative numbers of civilian employees; the national government has fewer than 12,000, including postal and customs services, while employees of the provincial and local governments total approximately 115,000. The latter include school teachers, police, internal revenue officials, health officers, etc. The Government is endeavoring to work out and implement a civil defense program to disperse the population of Taipei, principally by transferring many of the provincial offices to central Taiwan.

The Governor of Taiwan is appointed by the national government and has extensive executive authority. However, the municipal and "hsien" or district councils have been elected by direct and secret ballot since 1950-51, as have the five mayors and 16 district commissioners. (Sufferage is universal for all men and women over 20.) The Provisional Provincial Assembly of 57 members (including 5 women) has become increasingly important in guiding the Governor and in determining provincial policies. The present Assembly was elected by direct, secret ballot in 1954.

The Government of the Republic of China is based upon the Constitution of 1946 and the popular elections held throughout China in 1947-48. It is headed by a President, and includes the National Assembly and the Executive, Legislative, Judicial, Control and Examination Yuans, or branches of the Government. The National Assembly, which elects the President and Vice President, and the Legislative Yuan, were chosen by popular election in 1948. Since then it has been impossible to hold elections representing all parts of China, due to the communist conquest of the mainland. As a result, the terms of office of the members of both bodies have been extended indefinitely. In February 1954, the National Assembly met in Taipei to reelect President Chiang Kai-shek for a second term (1954-60) and chose former Premier Ch'en Ch'eng as the new Vice-President.

Despite the unsettling effects of the constant threat of Communist attack and the arrival of two million persons from the China mainland since World War II, Taiwan enjoys a relatively high quality of administration, law and order in comparison with other Asian countries today.

V. TAIWAN - RECENT POLITICAL PROGRESS

Since China regained control of Taiwan after World War II, one of the Government's announced political objectives with respect to the island has been the extension of local self-government and the participation of the Taiwanese in public affairs.

A noteworthy step along the road to (Taiwanese) self-government was the holding of popular elections, beginning in the summer of 1950 and continuing for nearly a year thereafter, for district commissioners and mayors, and district and municipal councils. In the late fall of 1951 the elected members of the district and municipal councils chose representatives for the Provisional Provincial Assembly of Taiwan. The Assembly's 57 members -- at least five are required to be women -- have a variety of functions, among the most important being those of reviewing the provincial government budget and accounts and the interpellation of the provincial governor, provincial commissioners and other members of the provincial administration regarding their functions and actions. The members of the Provisional Provincial Assembly, all but one of whom are native-born Taiwanese, have welcomed these powers and used them energetically. Although only advisory in nature, the creation of the Assembly has made a significant contribution to the furtherance of democracy on Taiwan. Direct elections for members of the Second Provincial Assembly, as well as new mayors and district commissioners, were held in April-May 1954. Of the 78 successful candidates, all but three were Taiwan-born.

Under the present condition of "national emergency" prevailing in Free China, largely due to the fact that the Chinese Communist armed forces are only 100 miles away across the Taiwan Strait, extensive security precautions are maintained against possible Communist infiltration and subversive activities. The insecure position of Free China has limited the full realization of the civil liberties guaranteed in the Chinese Constitution. However, it is encouraging to note that the Legislative Yuan of the National Government has passed a law liberalizing the measures applying to the operation of newspapers and other publications. Under the new legislation, periodicals can more readily be established -- insofar as legal formalities are concerned -- and publishers violating laws pertaining to publications are subject to reduced penalties. Also, the respective jurisdictions of civil and military courts has

been

V. TAIWAN - RECENT POLITICAL PROGRESS (Cont'd)

been more carefully delineated. The intent of this legislation was to limit the right of military tribunals to try offenses by civilians and to provide additional protection for civilians so tried.

VI A. TAIWAN -- PRODUCTION, PRESENT AND POTENTIAL

Agriculture provides a livelihood for approximately half of Taiwan's population and accounts for over one third of the island's total income. Virtually all arable land, representing 24 percent of the total area, is under intensive cultivation and produces a substantial export surplus of foodstuffs. The mountain forest regions however, covering approximately two-thirds of the island, are capable of a substantial increase in economic development. Mining accounts for only a small percentage of Taiwan's total production, but it more than covers local requirements in an essential commodity: coal. Petroleum and various ores are susceptible to further exploitation. It is in the field of manufacturing, however, that the greatest opportunities lie to provide more employment and a better living standard for the already dense population.

Industrial production represents approximately one fourth of total national income and is expanding steadily, despite Taiwan's small size and the limited purchasing power of its population. Insufficient electric power has limited industrialization, although recent extensions to hydroelectric and thermal plants have raised installed capacity 40 percent above the wartime peak. A further increase of nearly 45 percent will result from the completion of projects now under construction. Other limitations to expansion in manufacturing are being dealt with in the steady rehabilitation and improvement of harbors, railroads, telecommunications and highways.

The cotton textile industry has been enlarged since early 1951 to make the island self-sufficient in standard lines of cloth. Chemical fertilizers, which before the war came largely from what is now north Korea, are being produced locally in increasing amounts. A large further expansion is under way which is expected to cover three-quarters of local needs, and within 2½ years to save foreign exchange equivalent to the total capital investment involved. Other lines of industry which are well established and capable of further development include machinery, aluminum, ship building, paper, cement, salt, ceramics, and sugar and petroleum refining. During the fiscal years 1950-55 FOA provided over $100 million toward this industrial program.

With a few exceptions, larger industrial output will be absorbed entirely on the island itself, thereby replacing imports

and helping

VI A. TAIWAN - PRODUCTION, PRESENT AND POTENTIAL (Cont'd)

and helping to diminish the present gap in Taiwan's balance of payments, which recently has ranged from $85 to $115 million per year. The traditional export commodities - sugar, rice, tea, salt, essential oils and fruit - will continue to provide most of the island's foreign exchange earnings.

VI B. TAIWAN - FINANCE

The emergency removal of the national Government of the Republic of China from the mainland to Taiwan in late 1949, along with its large military establishment, inevitably produced a difficult financial situation on the island. While the government still possessed some resources of gold and foreign exchange, it was evident that these would soon be exhausted in the absence of drastic measures to increase revenues and/or reduce expenditures. Despite intensive efforts in both directions, only about 65 percent of total outlays by national, provincial and local governments on Taiwan were covered by ordinary current revenues in 1950. Since then this percentage has increased, reaching 93 percent in 1953 and 96 percent under the 1954-55 budget. In addition, however, various government-owned enterprises have suffered substantial deficits. These and the regular budget deficits have been covered by borrowing from the Central Bank which has been forced to expend reserves of gold and foreign exchange and by utilizing counterpart funds generated by local sales of American aid commodities. The above deficits do not include direct United States aid in the form of military equipment, etc.

As established on Taiwan, the national government has been reduced to skeleton proportions with the important exception of its armed forces. Excluding defense, all other outlays of the national government are far exceeded by its income from customs revenues alone. Expenditures for the armed forces are currently running at nearly two-thirds of total governmental revenue - national, provincial and local.

Reflecting the situation just described, the volume of money in circulation has risen materially, although at a decreasing rate. The money supply doubled in 1950, increased 46 percent in 1953, and 27 percent in 1954. The general price level doubled in 1950, increased by one-half in 1951, and leveled off in 1952. A further increase in prices took place in 1953 amounting to about 16 percent, but price indexes were quite stable during 1954. However the first three months of 1955 saw another sharp price rise, amounting to about 10 percent. As inflation was brought under a measure of control, monthly interest rates on bank loans were reduced from about 10 percent at the beginning of 1950 to 2 percent in July 1954. The open market rate for the U.S. dollar rose steadily until September 1951 when the rate reached 28 new Taiwan dollars. The rate was quite stable during 1952-54, but had risen to almost 40 by the end of April 1955.

VI C. TAIWAN - FOREIGN TRADE AND PAYMENTS

Commodity imports into Taiwan were valued at $211 million in 1954, of which FOA paid for approximately $96 million. The most important import items are metals, raw cotton, machinery, soy beans, wheat, and chemical fertilizers, accounting for about 53 percent of total imports. Exports declined in 1954 to $93 million ($127 million in 1953) owing to a decline in sugar and rice exports. (There were heavy exports of sugar in 1953 to dispose of stocks before Taiwanese exports of sugar were placed under quota in accordance with its adherence to the International Sugar Agreement).

Japan accounted for 33 percent of Taiwan's imports in 1954 and 51 percent of the exports. Sugar and rice are Taiwan's principal exports, and fertilizer, metals and machinery the most important imports in the trade with Japan. A trade agreement signed with Japan in April 1955 provides for an increase of 26 percent to $94 million in trade in each direction. Arrivals from the United States in 1954 represented 46 percent of all imports, with the greater part financed by FOA.

VI D. TAIWAN - LAND TENURE AND REFORM

A survey made in 1930 showed that out of a total of slightly more than two million acres of cultivated land on Taiwan - where virtually all arable land has been under cultivation for many years - tenant farmers tilled 55 percent. Of the farmers themselves, 40 percent were tenants, while the remainder were almost equally divided between full owners and those who owned some land but also rented additional acreage. The conclusion is that over 70 percent of the island's farmers owned either no land whatever or insufficient land to make a living. By 1951 the percentage of tenants had shown little change, but owner farmers had risen to 37 percent while part owners had declined to 26 percent respectively. Of the total number of farms, 85 percent were under 5 acres in size.

The Chinese Government has instituted in Taiwan a program of land reform some aspects of which had already been tried with success in certain regions of China. The first steps were to limit the rental paid by tenants to 37.5 percent of the value of the principal crop. The figure represented a reduction of one-fourth from the landlord's usual 50 percent share, although sometimes as much as 70 percent had been charged for rental. The 37.5 percent limitation was fixed by a law carried out in 1949, which also provided the tenant with greater security of tenure.

The various branches of government on Taiwan became owners of nearly one-fifth of the island's arable land as successors to the Japanese regime in 1945. These lands have been leased to farmers with the exception of areas retained by public enterprises for their own use. The second step in the program of land reform has been the sale of a part of this land to tenants and farm laborers at prices equal to two and one-half times the value of the annual crop, to be paid over a period of 10 years. About one-third of all government-owned land has been sold in this way.

The third phase of the land reform program, the legislation for which was enacted in January 1953, consists of the expropriation and resale to tenants and farm laborers of privately owned tenanted land. Landlords are permitted to retain a small area of land for themselves and are required to sell the excess, amounting to nearly one-sixth of all arable land in Taiwan, to the Government at prices equal to two and one-half times the value of a year's crop. The landlords receive 70 percent of the purchase price in 10-year, four-percent bonds, and 30 percent in shares

VI D. TAIWAN - LAND TENURE AND REFORM (Cont'd)

shares of government-owned industrial enterprises. As a protection against inflation, the bonds are repayable in specific quantities of rice or sweet potatoes, or the cash equivalent at going market prices. The new owners pay for the land entirely in rice and sweet potatoes over a 10-year period. Execution of the third phase of the land reform program was completed at the end of 1953.

As the result of the above phases of land reform, farm-tenancy in Taiwan at the end of 1953 was as follows: Among the 4.4 million farm population on the island, percentage of owner-farmers has risen to 55% and of part-owners to 24%; the percentage of tenant farmers was reduced to 21% while area under tenancy was reduced to only 16% of the total arable land on the island.

VII A. THE UNITED STATES PROGRAM OF ECONOMIC AID TO TAIWAN

During the period June 30, 1950 - March 31, 1955, a total of $462 million in American economic aid to Taiwan had been obligated. Aid supplies and services to a value of $342 million had actually reached Taiwan by the end of March 1955. For fiscal year 1955 expenditures of $138 million for the aid program are planned, of which $75 million had been obligated by the end of March 1955. Of the total program, a portion of what are usually classified as civilian commodities were turned over directly to the Chinese Armed Forces for their use without payment. Other aid supplies sold in Taiwan for local currency had "generated" by the end of March 1955, a total of NT$3,498 million (equivalent to about US$185 million) of counterpart funds. To date NT$3,520 million in counterpart has been earmarked to finance the construction of military installations, for loans and grants to industry and agriculture, and for other purposes related to U.S. military and economic objectives in Taiwan.

The term "economic aid" as applied to United States assistance to Taiwan is, to a considerable degree, a misnomer, since the chief purpose of the program of economic aid has been identical with that of the military program: to create and maintain on the island an effective anti-communist military force. American arms, equipment, and military training are inadequate alone to build and maintain such a force. The economy of Taiwan, even after the extensive damage suffered during the war had been made good, was unequal to the task of supporting a population swollen by two million arrivals from the China mainland, and of providing the "soft goods" and various local currency requirements to maintain a military establishment of more than a half million men. In the fiscal year 1955, 23 percent of United States economic aid programmed for Taiwan consists of such items as wheat, soy beans, raw cotton, uniform cloth, aviation gasoline and raw materials for the production of ammunition. In addition to the direct military aid, US$42 million of the FY 1955 program or its equivalent in FOA-financed and generated local currency is being provided to finance the costs of a program to retire from the Chinese Armed Forces 75,000 servicemen who are overage, disabled or generally not physically capable of performing military duties, and to absorb those discharged servicemen into the civilian economy or provide for their continued hospitalization where required outside the military establishment; also, to finance the expansion of facilities on Taiwan for the education of overseas Chinese. Economic aid also has provided

important

VII A. THE UNITED STATES PROGRAM OF ECONOMIC AID TO TAIWAN (Cont'd)

important quantities of consumption goods and raw materials to sustain the economic stability essential to political and social equilibrium, without which Taiwan would be insecure as a military base. Of the counterpart funds derived from the sale of aid supplies on the island, nearly half have been used for military projects, such as barracks and airfields; additional amounts used to finance ordinary functions of government have supported the defense effort indirectly by releasing regular Chinese Government revenues for use by the military establishment.

The U.S. economic program, however, has not been concerned solely with the creation of military power and the attainment and maintenance of economic stability. An additional important objective has been that of increasing productivity in agriculture and industry, with the ultimate goal of creating a viable economycapable of supplying the island's ordinary economic needs. Substantial progress has already been made in this direction. The total volume of industrial production has been lifted more than 50% above the highest level reached during the period of Japanese administration. As of the first calendar quarter of 1955, there was an 80% increase in electric power output. Production of fertilizers has risen about five-fold and output of textiles more than ten-fold. Rice production has risen 20% above the pre-war peak; general agricultural production itself over 50% since 1948. These achievements owe much to Chinese efforts and to expenditures of Chinese funds. Of the total of $342 million of American aid received from June 30, 1950 to March 31, 1955, approximately $50 million consisted of machinery and equipment for the development of transportation, communications, power, industry and mining. These categories of economic activity also received about one-fifth of the total of counterpart funds spent during the same period. Much of the increase in production has resulted from the more regular and ample provision of raw materials and supplies which the aid program has made possible. Thus, arrivals up to the end of March 1955 included $54 million in fertilizers and $55 million in raw cotton. The possibilities of production increases from such sources have been almost exhausted, however, and progress toward a viable economy in Taiwan is likely to be slower in the future unless the amount of U.S. aid, including capital investment, is greatly increased.

The agricultural phase of the United States aid program is administered through the Joint Commission on Rural Reconstruction, a Chinese-American institution created in 1948 under the authority of the China Aid Act. The JCRR program, which consists of numerous projects in the fields of irrigation, crop and livestock

livestock production, fisheries, health, etc., is financed almost entirely with counterpart funds. Although the JCRR had utilized up to the end of March 1955 only about 10 percent of the total of counterpart funds spent for all purposes, the program has been outstandingly successful both from the point of view of material accomplishments and from that of its psychological impact on the population of Taiwan. In addition to the JCRR technical cooperation program, FOA has provided about NT$400 million to Chinese Government agricultural sponsoring agencies in direct budgetary support, and loans for specific irrigation and other agricultural improvement projects. This work is coordinated with JCRR sponsored programs.

Technical assistance activities have represented a small but significant part of the total economic program. In the fiscal year 1954, 2.9 per cent of the total economic aid of $111.8 million was spent on such activities. Aid in this category has included the services of a team of about 20 engineers from the J.G. White Engineering Company, which has provided much of the technical skill needed in the planning and execution of Taiwan's industrial recovery and development. It has included also a small team of experts in public administration, and technical advisers in fisheries, agriculture, education, public health and industrial management. During the fiscal year 1954, 178 Chinese were sent abroad for training at U.S. expense, most of them to the United States; 174 are scheduled for FY 1955.

VII B. THE UNITED STATES INFORMATION PROGRAM ON TAIWAN

The United States Information Service (USIS) conducts the overseas information program of the United States and further serves as official spokesman for the United States in Taiwan. The overseas information program, in keeping with appropriate directives of all Agencies concerned and with objectives approved by both the United States' Information Agency and the Department of State, includes the production and dissemination of items designed to reach both the inhibitants of Taiwan and Chinese resident in countries outside Taiwan (especially the countries of Southeast Asia). Media utilized are publications, press, radio, motion pictures, and -- to the extent that it can be considered a medium in the present context -- personal contact. While the local (within Taiwan) problem is less complex than in several other countries in that there is no pro-communist force, there remains a continuing and perhaps increasingly sensitive need to make clear the reasons behind and true nature of United States policy and actions and to demonstrate the continuing identity of interests of the United States and the Government of the Republic of China. All production and dissemination of items designed for audiences outside Taiwan are executed with the prior consent and with the assistance of posts concerned.

The USIS has three offices in Taiwan -- at Taipei, Kaohsiung, and Tainan. Each has an information center (library), produces radio programs for local broadcast, arranges showings of selected films, and produces other items for appropriate dissemination. USIS is additionally responsible for administering locally the exchange of persons program, which, when the U.S. Information Agency became an independent entity, remained under the jurisdiction of the Department of State.

For the benefit of those who wish more complete details concerning the mission and mechanism of USIS - Taiwan there is available in the Taipei office a complete dossier -- periodically brought up to date -- of brief but thorough analyses of all USIS-Taiwan operations.

VII C. THE UNITED STATES MILITARY ASSISTANCE PROGRAM WITH FREE CHINA

Since the inauguration of a Mutual Defense Assistance Program for Free China and the arrival on Taiwan of a Military Assistance Advisory Group (MAAG) on May 1, 1951, the United States has been spending in the neighborhood of 200 million dollars a year on "hardware" for the Chinese Armed Forces. This is in addition to an average of about 100 million dollars in economic aid, a large part of which also serves to support military projects.

The primary objective of the United States military aid program is to provide the Chinese Armed Forces with material and advisory aid to ensure their ability to defend Taiwan and Penghu from attack. It is an accepted element of United States foreign policy that Taiwan must be kept out of Communist hands, not merely because of its strategic importance but because as "Free China" it exerts a strong psychological pull upon the half billion Chinese under Communist rule and also upon the whole of Southeast Asia, where more than 10 million "overseas Chinese" occupy an important economic and political position.

The American taxpayer, however, is buying more than simply a defense force for Taiwan. He is also buying strategic power for the Free World in the Far East. The Chinese Armed Forces represent the strongest anti-Communist military force in Asia outside of Korea. In this sense, they may be compared to the armies of the NATO nations, and deserve United States support in the interest of American national security.

The direct cost (pay, food, uniforms, quarters, etc.) of maintaining the Chinese armies is low; roughly $300 per man per year, taking into account support from all sources, Chinese and American. (Contrast this with a $3,000 average for American soldiers). The cost of continued maintenance and replacement of equipment, once it has been initially supplied, is estimated at less than $100 for each soldier every year.

The ten million Free Chinese on Taiwan are maintaining a military establishment of more than 600,000 men. An equivalent figure for the United States would be ten million men under arms. Yet Taiwan's industrial capacity is but a tiny fraction of that possessed by the United States, as is its per capita income. The

United

VII C. THE UNITED STATES MILITARY ASSISTANCE PROGRAM WITH FREE CHINA (Cont'd)

United States therefore bears a substantial portion of the indirect cost of the Free Chinese armed forces, through its economic aid program.

These American contributions help maintain on Formosa a military force which operates as a counterweight to Communist plans for future expansion in East Asia -- in Korea, Japan, Southeast Asia or elsewhere. The effectiveness of this force will depend to a decisive degree, in the future as in the past, upon American aid.

July 21, 1955

TAIWAN

I. Characterization of the Area.

A. Geography

1. Location and Topography

Taiwan, the last stronghold of Nationalist China since 1950, is an island 80 miles off the Mainland, between the Philippines on the South and Japan to the Northeast with the China Sea on the West and Pacific Ocean on the East. A range of mountains from the North forms the backbone of the island with the highest peak, Mt. Morrison or Yu Shan, 13,100 feet. The eastern half is exceedingly steep and craggy, but the western slope is flat, fertile and well cultivated, yielding two rice crops each year. The principal harbors are Keelung and Kaohsiung.

The Pescadores (Peng-hu), a group of islands, are between Taiwan and the coast of China. They were ceded to Japan in 1895. The islands were ruled by the Japanese until placed under Chinese administration at the end of World War II. They are administered as a part of Taiwan.

2. Area

Taiwan, itself, resembles a tobacco leaf in shape and is about 240 miles long and 60-90 miles wide. The island, with a total area of about 13,800 square miles, is slightly smaller than the States of Vermont and Connecticut combined.

3. Climate

The Tropic of Cancer crosses south central Taiwan. The climate consistently ranges from hot summers to cool, rainy winters. The island is in the so-called earthquake and typhoon belts and suffers periodic damage from violent rain, floods, winds and tremors.

B. Population

1. Size

Taiwan proper has a population of about ten million and the Peng-hu group has a population of nearly 60,000.

2.

EXHIBIT 30

Formosa DFS

CINCPAC FILE DFS/FY 56
FF1-1
A1-1
Ser 0264
14 October 1955

CONFIDENTIAL AIRMAIL

FIRST ENDORSEMENT ON CHMAAG Formosa CONF ltr MCGD-1, subj: "FY '56 Direct Forces Support Refined Program" of 30 Sep 1955

From: Commander in Chief Pacific
To: Secretary of Defense (ISA)

Subj: FY 56 Direct Forces Support Refined Program, Formosa

1. Readdressed and forwarded.

2. The enclosed Direct Forces Support Programs are forwarded, recommending approval by OSD and funding and implementation by the military services, subject to any modification required under considerations described below.

3. Those DFS Projects which do not require a dollar component, those wherein the total cost can be met through local procurement and those which have been recommended for supply as "excluded raw materials requirements" may possibly be implemented at the country level without reference to Military Departments. These projects have been concurred in by the country team, subject to modification of the local currency requirements to compensate for the newly established exchange rate. Recommend CHMAAG Formosa be granted authority to implement these projects under this stipulation in order to insure program continuity and early implementation of essential projects.

4. Concerning the Ammunition Production Facilities and to Battery Production Plant projects, CINCPAC has no valid basis to determine feasibility until a decision is rendered on the facilities assistance Program jointly submitted by CINCFE and CINCPAC. Further, it is intended that CHMAAG Formosa submit additional data concerning the adequacy of related industries, such as chemicals, and heavy metals, to determine the extent to which approval of these DFS projects may commit the U.S. to provide associated raw materials, imports and operating expenses. CINCPAC recommends limited continuing US support in order to create a mobilization potential, to foster the concept of self-help and to provide maximum feasible support of training (to include training ammunition). However, support of these production facilities must also be evaluated by comparing over-all value of items provided with the U.S. investment to date plus the yearly recurring cost to the U.S. Generated by the projects.

5. In addition to the above additional data, CINCPAC will cause CHMAAG Formosa to submit a more detailed identification of major components of each DFS project, along with sufficient description upon which to base a determination of their justification. These additional data are considered a prerequisite for United Command recommendations and for conclusive definitive approval action by higher headquarters. It is also noted that the over-all program has not been prepared strictly in accordance with DOD directives to the extent that items and services to be provided with U.S. dollars are not, in all instances, listed under the

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correct program category or sub-category. CINCPAC will refer CHMAAG Formosa to the requirements included in DOD Directive 2110.16, DOD message DEF 988206 and ASD (Comptroller) message to the Services dated 31 August 1955. However, it is not considered that this omission in method of submitting the program should be allowed to invalidate any of the projects contained therein.

6. CINCPAC considers that a number of the categories containing equipment and spare parts in the Formosa program could be more appropriately placed in the MDA program. However, pending establishment of specific guidelines separating DFS from MDAP, CINCPAC concurs in the projects as listed until such time as a more specific and accurate realignment of the projects in this respect can be accomplished.

7. CINCPAC considers that CHMAAG Formosa has presented a reasonable pro-rating of common service funded items in the instances of combined Service Forces activities. CINCPAC presumes that the common projects, such as POL, will be assigned to one of the services for procurement.

8. The MAAG has computed PCH&T costs at 25% of the dollar component in lieu of the 18-20% considered to represent more accurately true cost. Recommend that no adjustment be made at this time, pending submission of more definitive requirements data and accurate estimates of procurement source.

9. Although CINCPAC lacks data on which to base comments concerning the costs of projects, the proportion of dollar costs to local currency, and the availability of local labor and raw materials, it is felt that the country team, which has sufficient data at its disposal, has made a proper evaluation and consideration of these factors in submitting this recommended program. Of necessity CINCPAC concurrence is based entirely upon the military desirability of the listed projects, without reference to the political, economic or social impact on either the Chinese Government and civilian population or related U.S. programs such as Defense Support, Technical Assistance or USIS.

A.P. STORRS
Chief of Staff

Copy to:
CNO
COFSA
COFSAF
CHMAAG Formosa

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STATEMENT

1. Reference: DOD Directive 2110.16 and 2110.21; DOD Msg 988206; CINCPAC Msg 142139Z, 230248Z and 210005Z; MC Msg 9115.

2. The FY '56 Direct Forces Support Program has been prepared to support essential minimum requirements based upon demands for actual operations of increased training and maintenance, completion of construction, procurement of critical materials and for recurring items such as: individual clothing and equipage, subsistence, POL products, medical supplies, raw materials and many other items in the Direct support of MDAP furnished equipment. It is essential that the FY '56 Direct Forces Support Program support these activities as the military budget of the NGRC is inadequate to meet all demands placed upon it. The FY '56 Direct Forces Support Program is based on the full and effective utilization of MDAP equipment furnished to the NGRC Armed Forces. This program may be divided into two (2) categories: (1) direct support of MDAP equipment includes the construction of airfields for operation of aircraft, warehouses for storing ammunition, parts and sub-assemblies, roads for wheled and tracked vehicles, Army Bases for training, the supply of Av/gas and other POL products and the improvement of maintenance facilities for MDAP equipment; (2) the indirect support of MDAP equipment includes expenditures for medical facilities and supplies, the minimum provision for issues of personal clothing and equipage, the improvement of subsistence in order to maintain military personnel in good physical condition, cleaning and preserving materials, spare parts, raw materials and many other items that properly fit this category. This program presents no competition to the Defense Support Program. Local economy is supported to a large extent by the Direct Forces Support Program in the procurement of locally manufactured materials and by the employment of thousands of workers annually, by contractors engaged in the construction and fabrication projects. Counterpart funds for the Direct Forces Support Program are provided by the Defense Support Program through the import of US dollar commodities, which in turn are sold on the local market for local currency.

3. Status of prior years Direct Forces Support Programs, not yet completed:

a. US dollars: Approximately US $24,445,319 of materials for the FY '53-'55 Direct Forces Support Programs remains undelivered at this date. The breakdown by Services is as follows:

Chinese Air Force	US$ 7,569,681
Chinese Navy (To incl the Chinese Marine Corps)	2,962,530
Chinese Army (To incl CSF)	13,913,108
	24,445,319

b. Counterpart dollars: All FY '52 - '54 counterpart funded projects were completed by 31 December 1954, or cancelled and completed within the FY '55 Direct Forces Support Program. All FY '55 local procurement and construction will be completed by 31 December 1955, or the uncompleted portions will be cancelled, as of that date, and reinstated in the FY '56 Direct Forces Support Program. This procedure has been found to be necessary in order to keep the program current and to prevent the non-completion of many projects by the recipient country.

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4. Adequate indigenous [illegible] available to implement and conduct the program, if funds are appropriated. All previous Direct Forces Support Programs (FY '52 - '54 and '55 program to date) have been carried to completion by the use of indigenous skills. Construction of airfields, roads, docks, piers, barracks, warehouses, POL pipeline and storage facilities and other types of construction are conducted by use of Force Account (Troop Labor) and local contractors. The many manufacturing facilities of the Armed Forces, MORC are operated by civilian personnel. These include, but are not limited to: dry battery manufacturing plant, motor vehicle rebuild shops, arsenals, picket manufacturing, clothing factories, engineer tool manufacturing, barbed wire and many others.

5. The total cost of the FY '56 requirements are as follows:

a. US dollars (to incl Reserves)	US$ 47,000,000
b. NT dollars (to incl Gov. Budget Support Items)	NT$685,000,000

6. Total cost to be met by local currency:
(To include Government Budget Support Items)
Local currency must be made available at once if the program is to be completed. 25% of total funds required initially (ICA/MSM/C has had these funds available for release to MAAG since 1 July 1955) to allow the program to start and approximately 50% additional funds will be required by 1 January 1956, with remaining 25% available by 1 April 1956.

7. This program has been coordinated with ICA, MSM/C and the United States Embassy. ICA/MSM/C has placed two (2) reservations in their concurrence as follows: (1) request that the Chinese Army road building project be coordinated with ICA/MSM/C prior to implementation in order to prevent duplication of effort with the Civilian-Military road building program; (2) that dock construction and naval pier facilities of the Chinese Navy not be in conflict with civilian endeavors in the same area. These reservations have been accepted by MAAG. The Country Team agrees that the Direct Forces Support Program is not in competition with the Economic Program. ICA/MSM/C does not visualize any difficulty at this time in providing the total counterpart funds required for the military program.

8. Items in the program in the amount of NT$274,000,000 are designated as Government Budget Support items. These are: POL products (local manufacture), clothing and equipage (local manufacture), inland transportation for MDAP materials and Telecommunication charges. Due to the inadequacy of funds in the Military Budget, MORC, the Direct Forces Support program by supporting these items reduces the overall deficit of the military budget.

9. To complete US dollar material delivery of FY '52 - '55 ICA/MSM/C conducted procurement, additional US funds may be required for price increases. Unless ICA/MSM/C de-obligated funds are made available in sufficient amounts, it may be necessary to support such deficiencies from FY '56 Direct Forces Support funds.

10. Reference M 6720, MG9136; DOD 988713 and CINCPAC 172225Z. Immediate procurement of 12,000,000 board feet of Douglas Fir at a cost of US$1,000,000 has been initiated by the above messages. Approval has not been received to date and therefore, the refined program does not indicate this procurement. Funds for this procurement are included in Category 502 of the Chinese Army, Chinese Navy and Chinese Air Force submission.

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11. The stock of wheat and soybeans available to the Armed Forces, MDAC, will be exhausted by 30 September 1955 and 31 October, respectively. As FY '56 procurement will not arrive for some months, a shortage will exist, and to prevent this situation from arising, during the interim period, the Armed Forces, MDAC will procure limited quantities from the Economic program supplies to be repaid in kind upon the arrival of the FY '56 Direct Forces Support financed products.

12. Technical assistance for the FY '56 Direct Forces Support Program is provided as follows: ten (10) technicians: namely, one (1) specifications engineer, one (1) pipeline superintendent, two (2) airfield construction engineers and three (3) heavy equipment operators and engineers, and three (3) battery plant technicians (chemical engineer, electrical engineer and production engineer) will be required. Of this total, all except the three (3) technicians for the battery plant are presently on Taiwan, having been employed under previous Aid Programs, and their services are being continued. Ordnance, CSF will send fifteen (15) participants to the United States for training in Ordinance manufacturing and production operations.

13. Lumber and construction materials included in Category 502 (of the total amount, Chinese Army US$1,357,000; Chinese Navy US$1,000,000) will be delivered to the Military Construction Commission for construction purposes, upon arrival in Taiwan. It is recommended that this purchase be consolidated and procured by the US Corps of Engineers.

14. This program, when developed in FY '55 was prepared at the exchange rate of NT$15.65 to US$1 for local currency requirements. Effective 10 September 1955, the exchange rate has been changed to NT$24.78 to US$1. As no additional counterpart funds will be added to the program, some internal adjustments within the program ceiling may be necessary.

15. This program will provide the necessary funds for the continuation and completion of previous projects and programs, it will provide the facilities and meet the requirements for the changes necessary to bring the program up-to-date, to meet current operational and training situations. It will provide support for the manufacturing arsenals and factories that are producing end-items for the Armed Forces. It is anticipated that the training program will result in improved maintenance and supply economy, but it is emphasized that the majority of the expenses of maintaining the Free China Military Forces will continue as long as an equipped and ready force is to be available.

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EXCLUDED RAW MATERIAL REQUIREMENTS

1. The following items have been excluded from the FY '56 Direct Forces Support refined program in accordance with para d, DEF 988206.

a. Wheat 80,000 M/T US$5,530,000

This is a fifteen (15) month supply of supplemental food for support of 615,000 members of the Armed Forces, NGRC. Wheat programmed in FY '55 will be consumed by 30 September 1955. Due to implementation delays, and delivery time requirements, an additional three (3) months supply has been programmed. This will provide wheat through 31 December 1956. By that date, FY '57 wheat will be available.

Costs are computed as follows:

35,000 M/T hard wheat @ US$81
35,000 M/T soft wheat @ US$77

b. Cotton 8,042,000 lbs. US$2,814,000

Cotton on hand and due in will be consumed by 30 April 1956. The amount contained in the FY '56 program will support the Armed Forces, NGRC through 30 April 1957. Cotton will be processed by the local economy and be used to make uniforms, other clothing, towels, bandages for the Medical Service and other uses for 615,000 members of the supported units, NGRC.

c. Soybeans 18,750 M/T US$2,512,000

This is a fifteen (15) month supply of supplemental food for support or 615,000 persons of the NGRC Armed Forces. The supply on hand and due in will be consumed by 31 October 1956. The FY '56 quantity will support this project through 31 January 1957.

Cost is computed as follows:

C & F at US$134 per M/T

2. The above items in quantities indicated will be procured through ICA/MSM/C.

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TAIWAN FY 1956 DFS Program
Consolidated Sections

Category Code	Summary	US$	Local Currency (In thousands) NTD	US $ Equiv.
121	Ships & Harbor Craft, Barges	-	2,400	97
122	" " " " Comp.Maint.,Spares	-	11,000	444
132-34-43	Mil. vehicles, Comp. Maint. Spares	2,991	41,030	1,658
152-67-72	Artillery & weapons, Raw Mat. Mach. Tools, Comp. Maint. Spares	1,112	32,800	1,325
191-2	Electronics; Commun. Signal, Dry Battery Equip. Maint. Spares	6,223	3,473	140
201-2-3	Production Equip. & Machinery	5,808	18,681	753
221-2	Handling Equipment, Comp. Maint. Spares	214	1,500	61
231-2	Construction Equipment, Spares	75	-	-
241-3	Training Schools and Aids	147	465	19
251-2	Shops & Utilities Equip. Maint. Spares	484	710	29
261-71	Town plan, printing, photographic reprod. equip.	38	810	33
281-2	POL, Lubes, Oils	2,657	159,500	6,437
291	Medical Equipment, Supplies	3,291	13,000	525
301-2	Orgns. Bases, Maint. Equip. Bridging, Spares, Dyestuffs, Blankets, Spinning, Weaving.	5,409	106,267	4,300
311	Subsistence	400	-	-
401	Inland Transportation Charges	-	16,001	646
402 & 5	Packing, Handling, Crating, Other Opernl Costs	18	2,844	114
411	Munitions Plant Management	20	144	16
413	Technical Schools, Tech. Represent. Mobile Training Teams.	334	1,533	62
422	Mil. Mission Expenses	-	500	21
502	Construction	6,922	258,699	10,441
-	Telecommun. charges	-	13,626	550
	Wheat, cotton, soybeans	10,856	-	-
	Total	47,000	684,983	27,671

FY 56 DFS GBS

Item	NT$	US $ EQUIV.
POL products locally mfgd.	159,500	6,437
Clothing & equipage locally mfred	84,873	3,425
Inland transportation	16,001	646
Telecommunication Charges	13,626	550
Total	274	158

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TAIWAN: FY 1956 DFS Program
Army Section

Category Code	Section	Summary	US$	Local Currency (In thousands) NTD	US $ Equiv.
121	T	Ships & Harbor Craft, Barges	--	2,400	97
132-34-43	Q	Spares, Repair Parts, Milit. Vehicles	2,164	32,848	1,326
152-62-72	O	Raw Materials & Machine Tools	1,083	32,000	1,291
191	S	Equip. for Signal Installations	4,142	34	1
192	S	Dry Battery, Raw Mater. Maint. parts for Signal Install	1,401	2,258	91
201Q-O-E-S 203		Prod. Equip. & Machinery (Small Arms Plant, Map Reprod. & Eng Mfg Plant)	5,801	18,141	732
221	O	Bins, Racks and Forked Lift Trucks	60	1,500	61
243	G-O-S	Schools & Training Aids	132	380	15
251	O-E	Automotive Shops & Other Shops	308	--	--
261	G	Town Plan	--	790	32
282	Q	POL	294	36,506	1,473
291	M	Med. Equip. & Supplies	2,583	10,450	422
301	S-E	Equip. for Bridges & for Wood Pallets	174	5,401	229
302.2-.4-.5	Q-E	Spare Parts & Cleaning Materials	1,101	14,353	580
302.1	Q-E	Dyestuffs; Blankets; spinning, weaving	1,191	60,247	2,431
311	Q	Subsistence	300	--	--
401	T	Transportation Costs (Inland Charges)	--	11,686	472
402	S	Dry Battery Mfg Plant	11	2,808	113
405	S	Offices for Motor Pool	--	36	1
411	Q	Munitions Plant Management	20	144	16
413	G-O-S-E	Admin. Schools, Small Arms Plant, Tech. Representatives for Dry Battery	290	1,533	62
502	S-M-Q-O-E-G	Construction	1,372	116,982	4,722
-		Telecommunications	--	9,684	391
		Total	22,427 1/	360,180 1/	14,558 1/

1/ Components do not always add to totals, due to rounding.

Key to Sections: E - Engineers
O - Ordnance
S - Signal
T - Transportation
Med - Medical
Q - Quartermaster
G - General Headquarters

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TAIWAN: FY 1956 DFS Program
Army Section

Excerpts from Narrative Statement

Uncompleted Medical Projects. In the narrative statement which accompanies the Medical Service back up sheet the uncompleted PA's and PIO/C's are shown and a figure given as an uncompleted balance and another figure listed under Army. The figure under Army is the one which represents the uncompleted portion of the Medical Projects for the Chinese Army. The figure in the balance column shows the total undelivered items but since a part of these are set aside for CAF and CN, only the figure in the Army column should be used for determination of the Chinese Army's uncompleted medical supplies.

All projects listed are essential to the proper support of the Mutual Defense Assistance Program and justifications listed below. All projects are defined in minute detail by technical service and attached to this summary. The program includes requirements for the Reserve and Replacement System program.

121. The project provides for the construction of Transportation Barges to provide for the training of Harbor Craft Personnel in navigation, boat operations and cargo handling. Craft will also be used for off-shore shipments and to Pescadores.

132. Project provides for the purchase of spare parts, cleaning and preserving, to include raw materials, for Tank components and maintenance. Not available in the U.S. system and must be procured on the world market and manufactured locally.

134. Project provides for the purchase of spare parts, cleaning and preserving and procurement of raw materials for local manufacture for Combat Vehicles, other than tanks.

143. This project provides for repair parts, raw materials and battery rebuild material and material for the tire, and tube rebuild program. A 5th echelon rebuild program services approximately 16,000 MW 2 vehicles in this support program of military vehicles. The storage battery rebuild program requires raw materials, as does the tire and tube operation.

152. Raw Materials and machine tools and Spare parts, cleaning and preserving are required in this program to provide service and support to Artillery components. Lower manufacturing costs in this program are an advantage over procuring through the MDAP funds.

162. Project provides for Raw Materials and Machine tools as well as Spare Parts, cleaning and preserving for Weapons components. Due to obsolescence of CHC weapons, U.S. parts are no longer available and thus must be manufactured and procured locally, often at much savings.

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Excerpts from Narrative Statement

172. Raw materials and machine tools are required to produce Ammunition components in the Chinese Arsenal System, an acceptable substitute for American made ammunition.

191. Funds in this project will provide for equipment for fixed communications at higher headquarters of GRC and to provide adequate telephone communications between major installations.

192. The Dry Battery Manufacturing plant, in existence, requires automatic machinery which will be a cheaper operation than providing funds through MDAP. Batteries are and can be produced and thus save shipping and deterioration through shipping. Raw materials are required for this project. Maintenance parts and components are required for existing and programmed fixed communications systems. Raw materials for the signal base maintenance facilities are part of this project and will result in a saving through MDAP funds and also delay in receipt of items.

201. These projects are established to replace overage and antiquated equipment in the factories, i.e.; Subsistence, Rubber and Clothing factories. Project also provides for depot repair facilities for salvage and reclamation of OM clothing and equipment.

This project provides to establish the sufficient capacity by construction of plants for (1) Small arms ammunition plant; (2) Shell Loading Plant; (3) Smokeless propellant works plant; (4) Shell Molding Foundry and Motar shell plant; (5), Artillery cartridge Case Plant; (6) Artillery Fuze Plant. These plants will enable the Chinese arsenal system to produce satisfactory ammunition and reduce the requirement from MDAP supply.

Equipment required for the production of maps and overlays; equipment for the fabrication of general engineer supplies and hand tools; and for equipment to train GRC at the Engineer School.

201.1 Project provides for the procurement of machine tools as replacement for those worn out through age and constant use.

202. Expansion of Industrial Plants - to provide the materials for the plant expansion.

203. This project provides for the Facilities assistance program to support the programs under Category 201. of the Ordnance program. This project provides the special purpose tools and spare parts required to support the project under category 192.

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Excerpts from Narrative Statement

221. As a result of the increase in receipt of MDAP supplies, there is an increased demand of bins, racks, and forked lift trucks to provide for the safe storage and prompt location of stocks. Manual material handling is insufficient for amounts received.

243. Expansion of the G-5 administrative schools require increased training aids and books, all for GHQ Army. Ordnance School requires sufficient texts and training aids and other material to support the program of training Army ordnance officers. This project provides training aids for MDAP supported Signal school.

251. The Ordnance program requires the establishment of the automotive base maintenance base shops and auxiliary buildings for the armament and fire control unit shops. Programming of these installations will reduce the replacement demand on the MDAP system. For the procurement and installation of air conditioning at the map reproduction plant and for equipment for the engineer base depot, such as overhead cranes, etc.

261. This project for GHZ Army provides for construction of Reproduction plants and buildings for the Town Plan -- a classified project.

282. This is a recurring project to provide the POL requirements for GRC for all vehicles and motorized ground equipment -- based on equipment on hand. This provides for locally produced and import requirements.

291. Project provides for the procurement of Medical supplies to include, Drugs, Chemicals and biologicals; Surgical dressings; Surgical instruments appliances and supplies; Laboratory equipment and supplies; Dental equipment and supplies; X-ray equipment and supplies; Hospital furniture and fixtures; Medical books; Optical equipment and supplies; Spare parts; and Packing, crating and operational costs.

301. Signal Base Depots require office equipment, machine tools and shop items. Wood pallets and dunnage are required for the protection of MDAP furnished equipment. Project provides for the procurement of hand tools to complete existing shortages in TO & E; and the procurement of such equipment as rubber boats, paddles and other non-expendable components of bridge sets.

302. Spare Parts, C & P are required to support the Organization and Base supply program, to include raw materials. These can be manufactured locally to keep up the standards of MDAP supplied equipment. Procurement of supplies for operation of the Map Printing plant; small wooden components of bridge sets within the project of Bridging Materials; and similar miscellaneous supplies to support engineer activities in GRC.

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Excerpts from Narrative Statement

302.1 a. Project provides for Dyestuffs, blankets, and chevrons for CRC. Funds are also required for the charges for shimming, weaving and dyeing the raw material required for this project.

b. Procurement of textiles and raw materials and manufacture of reconnaissance boats and rubber materials.

302.2 For the procurement of Industrial gases, paints, paint products, water supply chemicals and other chemical items.

302.4 Procurement of materials for the manufacture of barbed wire, sovals, picks, axes and entrenching tools.

302.5 Project for the Map Reproduction plant for metals for manufacture of plates for map printing and procurement of brass, tin, bronze and copper products and stock for depot and field consumption.

311. Funds required are for the Rice Enrichment program as approved to improve the diet of the Chinese CRC troops.

311.2 Project provides for the procurement of automotive hardware, oil seals, spark plugs and miscellaneous items in support of Engineer activities.

401. This is a recurring project and provides for the payment for receipt and distribution of MDAP materials.

402. Project is related to Category #192 which provides for the packing materials required for packing batteries.

405. A new signal project to provide motor pool facilities for maintenance, storage and control of vehicles.

411. An Ordnance project to provide training for qualified personnel in modern management methods according to U.S. doctrines in both Munitions Plant and Mortar and Gun plants.

413. a. This project provides for the employment of technicians for expanded Administrative schools in the GHQ program.
b. Mobile Training Teams and Technical Representatives for Ordnance are programmed in this project for Small Arms Ammunition plant; Shell Loading Plant; Smokeless Propellant works; Shell Molding Foundry and Mortar Shell line; Artillery Cartridge Case Plant; and Artillery Fuze Plants.
c. Signal requires technical trained assistants in the automatic dry battery manufacturing plant. Indigenous personnel are not qualified or able to be trained.

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Excerpts from Narrative Statement

413. d. For the payment of Civilian technicians assigned to depot and Field Maintenance companies.

502. a. Signal requires sufficient barracks, warehouses, storage and other allied construction to provide for assistance to the FY '56 program. This includes refrigeration and cable tools for the installations.
b. Medical requires additional Hospital construction to provide for delayed construction and reserve program. The goal is to provide for sufficient beds for 3% of the Armed Forces. This will include barracks, warehouses, and all allied facilities for this program.
c. QM Program includes sufficient warehousing to provide space for that lost to other services and for increased supplies arriving in the MDAP program.
d. Ordnance program provides for warehouses and auxiliary buildings for the Armored Base Depot; warehouses and open storage for the automotive base depot; storage facility for MDAP ammunition, and shops and auxiliary buildings for Armament and Fire Control maintenance.
e. Transportation has programmed Barrack and allied facilities for the GRC transportation truck battalions and for the Area Transportation offices.
f. (1). Projects for construction for GRC Administrative School are included to construct barracks, classrooms, and allied buildings to provide for the expansion of the G-5 program.

(2). Military Construction Commission program provides for the recurring expenses involved in the administrative cost for project application procedures.

(3). GHQ Army projects require construction for barracks, warehouses, ammunition warehouses, and shops for maintenance of both vehicle and technical service nature.

g. This project will cover all construction for the Engineer Section for such items as Engineer school additional facilities; improvement of the North South Road net; repair shops, and warehouse and supply storage shops; and a warehouse and storage sheds for the Map Reproduction and Engineer Base Depot.

TELECOMMUNICATIONS.

These represent recurring charges for the GRC forces for use of communication lines.

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1 b. All elements within the program have been coordinated within the country team with no exceptions except that noted in Para 6.

2. See Para 1 a.

3. Sufficient personnel of this country (indigenous skills) are available to implement this program if the funds required are appropriated.

4. The total cost of the Army requirements are:

$U.S.22427.193.26 $N.T. 360.179.604.00 $N.T.14.557.762.09 (Converted)

$U.S.36.984.955.35 (Total)

5. The amount of total cost of local currency is

$N.T. 360.179.604.00

These funds should be made available immediately upon approval of this program.

6. The fund requirements presented in this program are justified. The project or items in this Army program are military requirements and are not in conflict with civilian aid program or requirement except for

9e.56 Access Roads, CA

This project was approved with the reservation that prior to actual construction or repair of highways, co-ordination will be completed with the office of AD/T, ICA/MSM/C to prevent a duplication or overlap of highway construction work.

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SIGNAL

Project Category 191 a. This project is for fixed communications at higher headquarters of the CRC Armed Forces and for equipment for adequate telephone communications between major installations. The type of items to be purchased break down as follows:

Telephones	US$ 8,608	
Cryptographic devices	US$17,216	MT $34,217
Telephone terminal and relay equipment	US$ 2,800,000	
Automatic dial exchanges	US$ 488,000	

There is no undelivered equipment in this category from prior programs.

Project 192 a. A dry battery manufacturing plant under military control and producing only for the military has been in existence for many years. Automatic machinery for this factory has arrived or is enroute and is expected to be in full operation during the latter part of the fiscal year. The production made possible by this new machinery will materially reduce the MDAP requirement for dry batteries and also the loss of useful battery life resulting from long shipping and storage periods. In past years raw materials were programmed for this factory and the present requirement is a recurring one based on the use of the new machinery. There are $808,000 worth of supplies now undelivered from previous programs.

b. Maintenance parts and components are required for existing and programmed fixed communications systems described under Project 191. There are $385,000 worth of materials programmed previously but not yet delivered.

c. Under previous and current programs a continuing effort is being made to develop modern, economic, and effective Signal base maintenance facilities with a view to greatly extending the useable life of MDAP equipment and by providing the means for local fabrication of some spare parts to reduce the cost and delay in receipt of these items. Raw materials have been furnished under past programs for this project. There are $45,000 worth of supplies ordered under previous programs for this project but not yet delivered.

Telecommunications Charges. This project is a continuing one required by the financial inability of the CRC to handle this item. The charges are those incurred by MDAP supported military activities.

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ORDNANCE

P172 - Ammunition Components Equipment and Supplies.

a. Raw materials and machine tools: The Chinese Arsenal System is capable of producing certain types of ammunition that is an acceptable substitute for American made ammunition. Maintenance of the manufacturing potential is desirable from a military standpoint. Local manufacture of training ammunition represents a saving of MDAP funds.

b. Material valued at $550,457 remains undelivered from prior year's DFS programs.

P201 - Production Equipment and Machinery.

a. Small arms ammunition plant: The American advisory effort is committed to assist the Chinese Arsenal system to establish sufficient capacity to meet the requirement for Cal. 30 Ball and Carbine Cal. 30 Ball ammunition. Completion of this plant will allow the elimination of these ammunition items from the MDAP Supply list.

b. Shell Loading Plant: The American advisory effort is committed to assist the Chinese Arsenal system to establish a modern melt and pour high explosive loading plant for artillery ammunition and bombs. Completion of this plant will enable the Chinese arsenal system to produce ammunition of this type which approaches American Standards and will reduce the demand on MDAP Supply.

c. Smokeless propellant works (SBL): The American advisory effort is committed to assist the Chinese Arsenal system to establish a smokeless propellant works capable of producing single base and double base propellants. The single base line is practically finished and requires only minor adjustments to enable capacity production. The double base line is presently under design in America. Completion of this line will enable the Chinese arsenal system to supply its propellant requirement, removing this item from the MDAP Supply list.

d. Shell molding foundry and mortar shell line: Study of the 60 and 81mm mortar ammunition presently being produced in the Chinese arsenal system, shows that certain improvements are necessary in order to have the ammunition approach the American standard. The present Chinese item is made of cast iron and has a generally weak tail assembly. It is proposed to design and equip a modern steel foundry which will use the "Shell Molding" process, and a tail fin assembly manufacturing line which will produce a satisfactory product. The completion of this plant will allow the Chinese arsenal system to produce mortar ammunition which approaches the American standard and will reduce the requirement from MDAP supply.

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e. Artillery cartridge case plant: At the present time the Chinese arsenal system produces its Artillery cartridge cases by assembling two castings over a fabricated cylinder by means of an oversized threaded tube. The resulting case is expensive and volumetrically unsatisfactory, it is proposed to design and equip a modern draw or wrap plant to produce artillery cartridge case which will be cheaper and better. This will enable the Chinese arsenal system to produce more satisfactory ammunition and reduce the requirement from MDAP Supply.

f. Artillery fuse plant: The Chinese arsenal system is entirely dependent upon imported artillery fuses, it is proposed to design and equip an artillery fuse plant to produce manufacturing and renovation requirement. Completion of this plant will eliminate this requirement from MDAP Supply.

g. Materials valued at $3,164,200 remain undelivered from prior year's DFS Programs.

P202 - Industrial Plants and Plant Expansion

a. Small Arms Ammunition Plant: Ref P201 (a).
b. Smokeless Propellant works: Ref P201 (c).
c. Shell Molding Foundry and mortar shell line (d).
d. Materials valued at $135,613 remain undelivered from prior year's DFS programs.

P203 - Facilities Assistance

a. Small Arms Ammunition Plant: Ref P201 (a).
b. Shell Loading Plant: Ref P201 (b).
c. Shell Molding Foundry and mortar shell line: Ref P201 (d).
d. Artillery cartridge case plant: Ref P201 (a).
e. Artillery Fuse Plant: Ref P201 (f).
f. Materials valued at $76,680 remain undelivered from prior year's programs.

QUARTERMASTER

Project Code 201 - These projects are established to replace overage and antiquated equipment in the Subsistence Factory, Rubber Factory and the four Clothing Factories.

a. The Subsistence Factory, Log Command, Army, is engaged in preparing and packing canned foods and operational rations for the Chinese Army in support of a strength of 461,000. The 805-type vacuum seamers in the factory are overage and require replacement. Total funds required; US $30,500.62. This is a new project not previously programmed.

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b. The Rubber Factory, Log Command, Army, manufactures the bulk of the footwear required to equip the Chinese Army in support of a strength of 461,000. The machinery now in use was brought from the mainland, is overage and requires a phased program of replacement. This project is set up to establish the need for such equipment, including mixing mills, motors, calender, vulcanizer, presses and boiler feed pump. This is a new project not previously programmed.

c. Sewing Machines. This equipment is required to replace out moded, non-standard machines. The old machines break down frequently despite intensive maintenance effort on the part of the factories. This reduces output and effects the overall supply to the forces. An orderly replacement program will alleviate this condition. FY 55 provided for 200 machines as a start. The 200 on this program is a continuance of the replacement program. Total amount undelivered from prior year's program $80,000.

d. Reclamation and Maintenance. The existing system of salvage classification and repair of QM clothing and equipment is inefficient and costly. Repairable items are now taking valuable warehouse space awaiting disposition. This project to establish two (2) depot repair facilities with equipment to commence the repair program. Funds will provide sewing machines, packing, laundering and boxing machines. This is a new project.

Project Code 302 - Petroleum requirements are established to provide the POL items needed for all vehicles and motorized ground equipment of the Chinese Army, MDAG, based upon equipment presently on hand, plus such equipment programmed to arrive in FY 56 and early FY 57. Project includes both locally produced and import requirements. This is a re-occuring project. The value of undelivered petroleum requirements from prior years' programs, amounts to $205,580.00.

Project Code 302.1 -

a. Dyestuffs are required for dyeing 6,392,347 yeards of HBT, during the process of manufacturing uniforms for the Chinese Army within the military clothing factories. All dyestuffs programmed under prior years' programs have been delivered.

b. A total of 224,880 blankets are required to complete initial issues of two (2) per man in the Army and to establish a replacement stock. Blankets to the value of $340,424.00 are still due in on prior years' programs.

c. Funds in the amount of $11,259.07 are required for the local procurement of 232,789 chevrons for the Army. Chinese non-commissioned officers have never been supplied with insignia of their grade. This project will provide one (1) pair per man of metallic type chevrons that will be permanent in nature. This is a new proj

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d. The spinning, weaving, and dyeing charges to process imported basic materials to be utilized in the manufacture of uniforms for the Army are set up as a Government Budget Project. Total processing required: Spinning and weaving 6,392,347 yards HBT; dyeing 6,392,347 yards HBT; spinning and weaving 5,410,494 yards grey sheeting.

Project Code 311

Rice enrichment. As the result of a nutritional survey it has been determined that the diet of the MERC troops will be improved by the addition of enriched rice will correct the nutritional deficiencies among the troops. It is planned to utilize 1 part of enriched rice for each 200 parts of polished rice. This is a new project.

Project Code 502 - Funds in the amount of $141,242.93 are required for the construction of 25 warehouses to store Quartermaster supplies and equipment. A portion of the warehousing previously assigned to QM has been transferred to other services.

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PROJECT 18A. 56 - Transportation Barges, NT$2,400,000.00; (1) This project is a continuation of an FY55 project which could not be completed due to over-estimating capabilities of shipbuilding company on Taiwan and lack of all necessary materials locally.

(2) Project is necessary to provide training for Harbor Craft Personnel in navigation, boat operations and cargo handling. In addition barges will be used to assist in offloading military supplies at ports and can be utilized in emergencies for shipment of military supplies between Taiwan ports and Pescadores Islands.

(3) This project has a direct relationship to the MDA program in that items are included in the Tables of Organization for Harbor Craft Units.

CATEGORY CODE 401

a. PROJECT 18. 56 - Transportation charges, NT$11,684,500.00

(1) This project is a recurring requirement and is necessary to provide funds for government budget support for receipt and distribution of MDAP materials.

(2) Previous projects for these charges were included in the FOA Operational program in a single lump sum for all services and expenditures were controlled by FOA and CUSA. The above amount is that required for Army only and additional control of expenditures will be effected by the Ministry of Finance since this project is now a Government Budget support project.

(3) All port handling charges and the initial rail movement of MDAP supplies and equipment are supported by this project. Total expenditures for FY 55 amounted to NT$23,608,000.00 for all services.

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JUSTIFICATION OF MEDICAL DFS FY 1956 PROGRAM

PROJECT 291 - MEDICAL EQUIPMENT AND SUPPLIES 5.56

Funds in the amount of US$2,582,900 and NT$10,450,000 (US$421,711) are required for FY 1956 to meet the needs for procurement of medical supplies (off-shore and locally procured). Such supplies are not available through MDAP.

	US$	NT$
1. Drugs, chemicals and biologicals	1,504,000.00	4,400,000.00

This project covers the cost of providing standard and non-standard supplies in maintaining the better health of all Forces. Estimated fund requirements for the procurement of standard and non-standard supplies during FY 56 are based on actual obligations incurred during FY 1955. Requirements calculated here include those items utilized to combat the high incidence of infectious disease such as tuberculosis, trachoma, bacillary and amoebic dysentery, etc.

Counterpart fund estimates are the local procurement costs of those items which can be obtained thru local production such as DDT, dextrose solution, etc., as follows:

a. 5% and 10% Dextrose	800,000
b. Normal saline sol.	640,000
c. DDT 5% & 70% powder	1,200,000
d. Thiamine (B-1)	640,000
e. Alcohol	240,000
f. Miscellaneous drugs	880,000
	NT$4,400,000

2. Surgical Dressings	20,720.00	3,600,000.00

All surgical dressing requirements are principally for use in the combat elements and hospitals and all the Forces. US$ total covers items requested which cannot be produced in Taiwan to meet sterile specifications or qualities required. The sum of US$134,099.00 originally included in this program will be programmed by the QM to cover cost of raw cotton and gauze.

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MEDICAL (continued)

	US$	NT$
NT$ represent the labor charges for processing of raw cotton into cotton, gauze and bandages as follows:		
a. Cotton absorbent (96,000 lbs.) NT$2,000,000.00		
b. 9 kinds different size bandages 1,600,000.00		
NT$3,600,000.00		
The requirements of surgical dressings are based on experience gained on the consumption rate from FY 48-54.		
3. Surgical Instruments, Appliances and Supplies	159,040.00	——
Covers necessary replacement for expendable items for Class 6515 such as gloves, syringes, needles, forceps, etc., and some non-standard surgical equipment required for performing of surgical functions in all medical units.		
4. Laboratory Equipment and Supplies	72,000.00	258,000.00
Covers necessary replacements for expendable items and non-standard items which are necessary for utilization in MGRC clinical laboratories in medical units and Central Training Establishment Medical (NDMC)		
Glasswares which can be obtained locally for laboratory works - NT$258,000.00		
5. Dental Equipment and Supplies	65,600.00	——
Covers necessary replacement of dental supplies for maintaining oral hygiene of the Forces.		
6. X-Ray Equipment and Supplies	104,960.00	——
Continuation of the tuberculosis "screening" to be held in conjunction with the civil program drive. Requirements are for expendable items such as X-Ray films, chemicals, etc., for program and for routine hospital radiological examination.		

MEDICAL (continued)	US$	NT$
7. Hospital furniture and fixtures Required to provide locally manufactured beds miscellaneous hospital furniture in the newly constructed medical facilities.	———	2,000,000.00
8. Medical Books Required to provide major medical libraries with current references and journals in order to enable professional personnel to maintain modern medical practices.	4,000.00	[illegible]
9. Optical Equipment and Supplies Required to continue the mission of the ophthalmology services of the Forces and to provide spectacles and replacements where required.	40,000.00	———
10. Spare Parts	96,000.00	192,000.00
11. PCNAT Figure based on 20% of US$ value of project 291	516,560.00	———
TOTAL	US$2,582,900.00	NT$10,450,000.00

3. Balance of construction to reach 13,830 beds goal and replacement of temporary structure will be partly accomplished under the FY 1957 construction program.

4. FY 1955 hospital construction for the Army, Navy and Air Force was curtailed in the amoun of $NT5,332,000 due to shortage of funds in the Operational program. Funds in this amount were included in the overall FY 56 program. The Army portion of this uncompleted construction is estimated to be NT$4,265,000 (US$172,115.00).

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The following break out covers by requisition the amount of previous Project 291 not yet received:

PA or MIO C No.	Balance	AMMI	Project
3909	US$ 97,474.00	US$ 77,979.00	5.53
3923	4,500.00	None	5.53
3932	57,455.00	51,709.50	5.53
4435	138,471.00	110,776.80	5.54
4440	557,030.00	445,664.00	5.54
4468	14,256.00	11,697.30	5.54
4494	95,465.00	78,281.30	5.54
5414	111,000.00	88,800.00	5.55
5419	91,621.00	73,296.80	5.55
5420	3,000.00	2,460.00	5.55
5421	668,341.00	534,672.80	5.55
5424	33,000.00	29,700.00	5.55
5468	1,842,000.00	1,510,440.00	5.55
	Total US$3,798,672.00	US$3,003,477.70	

PROJECT 502 - HOSPITAL CONSTRUCTION - 4.56

1. The project is for the construction of medical facilities for the Chinese Armed Forces. Ultimate goal is sufficient beds for 3% of the Armed Forces. Past expenditure for Army construction total NT$20,402,720(US$1,149,237) Total previous FOA construction for the Chinese Army, Navy and Air Force totaled NT$43,476,000 (US$1,754,479). Existing facilities after transfer of hospitals to VACHS represent a total of 10,526 beds. Approximately 29.19% of these facilities are housed in temporary buildings which require replacements 14.15% of the medical facilities are located in public buildings and should eventually be utlized for intended purpose. Thotal bed requirement for the Army is 13,830 beds which indicates a total facilities for 3,304 beds must be constructed. NT$14,928,750 (US$602,452) plus US imported construction materials representing approximately 25% of the NT$ total, will enable the construction of 3,000 beds and all supporting facilities such as latrines, kitchens, dining rooms, warehouses, etc.

2. Hospital beds for 3% of the Armed Forces (13,830)beds will be allocated to the following units based on requirements:

4 each Army General Hospital
12 each Army Hospital
1 each Army Convalescent Camp
8 each Army Evacuation Hospital
6 each Field Hospital

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X502. (1) Construction of Administrative Schools are required to meet the expansion of the Chinese Military Establishment. All schools are responsible for the training and administration of all staff, political, and key officers of the CHC.

(2) The Military Construction Commission is financed on the basis of 2% of all construction projects. This amount has never been satisfactory and the amount budgeted can only be considered as an estimate of past performance.

(3) CHC Army Construction projects are submitted to support the MDA program and force basis.

(a) Barracks and allied facilities are planned for 6 ½ regimental areas for CHC to replace public buildings, bamboo and mud houses beyond a commical repair.

(b) Construction projects for Service Schools to provide for 6 mess halls, 11 washstands, 4 kitchens, and other allied requirements. These are required due to increased student load and faculty.

(c) Construction of 108 Second Echelon maintenance shops with 366 repair bays for 2 Field Armies and 6 shops for Armored units are planned on a two year program to equip the CHC divisions, regiments, and armored units with the facilities for vehicle maintenance which have not been constructed to date.

(d) Eleven ammunition storage and warehouse buildings are programmed to support the armored force divisions.

(e) Building Materials (lumber) required are purchased from the U.S. for use in the construction program.

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Detail of Army 502 Construction

S	Barracks, Motor Pool, Warehouses etc.		15	15,334	619
Med	Hospital, Barracks, etc.		--	14,963	604
Q	Warehouses		--	3,500	141
Q	Warehouses		--	16,366	660
T	Barracks & Facilities		--	19,870	802
Q	Admin. Schools		--	6,003	242
Q	Bldg. materials		357	--	--
	MCC		--	2,400	97
C	Army		1,000	36,821	1,463
		Total	1,372	114,657	4,628

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TAIWAN: FY 1956 DFS Program
Navy Section

Category Code	Summary	US $	Local Currency (In thousands) NTD	Local Currency (In thousands) US $ Equiv.
122	Ships & Harbor Craft Components & Maint., spares	--	11,000	444
132	Tank Components and Maint. Spares	5	137	6
134	Combat Vehicles Comp. , Maint., Spares	3	91	4
143	Support Vehicles, Spares	393	1,322	53
152	Artillery Comp. Maint. Spares	4	114	5
162	Weapon Comp. Maint. Spares	1	38	2
191-192	Electronics & Communications Equip., Comp., Maint., Spares	568	921	37
201	Production Equip. & Machinery	3	282	11
221-2	Major Materials Handling Equip., Comp. Spares	154	--	--
231	Construction Equipment	25	--	--
241-243	Training Equip. and Aids	15	79	4
251	Shops & Utilities Equipment	116	364	15
271	Photographic Equip.	24	--	--
282	POL & Lubricants	210	39,308	1,586
291	Medical Equip. & Supplies	262	944	38
301-2	Orgn., Bases, Maint. Equip. & Supplies	2,435	11,464	463
311	Subsistence	37	--	--
401	Transportation Costs	--	1,597	64
402	PCH & Other Operational Costs	3	--	--
502	Military Public Works	1,700	46,644	1,882
		5,958	114,304	4,613

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TAIWAN: FY 1956 DFS Program
Navy Section

Excerpts from Narrative Statement

Necessity for requirements and relationship to MDA Material Program.

This DFS program provides for the support of 57,000 Chinese Naval and Marine Corps personnel and for maintenance of approximately 100 vessels and 50 miscellaneous small craft of the Chinese Navy. This program supplements the MDA Material Program in that it provides for furnishing materials and equipments which are not allowable under the criteria established by the Department of Defense Programming Guidance, S-2110.20.

Relationship to Defense Support (Civilian) Program.

This information is not available to the Naval Section and Should be furnished by IAO or ICA.

Status of prior years programs not yet completed.

Materials in the following amount have not been landed:

Total $2,962,530

Availability of indigenous skills to conduct program, if appropriated.

Sufficient indigenous skills are available to carry out construction projects.

Total cost of this program (including local currency) $10,570,848.

Total cost to be met by local currency NT$114,304,307.00. Currency must be made available immediately upon approval of this program.

Coordination effected within the country team.

This program has been coordinated with the Technical Sections of the Army and with other services. All items are military requirements and do not conflict with civilian programs or requirements. U.S. Embassy comments as follows on Harbor Maintenance projects: "This project is approved with the reservation that the facilities being built or renovated are for the use of the Chinese Navy only and no expenditures will be made on non-military installations or facilities."

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Excerpts from Narrative Statement

Supplementary Explanation of Code Usage

122 To provide the necessary locally manufactured material for maintenance requirements of the Chinese Navy for FY 1956. Labor costs financed in NGRC Budget.

132 To provide spare parts for Chinese Marine Corps tanks for repairs made by CSF Ordnance shop.

134 To provide spare parts for Chinese Marine Corps combat vehicles for repairs made by CSF Ordnance shop.

143 To provide automotive spare parts for use in shops of Chinese Navy, Marine Corps, and CSF Ordnance.

152 To provide mortar, gun, rifle and howitzer spare parts (with calibers 37mm and over) for CSF Ordnance shop.

162 To provide spare parts for various types of hand and shoulder weapons for CSF Ordnance shop.

191 To provide CSF Signal shop equipment, and the following equipment for the Chinese Navy:

For Intelligence Radio Station: 2-BC-610 Radio Transceivers; 4-NC-183 Radio Receivers; 20-AN/GRC-9 Radio Transceivers. For off-shore Radar Stations: 4 sets SCR-522 VHF radio equipment; 4 sets TCS RF radio equipment and 12 sets PE 75 gasoline engines.

192 To provide CSF Signal Corps Spare Parts and Dry Batteries and radio vacuum tubes and OKI switchboard parts for Japanese manufactured equipment for Chinese Navy.

201 To provide for installation in 1st Navy Yard of 48 sets of machine tools and equipment programmed in FY 54 expected to arrive in FY 56.

221 To provide 3 truck cranes, one for each Navy Yard and one fork lift truck for Chinese Marine Corps.

222 To provide spare parts for truck cranes and other materials handling equipment in Chinese Navy.

231 To provide construction equipment to improve maintenance forces of the Chinese Navy and Marine Corps. One road grader; 1 concrete mixer; 1 bitumen heating kettle; 1 agricultural tractor; 1 fresh water pump; 1 air compressor; 1 paint sprayer with air compressor.

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Excerpts from Narrative Statement

Supplementary Explanation of Code Usage

241 To provide Amphibious Training equipment such as target posts, light staffs, buoys, etc. for amphibious training exercises. To provide engineering equipment for Chinese Navy Training Schools.

243 To provide training aids for CSF Ordnance.

251 To provide shop equipment as detailed in "Remarks" column above.

271 To provide darkroom equipment for intelligence purposes.

282 To provide following POL Products:

			US $ Equiv.
Lube Oil, Auto. 25,000 gal	$14,750	Gasoline, Auto.	$157,385
Lube Oil, Diesel 250,000 gal	145,000	Diesel Oil	859,558
Misc. Auto Grease, Hydr. & Preserve. Oil, Corrosion Compounds	50,000	Fuel Oil	562,785
		Kerosene	6,537
Total	209,750	Total	$1,586,265
Less 20%	41,950		
Total	$167,800		

291 To provide Medical equipment & Supplies for CN & CMC through Medical Service, CSF.

301-2 To provide equipment for use as indicated under "Remarks" column.

311 To provide for purchase of enriched rice to be added to diet of CN & CMC personnel.

401 To provide for Inland Transportation costs expended by Transportation Corps, CSF.

402 To provide for PC Hand Other operating charges for Signal Corps, CSF.

502 Military Public Works such as construction of barracks buildings and utilities; overhaul Makung facilities; construct steel light beacon Tsoying and Makung; construct piers Tsoying harbor; strengthen bridges; install electrical substation; repair ammunition tunnels; construct warehouses; construct wooden bins for clothing storage; convert Sou Shan Marine Corps auditorium into warehouse etc.

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JAPAN: FY 1956 DFS Program
Air Force Section

Category Code	Summary	US$	Local Currency (In thousands) NPD	Local Currency (In thousands) US $ Equiv.
132	Tank components and maintenance, spares	22	583	24
134	Combat vehicles, components and maintenance spares	15	389	16
143	Support vehicles comp. and maint. spares	389	5,680	229
152	Artillery comp. and maint. spares	18	486	20
162	Weapon comp. and maint. spares	6	162	7
191	Electronics and comm. equipment	13	14	1
192	Electronics and comm. equip. comp. and maint. spares	99	246	10
201	Prod. equipment and machinery	4	258	10
232	Construction equip. spares and spare parts	50	-	-
243	Training aids	-	6	-
251	Shop and utilities equipment	56	346	14
252	Shop and utilities equip. maintenance spares	4	-	-
261	Printing and reproduction equipment	14	20	1
281	POL, oils, lubes (aircraft)	1,916	79,036	3,190
282	POL, oils, lubes (non-aircraft)	237	4,650	188
291	Medical equipment and supplies	446	1,606	65
302	Organization and base maintenance supplies	508	14,802	597
311	Subsistence	63	-	-
401	Transportation costs (inland)	-	2,718	110
402	Packing, crating, handling	4	-	-
413	Mobile training teams and technical representatives	44	-	-
422	Military mission expenses	-	500	21
502	Military public works	3,850	95,073	3,837
	Telecommunications charges	-	3,942	159
	Total	7,759	210,516	8,495 1/

1/ Figures may not add exactly to totals because of rounding.

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TAIWAN: FY 1956 DFS Program
Airforce Section

Excerpts from Narrative Statement

The FY 1956 DFS Program has been tailored to become an integral part of the MDA Materiel Program, supplementing it where required and providing the facilities needed to effect timely utilization of the equipment and end items furnished therein. This program will not provide for personnel in excess of the approved force basis and is a coordinated portion of the overall country DFS effort. All items listed are therefore required to support the MDA Program and can be met only through this source.

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Status of prior year projects not yet completed:

(1) Undelivered U.S. dollar procurements by category code:
Total U.S.$ 7,569,681.00 (Approximate).

- - - - - -

(2) Remaining N.T. dollar balances are being reduced on a daily basis and will be completely liquidated in the near future.

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Sufficient indigenous skills are available to conduct this program, if appropriated, with the single exception of the American airfield construction technicians listed under category 413. Personnel required under this latter category are currently in the country and under contract.

The total cost of this program in US$ 16,254.124 composed of requirements for US$ 7,758,721 and NT$ 210,516,089.

Amount of local currency to be furnished is NT$ 210,516,089. These funds must be made available concurrently with final approval of this program.

This program has been coordinated with and approved by Chief, MAAG, Formosa; International Cooperation Administration (MSM/C); and by the United States Embassy, Taipei, Taiwan.

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Supplementary Explanation of Code Usage

132 Tank Components and main. spares. Included in this item is the cost of one years range of spares to support the hy-speed tractors assigned to the AAA Command to tow 90 MM guns.

134 Combat vehicle Comp. and maint. spares. One years range of spares to support combat type vehicles assigned to the AAA Command.

143 Support Vehicles Comp. maint. spares. Sixty percent of this item represents a one years range of spare parts of WWII type vehicles assigned to the CAF. The remaining forty percent is for the procurement of tires to support these vehicles.

152 Artillery Comp. and maint. spares. One years range of spare parts for the AAA weapons assigned to the 29 Battalions of the AAA Command.

162 Weapon comp. and maint. spares. One years range of spare parts to support the small arms and 50 cal. weapons assigned to the CAF.

191 Electronics and Comm. Equip. Complete. Telephones and miscellaneous signal items for the improvement of CAF land-line communication.

198 Elec. and Comm. Equip Comp. & maint. spares. This includes the procurement of auto-transmission equipment such as Morse key board perforators for the improvement of weather transmission by the CAF, the purchase of variacs to control the electrical input variations into communication facilities, and the procurement of switchboard and battery spares for the maintenance of the CAF telephone system.

201 Production Equipment and Machinery. Provides machinery for the modernization of the battery manufacturing plant.

232 Construction Equip. spares and spare parts. Provides for a one year range of maintenance spares for DFS procured airfield construction equipment.

243 Training aids. Books and other assorted training aids to be utilized by the vehicle overhaul depot.

251 Shops and Utilities Equip. Provides for the procurement of air conditioners to be installed in the link trainer buildings. (Trainers are presently being delivered thru MDAP), and for the procurement of shop equipment such as cranes, compressors and test equipment for the vehicle overhaul depot.

252 Shops and Utilities Equip, maint. spares. Included is a one year range of spares for heat treating furnaces on hand in the CAF.

261 Printing and Reproduction Equipment. Provides for the purchase of training presses and camera to be used by the CAF in the reproduction of translated USAF technical data.

282 Petroleum, Oils and Lubricants (Other than Acft.) Provides for a years supply of automotive fuel and oil as well as the kerosene, diesel fuel and lubricants required to support the CAF vehicle population.

Excerpts from Narrative Statement

CONFIDENTIAL

Supp. Explanation of Code Usage(contd)

291 Medical Equip and Supplies. Provides for a years range of drugs, chemicals, and items of medical equipment required to operate the CAF Hospital system.

302 Organization and Base maint. supplies. Under sub-project 302.1 are included the procurement of fire-fighting clothing for CAF airbase fire-fighting personnel, blankets and wollen materiel for conversion to uniforms. These quantities will not exceed the allowance for the authorized troops basis of 97,000. Also included is an item of manufacturing expense required to provide for the manufacture of uniforms from the woolen material. Under 302.2 are included the dyestuffs necessary for uniform manufacture as well as a one years range of corrosion control and materials required to afford protection for MDAP furnished equipment. Under 302.4, the expense of manufacture of the bins and pallets required by the CAF to properly warehouse MDAP equipment has been included.

311 Subsistence. Provides for the procurement of rice enrichment as a dietary supplement for the approved CAF troop basis of 97,000 personnel.

401 Transportation Costs. Included in the inland transportation fund required to the CAF to effect the distribution and redistribution of supplies and equipment received from abroad.

402 Packing, Crating, Handling and other operating expenses. Provides for the procurement of the packing materials required to safeguard MDAP furnished supplies during shipment to or from repair points.

413 Mobile Training Teams and Tech Reps. Provides for the continued service of two American Airfield Construction Technicians presently assisting the CAF in their construction program.

422 Military Mission Expense. Provides for the continued operation of the International Aid Office, this office administers the DFS Program for MAAG. Included are funds for the hire of indigenous clerical help and repair of office machines.

502 Military Public Works: This project encompasses the construction work programmed for the CAF, to provide sufficient troop facilities such as barracks and hospitals and to provide the facilities required to adequately operate and maintain MDAP equipment on hand or requested. Examples of this latter type facility are Hangars, Communication Facilities (HF Stations, TACON System Bldgs, Antennae Posts), Operations Facilities (Control Towers), Roads on the Airfield Complex, extension of utilities to provide adequate water and electricity to operate CAF shops, Warehouses, Aircraft Maintenance Shops (Field & Depot level), POL storage facilities and pipelines, Ammunition magazines, Signal depot overhaul shops, and airfield improvements (runway extensions, construction of over-runs, taxi-ways and revetments, and installation of Davis Barriers).

Telecommunications Charges. No suitable category could be located to include funds for the payment of the annual CAF telephone charges, and therefore it has been shown separately.

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REPRODUCED AT THE NATIONAL ARCHIVES

EXHIBIT 31

rules of international conduct which will reduce the risk of confrontation and war in Asia and in the Pacific.

We agreed that we are opposed to domination of the Pacific area by any one power. We agreed that international disputes should be settled without the use of the threat of force and we agreed that we are prepared to apply this principle to our mutual relations.

With respect to Taiwan, we stated our established policy that our forces overseas will be reduced gradually as tensions ease, and that our ultimate objective is to withdraw our forces as a peaceful settlement is achieved.

We have agreed that we will not negotiate the fate of other nations behind their backs, and we did not do so at Peking. There were no secret deals of any kind. We have done all this without giving up any United States commitment to any other country.

In our talks, the talks that I had with the leaders of the People's Republic and that the Secretary of State had with the office of the Government of the People's Republic in the foreign affairs area, we both realized that a bridge of understanding that spans almost 12,000 miles and 22 years of hostility can't be built in 1 week of discussions. But we have agreed to begin to build that bridge, recognizing that our work will require years of patient effort. We made no attempt to pretend that major differences did not exist between our two governments, because they do exist.

This communique was unique in honestly setting forth differences rather than trying to cover them up with diplomatic doubletalk.

One of the gifts that we left behind in Hangchow was a planted sapling of the American redwood tree. As all Californians know, and as most Americans know, redwoods grow from saplings into the giants of the forest. But the process is not one of days or even years; it is a process of centuries.

Just as we hope that those saplings, those tiny saplings that we left in China, will grow one day into mighty redwoods, so we hope, too, that the seeds planted on this journey for peace will grow and prosper into a more enduring structure for peace and security in the Western Pacific.

But peace is too urgent to wait for centuries. We must seize the moment to move toward that goal now, and this is what we have done on this journey.

As I am sure you realize, it was a great experience for us to see the timeless wonders of ancient China, the changes that are being made in modern China. And one fact stands out, among many others, from my talks with the Chinese leaders. It is their total belief, their total dedication, to their system of government. That is their right, just as it is the right of any country to choose the kind of government it wants.

But as I return from this trip, just as has been the case on my return from other trips abroad which have taken me to over 80 countries, I come back to America with an even stronger faith in our system of government.

As I flew across America today, all the way from Alaska, over the Rockies, the Plains, and then on to Washington, I thought of the greatness of our country and, most of all, I thought of the freedom, the opportunity, the progress that 200 million Americans are privileged to enjoy. I realized again this is a beautiful country. And tonight my prayer and my hope is that as a result of this trip, our children will have a better chance to grow up in a peaceful world.

Thank you.

TEXT OF JOINT COMMUNIQUE, ISSUED AT SHANGHAI, FEBRUARY 27

President Richard Nixon of the United States of America visited the People's Republic of China at the invitation of Premier Chou En-lai of the People's Republic of China from February 21 to February 28, 1972. Accompanying the President were Mrs. Nixon, U.S. Secretary of State William Rogers, Assistant to the President Dr. Henry Kissinger, and other American officials.

President Nixon met with Chairman Mao

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Tse-tung of the Communist Party of China on February 21. The two leaders had a serious and frank exchange of views on Sino-U.S. relations and world affairs.

During the visit, extensive, earnest and frank discussions were held between President Nixon and Premier Chou En-lai on the normalization of relations between the United States of America and the People's Republic of China, as well as on other matters of interest to both sides. In addition, Secretary of State William Rogers and Foreign Minister Chi Peng-fei held talks in the same spirit.

President Nixon and his party visited Peking and viewed cultural, industrial and agricultural sites, and they also toured Hangchow and Shanghai where, continuing discussions with Chinese leaders, they viewed similar places of interest.

The leaders of the People's Republic of China and the United States of America found it beneficial to have this opportunity, after so many years without contact, to present candidly to one another their views on a variety of issues. They reviewed the international situation in which important changes and great upheavals are taking place and expounded their respective positions and attitudes.

The U.S. side stated: Peace in Asia and peace in the world requires efforts both to reduce immediate tensions and to eliminate the basic causes of conflict. The United States will work for a just and secure peace: just, because it fulfills the aspirations of peoples and nations for freedom and progress; secure, because it removes the danger of foreign aggression. The United States supports individual freedom and social progress for all the peoples of the world, free of outside pressure or intervention. The United States believes that the effort to reduce tensions is served by improving communication between countries that have different ideologies so as to lessen the risks of confrontation through accident, miscalculation or misunderstanding. Countries should treat each other with mutual respect and be willing to compete peacefully, letting performance be the ultimate judge. No country should claim infallibility and each country should be prepared to re-examine its own attitudes for the common good. The United States stressed that the peoples of Indochina should be allowed to determine their destiny without outside intervention; its constant primary objective has been a negotiated solution; the eight-point proposal put forward by the Republic of Vietnam and the United States on January 27, 1972 represents a basis for the attainment of that objective; in the absence of a negotiated settlement the United States envisages the ultimate withdrawal of all U.S. forces from the region consistent with the aim of self-determination for each country of Indochina. The United States will maintain its close ties with and support for the Republic of Korea; the United States will support efforts of the Republic of Korea to seek a relaxation of tension and increased communication in the Korean peninsula. The United States places the highest value on its friendly relations with Japan; it will continue to develop the existing close bonds. Consistent with the United Nations Security Council Resolution of December 21, 1971, the United States favors the continuation of the ceasefire between India and Pakistan and the withdrawal of all military forces to within their own territories and to their own sides of the ceasefire line in Jammu and Kashmir; the United States supports the right of the peoples of South Asia to shape their own future in peace, free of military threat, and without having the area become the subject of great power rivalry.

The Chinese side stated: Wherever there is oppression, there is resistance. Countries want independence, nations want liberation and the people want revolution—this has become the irresistible trend of history. All nations, big or small, should be equal; big nations should not bully the small and strong nations should not bully the weak. China will never be a superpower and it opposes hegemony and power politics of any kind. The Chinese side stated that it firmly supports the struggles of all the oppressed people and nations for freedom and liberation and that the people of all countries have the right to

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choose their social systems according to their own wishes and the right to safeguard the independence, sovereignty and territorial integrity of their own countries and oppose foreign aggression, interference, control and subversion. All foreign troops should be withdrawn to their own countries.

The Chinese side expressed its firm support to the peoples of Vietnam, Laos and Cambodia in their efforts for the attainment of their goal and its firm support to the seven-point proposal of the Provisional Revolutionary Government of the Republic of South Vietnam and the elaboration of February this year on the two key problems in the proposal, and to the Joint Declaration of the Summit Conference of the Indochinese Peoples. It firmly supports the eight-point program for the peaceful unification of Korea put forward by the Government of the Democratic People's Republic of Korea on April 12, 1971, and the stand for the abolition of the "U.N. Commission for the Unification and Rehabilitation of Korea." It firmly opposes the revival and outward expansion of Japanese militarism and firmly supports the Japanese people's desire to build an independent, democratic, peaceful and neutral Japan. It firmly maintains that India and Pakistan should, in accordance with the United Nations resolutions on the India-Pakistan question, immediately withdraw all their forces to their respective territories and to their own sides of the ceasefire line in Jammu and Kashmir and firmly supports the Pakistan Government and people in their struggle to preserve their independence and sovereignty and the people of Jammu and Kashmir in their struggle for the right of self-determination.

There are essential differences between China and the United States in their social systems and foreign policies. However, the two sides agreed that countries, regardless of their social systems, should conduct their relations on the principles of respect for the sovereignty and territorial integrity of all states, non-aggression against other states, non-interference in the internal affairs of other states, equality and mutual benefit, and peaceful coexistence. International disputes should be settled on this basis, without resorting to the use or threat of force. The United States and the People's Republic of China are prepared to apply these principles to their mutual relations.

With these principles of international relations in mind the two sides stated that:

—progress toward the normalization of relations between China and the United States is in the interests of all countries;

—both wish to reduce the danger of international military conflict;

—neither should seek hegemony in the Asia-Pacific region and each is opposed to efforts by any other country or group of countries to establish such hegemony; and

—neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.

Both sides are of the view that it would be against the interests of the peoples of the world for any major country to collude with another against other countries, or for major countries to divide up the world into spheres of interest.

The two sides reviewed the long-standing serious disputes between China and the United States. The Chinese side reaffirmed its position: The Taiwan question is the crucial question obstructing the normalization of relations between China and the United States; the Government of the People's Republic of China is the sole legal government of China; Taiwan is a province of China which has long been returned to the motherland; the liberation of Taiwan is China's internal affair in which no other country has the right to interfere; and all U.S. forces and military installations must be withdrawn from Taiwan. The Chinese Government firmly opposes any activities which aim at the creation of "one China, one Taiwan," "one China, two governments," "two Chinas," and "independent Taiwan" or advocate that "the status of Taiwan remains to be determined."

The U.S. side declared: The United States acknowledges that all Chinese on either side

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of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes.

The two sides agreed that it is desirable to broaden the understanding between the two peoples. To this end, they discussed specific areas in such fields as science, technology, culture, sports and journalism, in which people-to-people contacts and exchanges would be mutually beneficial. Each side undertakes to facilitate the further development of such contacts and exchanges.

Both sides view bilateral trade as another area from which mutual benefit can be derived, and agreed that economic relations based on equality and mutual benefit are in the interest of the peoples of the two countries. They agree to facilitate the progressive development of trade between their two countries.

The two sides agreed that they will stay in contact through various channels, including the sending of a senior U.S. representative to Peking from time to time for concrete consultations to further the normalization of relations between the two countries and continue to exchange views on issues of common interest.

The two sides expressed the hope that the gains achieved during this visit would open up new prospects for the relations between the two countries. They believe that the normalization of relations between the two countries is not only in the interest of the Chinese and American peoples but also contributes to the relaxation of tension in Asia and the world.

President Nixon, Mrs. Nixon and the American party expressed their appreciation for the gracious hospitality shown them by the Government and people of the People's Republic of China.

CHRONOLOGY OF EVENTS

Weekly Compilation of Presidential Documents dated February 28

Thursday, February 17

After a departure ceremony on the South Lawn of the White House, the President went by helicopter to Andrews Air Force Base for the flight to Hawaii, en route to the People's Republic of China.

Arriving at Kaneohe Marine Corps Air Station, Oahu, Hawaii, the President and Mrs. Nixon motored to the residence of the Commanding General, First Marine Brigade, where they remained until Saturday afternoon, February 19, reading and preparing for the China visit.

Saturday, February 19–Sunday, February 20

The President and Mrs. Nixon boarded the Spirit of '76 at Kaneohe Marine Corps Air Station for the 8-hour flight to Guam. Crossing the international date line en route, they arrived at Guam International Airport shortly after 5 p.m. on Sunday, February 20, Guam time. They spent the night at Nimitz Hill, the residence of the Commander, Naval Forces, Marianas.

Monday, February 21

At 7 a.m. Guam time, the President and Mrs. Nixon left Guam International Airport for Shanghai, their first stop in the People's Republic of China. They arrived, after a 4-hour flight, at Hung Chiao (Rainbow Bridge) Airport, Shanghai, at 9 a.m., China time, where they were greeted by officials of the People's Republic, headed by Vice Minister of Foreign Affairs Chiao Kuan-hua. After refreshments and a tour of the terminal, the Presidential party again boarded the Spirit of '76, accompanied by Vice Minister Chiao, Chang Wen-chin and Wang Hai-jung of the Foreign Ministry, a Chinese navigator, radio operator, and three interpreters, for the final leg of the flight to Peking.

At about 11:30 a.m., China time, the party arrived at Capital Airport near Peking. Premier Chou En-lai greeted the President and members of his party, stood with the President for the playing of the national anthems of the two countries, and accompanied the President in a review of the troops.

The Premier then accompanied the President in a motorcade to Peking, to Taio Yu Tai (Angling Terrace), the guesthouse where the President and Mrs. Nixon would stay during their visit.

In the afternoon, the President met for an hour

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EXHIBIT 32

EAST ASIA: *U.S. Normalizes Relations With the People's Republic of China*

Following are the texts of December 15, 1978, of the joint communique between the United States and the People's Republic of China, President Carter's address to the nation and remarks to reporters following the address, and the U.S. statement on normalization.[1]

PRESIDENT'S ADDRESS[2]

I would like to read a joint communique which is being simultaneously issued in Peking at this very moment by the leaders of the People's Republic of China.

[At this point, the President read the text of the joint communique.]

Yesterday, our country and the People's Republic of China reached this final historic agreement. On January 1, 1979, a little more than 2 weeks from now, our two governments will implement full normalization of diplomatic relations.

As a nation of gifted people who comprise about one-fourth of the total population of the Earth, China plays, already, an important role in world affairs, a role that can only grow more important in the years ahead.

We do not undertake this important step for transient tactical or expedient reasons. In recognizing the People's Republic of China, that it is the single Government of China, we are recognizing simple reality. But far more is involved in this decision than just the recognition of a fact.

Before the estrangement of recent decades, the American and the Chinese people had a long history of friendship. We've already begun to rebuild some of those previous ties. Now our rapidly expanding relationship requires the kind of structure that only full diplomatic relations will make possible.

The change that I'm announcing tonight will be of great long-term benefit to the peoples of both our country and China—and, I believe, to all the peoples of the world. Normalization—and the expanded commercial and cultural relations that it will bring—will contribute to the well-being of our own nation, to our own national interest, and it will also enhance the stability of Asia. These more positive relations with China can beneficially affect the world in which we live and the world in which our children will live.

We have already begun to inform our allies and other nations and the Members of the Congress of the details of our intended action. But I wish also tonight to convey a special message to the people of Taiwan—I have already communicated with the leaders in Taiwan—with whom the American people have had and will have extensive, close, and friendly relations. This is important between our two peoples.

As the United States asserted in the Shanghai communique of 1972,[3] issued on President Nixon's historic visit, we will continue to have an interest in the peaceful resolution of the Taiwan issue. I have paid special attention to insuring that normalization of relations between our country and the People's Republic will not jeopardize the well-being of the people of Taiwan. The people of our country will maintain our current commercial, cultural, trade, and other relations with Taiwan through nongovernmental means. Many other countries in the world are already successfully doing this.

These decisions and these actions open a new and important chapter in our country's history and also in world affairs.

To strengthen and to expedite the benefits of this new relationship between China and the United States, I am pleased to announce that Vice Premier Teng has accepted my invitation and will visit Washington at the end of January. His visit will give our governments the opportunity to consult with each other on global issues and to begin working together to enhance the cause of world peace.

These events are the final result of long and serious negotiations begun by President Nixon in 1972 and continued under the leadership of President Ford. The results bear witness to the steady, determined, bipartisan effort of our own country to build a world in which peace will be the goal and the responsibility of all nations.

The normalization of relations between the United States and China has no other purpose than this: the advancement of peace. It is in this spirit, at this season of peace, that I take special pride in sharing this good news with you tonight.

PRESIDENT'S REMARKS[4]

I wanted to come by and let you know that I believe this to be an extremely important moment in the history of our nation. It's something that I and my two predecessors have sought

JOINT COMMUNIQUE, DEC. 15

JOINT COMMUNIQUE ON THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE UNITED STATES OF AMERICA AND THE PEOPLE'S REPUBLIC OF CHINA
JANUARY 1, 1979

The United States of America and the People's Republic of China have agreed to recognize each other and to establish diplomatic relations as of January 1, 1979.

The United States of America recognizes the Government of the People's Republic of China as the sole legal Government of China. Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan.

The United States of America and the People's Republic of China reaffirm the principles agreed on by the two sides in the Shanghai Communique and emphasize once again that:

- Both wish to reduce the danger of international military conflict.
- Neither should seek hegemony in the Asia-Pacific region or in any other region of the world and each is opposed to efforts by any other country or group of countries to establish such hegemony.
- Neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.
- The Government of the United States of America acknowledges the Chinese position that there is but one China and Taiwan is part of China.
- Both believe that normalization of Sino-American relations is not only in the interest of the Chinese and American peoples but also contributes to the cause of peace in Asia and the world.

The United States of America and the People's Republic of China will exchange Ambassadors and establish Embassies on March 1, 1979.

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EXHIBIT 33

which offers hope for millions of Americans at home, on the farm, and in the workplace?

Do we tell these Americans to give up hope, that their ship of state lies dead in the water because those entrusted with manning that ship can't agree on which sail to raise? We're within sight of the safe port of economic recovery. Do we make port or go aground on the shoals of selfishness, partisanship, and just plain bullheadedness?

The measure the Congress is about to vote on, while not perfect in the eyes of any one of us, will bring us closer to the goal of a balanced budget, restored industrial power, and employment for all who want to work. Together we can reach that goal.

Thank you. God bless you.

Note: The President spoke at 8:02 p.m. from the Oval Office at the White House. The address was broadcast live on nationwide radio and television.

United States Arms Sales to Taiwan

Joint Communique of the United States and the People's Republic of China.
August 17, 1982

1. In the Joint Communique on the Establishment of Diplomatic Relations on January 1, 1979, issued by the Government of the United States of America and the Government of the People's Republic of China, the United States of America recognized the Government of the People's Republic of China as the sole legal government of China, and it acknowledged the Chinese position that there is but one China and Taiwan is part of China. Within that context, the two sides agreed that the people of the United States would continue to maintain cultural, commercial, and other unofficial relations with the people of Taiwan. On this basis, relations between the United States and China were normalized.

2. The question of United States arms sales to Taiwan was not settled in the course of negotiations between the two countries on establishing diplomatic relations. The two sides held differing positions, and the Chinese side stated that it would raise the issue again following normalization. Recognizing that this issue would seriously hamper the development of United States-China relations, they have held further discussions on it, during and since the meetings between President Ronald Reagan and Premier Zhao Ziyang and between Secretary of State Alexander M. Haig, Jr., and Vice Premier and Foreign Minister Huang Hua in October, 1981.

3. Respect for each other's sovereignty and territorial integrity and non-interference in each other's internal affairs constitute the fundamental principles guiding United States-China relations. These principles were confirmed in the Shanghai Communique of February 28, 1972, and reaffirmed in the Joint Communique on the Establishment of Diplomatic Relations which came into effect on January 1, 1979. Both sides emphatically state that these principles continue to govern all aspects of their relations.

4. The Chinese government reiterates that the question of Taiwan is China's internal affair. The Message to Compatriots in Taiwan issued by China on January 1, 1979, promulgated a fundamental policy of striving for peaceful reunification of the Motherland. The Nine-Point Proposal put forward by China on September 30, 1981, represented a further major effort under this fundamental policy to strive for a peaceful solution to the Taiwan question.

5. The United States Government attaches great importance to its relations with China, and reiterates that it has no intention of infringing on Chinese sovereignty and territorial integrity, or interfering in China's internal affairs, or pursing a policy of "Two Chinas" or "one China, one Taiwan." The United States Government understands and appreciates the Chinese policy of striving for a peaceful resolution of the Taiwan question as indicated in China's Message to Compatriots in Taiwan issued on January 1, 1979, and the Nine-Point Proposal put forward by China on September 30,

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1981. The new situation which has emerged with regard to the Taiwan question also provides favorable conditions for the settlement of United States-China differences over the question of United States arms sales to Taiwan.

6. Having in mind the foregoing statements of both sides, the United States Government states that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales or arms to Taiwan, leading over a period of time to a final resolution. In so stating, the United States acknowledges China's consistent position regarding the thorough settlement of this issue.

7. In order to bring about, over a period of time, a final settlement of the question of United States arms sales to Taiwan, which is an issue rooted in history, the two governments will make every effort to adopt measures and create conditions conducive to the thorough settlement of this issue.

8. The development of United States-China relations is not only in the interests of the two peoples but also conducive to peace and stability in the world. The two sides are determined, on the principle of equality and mutual benefit, to strengthen their ties in the economic, cultural, educational, scientific, technological and other fields and make strong, joint efforts for the continued development of relations between the governments and peoples of the United States and China.

9. In order to bring about the healthy development of United States-China relations, maintain world peace and oppose aggression and expansion, the two governments reaffirm the principles agreed on by the two sides in the Shanghai Communique and the Joint Communique on the Establishment of Diplomatic Relations. The two sides will maintain contact and hold appropriate consultations on bilateral and international issues of common interest.

United States Arms Sales to Taiwan

Statement by the President.
August 17, 1982

The U.S.-China joint communique issued today embodies a mutually satisfactory means of dealing with the historical question of U.S. arms sales to Taiwan. This document preserves principles on both sides and will promote the further development of friendly relations between the governments and peoples of the United States and China. It will also contribute to the further reduction of tensions and to lasting peace in the Asia/Pacific region.

Building a strong and lasting relationship with China has been an important foreign policy goal of four consecutive American administrations. Such a relationship is vital to our long-term national security interests and contributes to stability in East Asia. It is in the national interest of the United States that this important strategic relationship be advanced. This communique will make that possible, consistent with our obligations to the people of Taiwan.

In working toward this successful outcome we have paid particular attention to the needs and interests of the people of Taiwan. My longstanding personal friendship and deep concern for their well-being is steadfast and unchanged. I am committed to maintaining the full range of contacts between the people of the United States and the people of Taiwan—cultural, commercial, and people-to-people contacts—which are compatible with our unofficial relationship. Such contacts will continue to grow and prosper and will be conducted with the dignity and honor befitting old friends.

Regarding future U.S. arms sales to Taiwan, our policy, set forth clearly in the communique, is fully consistent with the Taiwan Relations Act. Arms sales will continue in accordance with the act and with the full expectation that the approach of the Chinese Government to the resolution of the Taiwan issue will continue to be peaceful. We attach great significance to the Chinese statement in the communique regarding China's "fundamental" policy, and it is clear from our statements that our

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EXHIBIT 34

Table 2.
PERSONS OBTAINING LEGAL PERMANENT RESIDENT STATUS BY REGION AND SELECTED COUNTRY OF LAST RESIDENCE: FISCAL YEARS 1820 TO 2006

Region and country of last residence [1]	1820 to 1829	1830 to 1839	1840 to 1849	1850 to 1859	1860 to 1869	1870 to 1879	1880 to 1889	1890 to 1899
Total	128,502	538,381	1,427,337	2,814,554	2,081,261	2,742,137	5,248,568	3,694,294
Asia	34	55	121	36,080	54,408	134,128	71,151	61,285
China	3	8	32	35,933	54,028	133,139	65,797	15,268
Hong Kong	-	-	-	-	-	-	-	-
India	9	38	33	42	50	166	247	102
Iran	-	-	-	-	-	-	-	-
Israel	-	-	-	-	-	-	-	-
Japan	-	-	-	-	138	193	1,583	13,998
Jordan	-	-	-	-	-	-	-	-
Korea	-	-	-	-	-	-	-	-
Philippines	-	-	-	-	-	-	-	-
Syria	-	-	-	-	-	-	-	-
Taiwan	-	-	-	-	-	-	-	-
Turkey	19	8	45	94	129	382	2,478	27,510
Vietnam	-	-	-	-	-	-	-	-
Other Asia	3	1	11	11	63	248	1,046	4,407
Oceania	3	7	14	166	187	9,996	12,361	4,704
Australia	2	1	2	15	-	8,930	7,250	3,098
New Zealand	-	-	-	-	-	39	21	12
Other Oceania	1	6	12	151	187	1,027	5,090	1,594
Not Specified [20, 21]	19,523	83,593	7,366	74,399	18,241	754	790	14,112

- Represents zero or not available.

[1] Data for years prior to 1906 refer to country of origin; data from 1906 to 2006 refer to country of last residence.

[20] Included in 'Not Specified' until 1925.

[21] Includes 32,897 persons returning in 1906 to their homes in the United States.

Note: From 1820 to 1867, figures represent alien passenger arrivals at seaports; from 1868 to 1891 and 1895 to 1897, immigrant alien arrivals; from 1892 to 1894 and 1898 to 2006, immigrant aliens admitted for permanent residence; from 1892 to 1903, aliens entering by cabin class were not counted as immigrants. Land arrivals were not completely enumerated until 1908. For this table, fiscal year 1843 covers 9 months ending September, 1843; fiscal years 1832 and 1850 cover 15 months ending December 31 of the respective years; and fiscal year 1868 covers 6 months ending June 30, 1868.

Source: U.S. Department of Homeland Security

Table 2.
PERSONS OBTAINING LEGAL PERMANE

Region and country of last residence [1]	1900 to 1909	1910 to 1919	1920 to 1929	1930 to 1939	1940 to 1949	1950 to 1959	1960 to 1969	1970 to 1979
Total	8,202,388	6,347,380	4,295,510	699,375	856,608	2,499,268	3,213,749	4,248,203
Asia	299,836	269,736	126,740	19,231	34,532	135,844	358,605	1,406,544
China	19,884	20,916	30,648	5,874	16,072	8,836	14,060	17,627
Hong Kong	-	-	-	-	-	13,781	67,047	117,350
India	3,026	3,478	2,076	554	1,692	1,850	18,638	147,997
Iran	-	-	208	198	1,144	3,195	9,059	33,763
Israel	-	-	-	-	98	21,376	30,911	36,306
Japan	139,712	77,125	42,057	2,683	1,557	40,651	40,956	49,392
Jordan	-	-	-	-	-	4,899	9,230	25,541
Korea	-	-	-	-	83	4,845	27,048	241,192
Philippines	-	-	-	391	4,099	17,245	70,660	337,726
Syria	-	-	5,307	2,188	1,179	1,091	2,432	8,086
Taiwan	-	-	-	-	-	721	15,657	83,155
Turkey	127,999	160,717	40,450	1,327	754	2,980	9,464	12,209
Vietnam	-	-	-	-	-	290	2,949	121,716
Other Asia	9,215	7,500	5,994	6,016	7,854	14,084	40,494	174,484
Oceania	12,355	12,339	9,860	3,306	14,262	11,353	23,630	39,980
Australia	11,191	11,280	8,404	2,260	11,201	8,275	14,986	18,708
New Zealand	-	-	935	790	2,351	1,799	3,775	5,018
Other Oceania	1,164	1,059	521	256	710	1,279	4,869	16,254
Not Specified [20, 21]	33,493	488	930	-	135	12,472	119	326

- Represents zero or not available.

[1] Data for years prior to 1906 refer to country of origin; d

[20] Included in 'Not Specified' until 1925.

[21] Includes 32,897 persons returning in 1906 to their hon

Note: From 1820 to 1867, figures represent alien passer 2006, immigrant aliens admitted for permanent residenc enumerated until 1908. For this table, fiscal year 1843 c respective years; and fiscal year 1868 covers 6 months

Source: U.S. Department of Homeland Security

Table 2.
PERSONS OBTAINING LEGAL PERMANE

Region and country of last residence [1]	1980 to 1989	1990 to 1999	2000	2001	2002	2003	2004	2005	2006
Total	6,244,379	9,775,398	841,002	1,058,902	1,059,356	703,542	957,883	1,122,373	1,266,264
Asia	2,391,356	2,859,899	254,932	336,112	325,749	235,339	319,025	382,744	411,795
China	170,897	342,058	41,804	50,677	55,901	37,342	50,280	64,921	83,628
Hong Kong	112,132	116,894	7,181	10,282	7,938	5,015	5,421	5,004	4,514
India	231,649	352,528	38,938	65,673	66,644	47,032	65,507	79,140	58,072
Iran	98,141	76,899	6,481	8,003	7,684	4,696	5,898	7,306	9,829
Israel	43,669	41,340	3,871	4,892	4,907	3,686	5,206	6,963	6,667
Japan	44,150	66,582	7,688	10,424	9,106	6,702	8,655	9,929	9,107
Jordan	28,928	42,755	4,476	5,106	4,774	4,008	5,186	5,430	5,512
Korea	322,708	179,770	15,107	19,728	19,917	12,076	19,441	26,002	24,472
Philippines	502,056	534,338	40,465	50,644	48,493	43,133	54,651	57,656	71,134
Syria	14,534	22,906	2,255	3,542	3,350	2,046	2,549	3,350	3,080
Taiwan	119,051	132,647	9,457	12,457	9,932	7,168	9,314	9,389	8,546
Turkey	19,208	38,687	2,702	3,463	3,914	3,318	4,491	6,449	6,433
Vietnam	200,632	275,379	25,159	34,537	32,372	21,227	30,074	30,832	29,705
Other Asia	483,601	637,116	49,348	56,684	50,817	37,890	52,352	70,373	91,096
Oceania	41,432	56,800	5,928	7,201	6,495	5,076	6,954	7,432	8,001
Australia	16,901	24,288	2,694	3,714	3,420	2,488	3,397	4,090	3,770
New Zealand	6,129	8,600	1,080	1,347	1,364	1,030	1,420	1,457	1,344
Other Oceania	18,402	23,912	2,154	2,140	1,711	1,558	2,137	1,885	2,887
Not Specified [20, 21]	305,406	25,928	14,971	17,894	16,688	9,086	24,646	39,299	16,315

- Represents zero or not available.

[1] Data for years prior to 1906 refer to country of origin; d

[20] Included in 'Not Specified' until 1925.

[21] Includes 32,897 persons returning in 1906 to their hon

Note: From 1820 to 1867, figures represent alien passer 2006, immigrant aliens admitted for permanent residenc enumerated until 1908. For this table, fiscal year 1843 c respective years; and fiscal year 1868 covers 6 months

Source: U.S. Department of Homeland Security

EXHIBIT 35

1 of 1 DOCUMENT

STRATEGIC TECHNOLOGIES PTE, LTD., Plaintiff, v. REPUBLIC OF CHINA (TAIWAN), Defendant.

Civil Action No. 05-2311 (RMC)

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

2007 U.S. Dist. LEXIS 34258

May 10, 2007, Decided
May 10, 2007, Filed

COUNSEL: [*1] For STRATEGIC TECHNOLOGIES, PTE, LTD., Plaintiff: Timothy D. Battin, LEAD ATTORNEY, STRAUS & BOIES, LLP, Fairfax, VA.

For REPUBLIC OF CHINA (TAIWAN), Defendant: Thomas G. Corcoran, Jr., LEAD ATTORNEY, Laina C. Wilk, BERLINER, CORCORAN & ROWE, LLP, Washington, DC.

JUDGES: ROSEMARY M. COLLYER, United States District Judge.

OPINION BY: ROSEMARY M. COLLYER

OPINION

MEMORANDUM OPINION

Strategic Technologies PTE, Ltd. ("Strategic Tech") filed this complaint seeking to enforce a judgment rendered in Singapore in favor of Strategic Tech and against the Republic of China on Taiwan (the "ROC"). The First Amended Complaint invokes jurisdiction under the implied-waiver and commercial-activities exceptions to sovereign immunity set forth in the Foreign Sovereign Immunities Act, *28 U.S.C. §§ 1602-1611* ("FSIA"). The ROC filed a motion to dismiss for lack of subject matter jurisdiction, arguing that the exceptions do not apply in this case. The Court agrees and will grant the ROC's motion to dismiss.

I. BACKGROUND

Strategic Tech is a Singapore limited liability company. Am. Compl. P 2. Strategic Tech entered into a commercial contract ("Contract") [*2] with the ROC. [1] *See* Pl.'s Mem. in Opp. to Def.'s Mot. to Dismiss ("Pl.'s Opp."), Raynes Decl. Ex. A, Contract. The Contract provided that any disputes between the parties would be submitted to arbitration [2] and that the arbitration decision would be final and binding. *Id.*, Contract PP 25.1 & 25.4. The Contract also provided that (1) if Strategic Tech initiated the arbitration, the dispute would be arbitrated in Taipei, ROC in accordance with ROC law and (2) if the ROC initiated the arbitration, the dispute would be arbitrated in Singapore in accordance with Singapore law. *Id.*, Contract P 25.2.

1 The ROC had awarded a contract to Strategic Tech to supply an "Underground Test Range Measuring System . . . to the 205th Arsenal." Raynes Decl. Ex. A, Aff. of Lu Sheau-Chia at 2.

2 Paragraph 25.1 of the Contract provided:

> All disputes, claims or controversies arising under or in connection with the Contract shall be reduced in writing by the disputing party and notified to the other party. The decision of the disputing party contained in such notice shall be final and conclusive unless within thirty (30) days from the receipt of such notice the other party furnishes to the disputing party written rejection thereof, in which case the disagreement will be submitted to arbitration

[*3] Apparently, a dispute arose between the parties, and Strategic Tech brought suit against the ROC in the High Court of the Republic of Singapore (the "Singapore Court"). [3] The Singapore Court rendered a

judgment in favor of Strategic Tech and against the ROC as follows:

> $ 1,573,510.40 (U.S. dollars) plus 6% interest per year from July 22, 1998 to the date of judgment;
>
> The U.S. dollar equivalent of S$ 10,693.00 (Singapore dollars) plus interest of 6% per year from July 22, 1998 to the date of judgment; and
>
> The U.S. dollar equivalent of S$ 7,425.00 (Singapore dollars), representing costs and disbursements.

Am. Compl. P 17; *see* Compl. Ex. A, Judgment ("Judgment"). By [4] bringing suit here, Strategic Tech seeks to enforce the Judgment against the ROC in the United States.

> 3 The pleadings do not indicate the nature of the dispute, whether it arose under the Contract, or why Strategic Tech filed suit in Singapore instead of submitting the matter to arbitration in the ROC, as provided in paragraph 25.2 of the Contract.
>
> 4 While the Amended Complaint refers to the Judgment as Exhibit A, Strategic Tech failed to attach it. The Judgment is attached as Exhibit A to the original Complaint. As set forth on the Judgment, the named plaintiff in that action was Strategic Tech and the named defendants were the Development Bank of Singapore and the Procurement Bureau of the Republic of China Ministry of National Defense. *See* Compl. Ex. A, Judgment.

[*4] **II. LEGAL STANDARD**

A court may dismiss a complaint for lack of subject matter jurisdiction only if "'it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.'" *Empagran S.A. v. F. Hoffman-Laroche, Ltd., 354 U.S. App. D.C. 257, 315 F.3d 338, 343 (D.C. Cir. 2003)* (quoting *Conley v. Gibson, 355 U.S. 41, 45-46, 78 S. Ct. 99, 2 L. Ed. 2d 80 (1957))*. On a motion to dismiss for lack of subject matter jurisdiction pursuant to *Rule 12(b)(1)*, the plaintiff bears the burden of establishing that the court has subject matter jurisdiction. *Evans v. B.F. Perkins Co., 166 F.3d 642, 647 (4th Cir. 1999)*; *Rasul v. Bush, 215 F. Supp. 2d 55, 61 (D.D.C. 2002)* (citing *McNutt v. Gen. Motors Acceptance Corp., 298 U.S. 178, 182-83, 56 S. Ct. 780, 80 L. Ed. 1135 (1936))*.

Because subject matter jurisdiction focuses on the court's power to hear the claim, however, the court must give the plaintiff's factual allegations closer scrutiny when resolving a Rule 12(b)(1) motion than would be required for a Rule 12(b)(6) motion for failure to state a claim. *Macharia v. United States, 357 U.S. App. D.C. 223, 334 F.3d 61, 64, 69 (D.C. Cir. 2003)*; [*5] *Grand Lodge of Fraternal Order of Police v. Ashcroft, 185 F. Supp. 2d 9, 13 (D.D.C. 2001)*. Moreover, the court is not limited to the allegations contained in the complaint. *Hohri v. United States, 251 U.S. App. D.C. 145, 782 F.2d 227, 241 (D.C. Cir. 1986), vacated on other grounds, 482 U.S. 64, 107 S. Ct. 2246, 96 L. Ed. 2d 51 (1987)*. Instead, to determine whether it has jurisdiction over the claim, the court may consider materials outside the pleadings. *Herbert v. Nat'l Acad. of Scis., 297 U.S. App. D.C. 406, 974 F.2d 192, 197 (D.C. Cir. 1992)*.

III. ANALYSIS

A foreign state is immune from the jurisdiction of U.S. courts unless the suit comes within an exception to FSIA. *Saudi Arabia v. Nelson, 507 U.S. 349, 356, 113 S. Ct. 1471, 123 L. Ed. 2d 47 (1993)*; *Creighton Ltd. v. Government of the State of Qatar, 337 U.S. App. D.C. 7, 181 F.3d 118, 122 (D.C. Cir. 1999)*. Strategic Tech claims that the implied-waiver exception and the commercial-activities exception apply. The ROC bears the burden of proving that Strategic Tech's allegations do not bring this case within an exception to immunity. *See Gulf Res. of Am., Inc. v. Republic of the Congo, 361 U.S. App. D.C. 434, 370 F.3d 65, 70 (D.C. Cir. 2004)* [*6] (burden of proof rests upon sovereign state claiming immunity).

A. Implied-Waiver Exception

Under FSIA, a foreign state is not immune from suit when it has waived such immunity. "A foreign state shall not be immune from the jurisdiction of courts of the United States or of the States in any case -- (1) in which the foreign state has waived its immunity either explicitly or *by implication*." *28 U.S.C. § 1605(a)(1)* (emphasis added). The implied-waiver exception is construed narrowly -- that is, the implied-waiver exception applies only where there is evidence that the foreign state actually intended to waive its immunity. *Creighton, 181 F.3d at 122*; *accord Foremost-McKesson, Inc. v. Islamic Republic of Iran, 284 U.S. App. D.C. 333, 905 F.2d 438, 444 (D.C. Cir. 1990)* ("courts rarely find that a nation has waived its sovereign immunity . . . without strong evidence that this is what the foreign state intended").

Strategic Tech claims that the ROC implicitly waived sovereign immunity by agreeing to arbitrate in Singapore in accordance with Singapore law. Even

though there is some legislative history that supports this proposition, [*7] *see* H.R. Rep. No. 94-1487, at 18 (1976), *reprinted in* 1976 U.S.C.A.N. 6604, 6617 ("courts have found waivers in cases where a foreign state has agreed to arbitration in another country"), the D.C. Circuit has rejected this broad reading of the implied-waiver exception.

> [I]f the language of the legislative history [were] applied literally, a foreign government would be subject to the United States's jurisdiction simply because it agreed to have the contract governed by another country's laws, or agreed to arbitrate in a country other than itself, even though the agreement made no reference to the United States. Such an interpretation of *§ 1605(a)(1)*'s "implicit waiver" exception would vastly increase the jurisdiction of the federal courts over matters involving sensitive foreign relations.

Creighton, 181 F.3d at 122 (quoting *Seetransport Wiking Trader v. Navimpex Centrala, 989 F.2d 572, 577 (2d Cir. 1993))*. "[M]ost courts refuse to find an implicit waiver of immunity to suit in American courts from a contract clause providing for arbitration in a country other than the United States." *Frolova v. Union of Soviet Socialist Republics, 761 F.2d 370, 377 (7th Cir. 1985).* [*8]

Creighton is substantially similar to this case. In *Creighton*, a foreign contractor sought to enforce an arbitration award against the government of Qatar. *181 F.3d at 120*. An arbitration award had been rendered by the International Chamber of Commerce in Paris, France against Qatar. *Id.* The plaintiff contractor claimed that Qatar had implicitly waived sovereign immunity by agreeing to arbitrate in France. *Id. at 122*. Waiver was further proven, the plaintiff claimed, because France and the United States were signatories to the New York Convention, a treaty providing for the enforcement of arbitral awards made in one State where enforcement is sought in another. *Id. at 121*. The D.C. Circuit rejected the plaintiff's arguments, because Qatar did not sign the New York Convention and because arbitration in a State that was a signatory (France) did not constitute waiver of sovereign immunity in the United States. The D.C. Circuit explained, "Qatar not having signed the Convention, we do not think that its agreement to arbitrate in a signatory country, without more, demonstrates the requisite intent to waive its sovereign immunity in the United States." [*9] *Id. at 123*.

Like Qatar, the ROC is not a signatory to the New York Convention. *See* Pl.'s Opp. to First Mot. to Dismiss at 5 n.3 (Strategic Tech concedes that the ROC is not a signatory). [5] Just as Qatar did not waive sovereign immunity by agreeing to arbitrate in France, the ROC did not waive sovereign immunity by agreeing to arbitrate in Singapore, as the election to arbitrate in another country alone does not demonstrate the intent to waive sovereign immunity. *See Creighton, 181 F.3d at 122-23*. Critically, the Contract between Strategic Tech and the ROC did not provide for the waiver of sovereign immunity, did not provide for arbitration or entry of judgment in the United States, and did not provide for the application of U.S. law.

> 5 Singapore is a signatory to the New York Convention. Reply at 3.

Strategic Tech cites two cases from this Court in support of its contention that the agreement to arbitrate in another country implies the waiver of sovereign immunity in the United States [*10] -- *Energoinvest DD v. Democratic Republic of Congo, 355 F. Supp. 2d 9, 11 (D.D.C. 2004)* and *Birch Shipping Corp. v. Embassy of United Republic of Tanzania, 507 F. Supp. 311, 312 (D.D.C. 1980)*. These cases are not persuasive. *Birch* is distinguishable because in that case Tanzania had agreed to arbitration and entry of judgment in New York. *507 F. Supp. at 311*. Here, the ROC did not agree to arbitration or entry of judgment in the United States. The court in *Energoinvest*, in the absence of any appearance by the defendant, broadly interpreted the implied-waiver provision broadly and did not mention *Creighton*, which is controlling authority. *355 F. Supp. 2d at 11-12*. *Creighton* is clear -- the election to arbitrate in another country alone does not demonstrate the intent to waive sovereign immunity. *181 F.3d at 123*.

Strategic Tech also argues, without authority, that the ROC implicitly waived sovereign immunity by agreeing to arbitrate, and to be bound by such arbitration, in "multiple fora" under the laws of the applicable fora. Pl.'s Opp. at 15. However, the "multiple fora" referred to are only Singapore [*11] and the ROC; the United States is not an agreed forum under the Contract. *See id.*, Raynes Decl. Ex. A, Contract P 25.2 (the ROC agreed to arbitrate in Singapore, if it initiated the arbitration, and in the ROC, if Strategic Tech initiated the arbitration). In no way does this fact pattern implicate a waiver of sovereign immunity permitting the ROC to be sued in the United States. The implied-waiver exception must be construed narrowly, and it does not apply under the circumstances of this case.

B. Commercial-Activity Exception

A foreign state is not immune from suit under FSIA where the suit is based on certain forms of commercial activity.

> A foreign state shall not be immune from the jurisdiction of courts of the United States or of the States in any case -
>
> > (2) in which the action is *based upon* a commercial activity carried on in the United States by the foreign state; *or upon* an act performed in the United States in connection with a commercial activity of the foreign state elsewhere; *or upon* an act outside the territory of the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct [*12] effect in the United States.

28 U.S.C. § 1605(a)(2) (emphasis added).

The Supreme Court instructs that a lawsuit is "based upon" the elements that prove the plaintiff's claim. *Saudi Arabia, 507 U.S. at 357 (1993)*. Further, courts have determined that the commercial-activity exception imposes a nexus requirement: To determine whether a foreign nation's commercial activities are sufficient to deprive it of immunity, a court must determine (1) whether there is a sufficient nexus between the commercial activity and the United States and (2) whether there is a sufficient nexus between the commercial activity and the subject matter of the cause of action. *Federal Ins. Co. v. Richard I. Rubin & Co., Inc., 12 F.3d 1270, 1288 (3d Cir. 1993)*. The nexus requirement mandates that the foreign state's commercial acts be tied to the United States and that such commercial acts form the basis of the plaintiff's cause of action. *Tubular Inspectors, Inc. v. Petroleos Mexicanos, 977 F.2d 180, 184 (5th Cir. 1992)*; *accord Stena Rederi AV v. Comision de Contratos del Comite Ejecutivo General del Sindicato Revolucionario de Trabajadores Petroleros de la Republica Mexicana, 923 F.2d 380, 386-88 (5th Cir. 1991)*. [*13]

Strategic Tech argues that the commercial-activities exception applies because its cause of action for recognition of the Judgment "concerns [the] ROC's commercial activities in some way." Pl.'s Opp. at 17. More specifically, Strategic Tech argues:

> The Amended Complaint alleges that Strategic Tech has obtained a judgment -- arising out of the ROC's commercial activity -- which it wishes to domesticate and enforce. It alleges the factual requisites for enforcement of such judgments. It alleges that D.C. law creates a right to recognize such judgements. And finally it alleges that the purpose of the cause of action -- its nexus to U.S. commercial activity -- is to allow execution on available U.S. assets (i.e., including those arising from the ROC's commercial activities).

Id. at 17-18 (citations to Am. Compl. omitted). In other words, Strategic Tech asserts that the jurisdictional nexus requirement is met because the underlying Judgment arose from the ROC's commercial activity and this suit seeks to enforce the Judgment against the ROC's assets in the United States, assets that arose from different ROC commercial activity.

Strategic Tech has not pointed to [*14] a sufficient jurisdictional nexus in this case. The commercial activity that provides the jurisdictional nexus must be the same activity on which the lawsuit is based. *Federal Ins. Co., 12 F.3d at 1286*; *Tubular Inspectors, 977 F.2d at 184*. This test is not met here. First, the claim on which this suit is based is a claim for the enforcement of a foreign judgment. The parties agree that the elements of such a claim are: (1) the Singapore Court had personal jurisdiction over the ROC; (2) the Singapore Court proceeding had sufficient due process safeguards, such as notice, a hearing, a right to counsel, a right to present evidence and confront witnesses, and a right to appeal the decision; and (3) a final, fully enforceable judgment exists under the laws of Singapore. Reply at 9-10; *see also* Pl.'s Opp. at 17. The elements of such a claim relate to whether there was due process in the proceeding before the Singapore Court and whether its resulting Judgment can be enforced by a U.S. court. None of the elements of that claim relates to the ROC's commercial activity. Moreover, while the underlying Judgment allegedly concerned the ROC's commercial activity, [*15] there are no allegations that this commercial activity in any way involved or was connected to the United States.

The Second Circuit dealt with analogous circumstances in *Transatlantic Shiffahrtskontor GmbH v. Shanghai Foreign Trade Corp., 204 F.3d 384 (2d Cir. 2000)*. In *Transatlantic*, the court found that sovereign immunity barred suit by the assignee of a foreign judgment against the judgment debtor, a foreign trade corporation that was an instrumentality of the People's Republic of China. Even though the judgment creditor in *Transatlantic* sought to enforce a judgment on an underlying contract that required payment into a bank account in New York, the court held that there was no jurisdiction under the commercial-activities exception because the acts upon which the judgment was based were not connected to a commercial activity with a direct effect in the United States.

> For even assuming that foreign judgments, or the assignment of them, can ever satisfy the "based upon" requirement, if the acts upon which the assigned judgments are themselves grounded do not meet the "based upon" requirement of *§ 1605(a)(2) of the FSIA* -- i.e., where they are not [*16] acts taken in connection with a commercial activity that caused a direct effect in the United States -- an action to enforce the foreign judgments in U.S. courts must fail for lack of subject matter jurisdiction.

Id. at 390-91. Because Strategic Tech failed to allege a sufficient jurisdictional nexus with the United States, the commercial-activities exception to sovereign immunity does not apply, and the ROC is immune from suit in the United States.

IV. CONCLUSION

Accordingly, the ROC's motion to dismiss [Dkt. # 14] will be granted. A memorializing order accompanies this Memorandum Opinion.

Date: May 10, 2007

ROSEMARY M. COLLYER

United States District Judge