Speech Delivered by Premier Chen Cheng
at the Closing Session of the Administrative Policy Review
Conference on March 17, 1953

The present conference originally scheduled for five days, has to be prolonged to a week owing to the earnestness with which you have studied the problems and the fervor with which you have expressed your opinions. I wish to convey to you my sincere admiration for the interest which you have shown. As the Secretary-General has already reported the results of the review, the various opinions expressed, and suggestions for the solution of different problems, I shall not dwell upon them. I shall, however, attempt to sum up a few points to which I wish to call your attention.

Some of the problems facing us have come down from the past and, therefore, cannot be completely solved right away. Then there are the problems which have something to do with the system of administration and organization and which cannot be solved by the Executive Yuan alone. It is, therefore, impossible to expect to hate all the problems solved in seven days. What, then, have we achieved in the review conference? The most significant achievement of the conference, in my opinion, is the spirit expressed. The greatest defect of Chinese politics in the past was the fear to face facts and tardiness in getting things done. Not infrequently, problems were shelved as if they had never existed at all. Thus a small, simple problem often became a big, complicated problem; and a problem that could be easily solved became almost insoluble. When the accumulated problems got out of hand, the general situation would be beyond remedy.

In compliance with the instructions of the President, greater attention is being paid to the need to review our work in recent years. The most significant point of the present review conference is that we have the courage to face reality, to dig up problems, to study them carefully, and to try to find ways and means to solve each and everyone of them. Though we cannot solve all the outstanding problems, yet we have found out what their causes are. In the course of the conference, we have shown that we have the courage and determination to solve them. With such a spirit, ways and means will be found for the solution of these problems in due course of time. In public affairs, we have to face not only the problems but to seek their proper solution. We had problems yesterday; we have them today; and we shall have them tomorrow.

Every problem has its cause. In China, it is generally understood that the most fundamental cause of all problems is the differences of concept. We can clearly discern that due indigenous, extraneous, historic or actual factors, three different basic ideas are at work either in politics or in society. One is the traditional Chinese culture born of an agricultural economy, a society based upon the family system and the monarchical form of government; the second is the democratic and free ideas of the West, that is, the ideas of individualism, liberalism and capitalism; and the third is the ideology of Communism which, arising from the peculiar environment under which our country has been placed, has a history of only a few decades. It is the product of the impact" of the various ideas accentuated by complicated political, economic and social factors. Thus the doctrine of Communism has taken root in the minds of a small group of people.
The three ideas enumerated above are different in their approach to problems. The methods for the solution of problems vary in accordance with the particular ideas one may have. One imbued with a certain idea would seek to solve a particular problem in one way. One imbued with a different idea would seek to solve it in a different way. That being so, each person handles a problem in his own way according to his own ideas. If he should be replaced by somebody who holds a different view, the latter would naturally have to do the work all over again according to his own ideas. The process is repeated if a third person with ideas different from those of his predecessors takes over. The outcome of all this is that a policy cannot be fully implemented, confidence cannot be established, efficiency suffers, and the task of reconstruction is retarded. The divergences of concept have long been a problem in politics. Dr. Sun Yat-sen, no stranger to the problem, had the following to say in the editorial of the first issue of the Min Pao: "The proper way to rule a people is to go along with them and to do such things as are most suitable to them. The background of one people is different from that of another. Therefore, the ruling class whose duty it is to help them should clearly discern what should be done first and what next." He said again: "There are traditions which have come to be revered by the people, but which may be detrimental to their interests. To serve the best interests of our people, we have to choose what is most suitable to them." He also said: "If we stand in a low place, our outlook must of necessity be limited. Having visited a big city, we would be so fascinated by the beautiful clothes worn by city folk that we would develop a strong desire to get them, never asking whether they would suit us, but deluding ourselves into thinking that what we have seen is the most beautiful." In conclusion, Dr. Sun made the following remark: "We have to rule the people with such methods as are most suitable to them. But we must keep pace with the rest of the world." The paragraphs cited above are, in fact, the fundamental principles upon which his San Min Chu I is based. Thus we can readily see that in order to reconcile our differences of opinion, it is necessary to take stock of the actual needs of the people and to act in accordance with the will of Dr. Sun Yat-sen and the instruction of the President.

The differences of political ideas among the Chinese people have narrowed down following our tragic failure on the mainland. If we could imbue our minds with the principles of San Min Chu I and act in accordance with the will of Dr. Sun Yat-sen and the instructions of the President, the divergences of concept would be further reduced. Once the divergence in conceptions is reduced, we would naturally have a similar outlook and a similar way of doing things. Negativity, that would render the solution of problems much easier positively, many problems would not arise at all.

In the present conference, conclusions have been drawn from the review reports of the different agencies. All the suggestions for the solution of various problems have also been discussed and analyzed. The problems that cannot at the moment be solved have been referred to the special committees that are to be set up. I shall now attempt to summarize the discussions that have taken place in the conference and to draw a few basic principles.

I. What the free world expects of us and what we expect of ourselves

Free China is a link in the chain of free nations. The stronger Free China is, the stronger is the free world. My personal opinion is that in our common struggle against Soviet Russia and Communism, the aim of the rest of the free world is identical to that of ours. As a result of the understanding of our common goal, there has been close cooperation between China and the United States and the results have been gratifying. Our relations with other democracies have also taken a turn for the better. But we have to realize that the measure of help we receive and what we make of such help depend to a large extent on our own efforts. In 1950, the President emphasized the following two principles: "only through self-help can we count on the help of others," and "rejuvenation through our own efforts." All the facts point to the conclusion that these principles are sound. To enjoy close understanding with and receive greater help from our foreign friends in future, we have to bear these principles in mind. We should develop a spirit of self-reliance, and ask whether we are doing the right things. If the answer is in the affirmative, we have reason to believe that there will be further cooperation between us and our foreign friends.

II. Liberation of the Mainland and the task of reconstruction in Taiwan

On the surface, these two tasks appear to be different and sometimes even contradictory to each other. In fact, far from running counter to each other, they are but the two sites of the same thing. What do we need to liberate the mainland? The first requirement is strength, the second is strength and the third is still strength. Where does strength come from? The main source of our strength is in ourselves, and is to be derived from our efforts of reconstruction in Taiwan. To put it
more plainly, our anti-Russian and anti-Communist efforts should be directed towards the development of our military strength. But in order to maintain and increase our military strength, it is necessary that we should intensify our efforts in the political, economic, social and educational fields.

Our reconstruction efforts in Taiwan should be directed towards the winning over of the people on the mainland, enlisting the sympathy of the world, and the unification of our compatriots overseas. The efforts that we have exerted in Taiwan during the past few years have fully convinced the world of our ability to launch a counter-offensive on the mainland, although the task has not actually been accomplished.

Under the present circumstances, we have to continue our efforts in the construction of Taiwan on the one hand and to make greater efforts in our preparation for the re-conquest of the mainland on the other. All the ministries and agencies should therefore lay emphasis on the preparation for the reconquest of the mainland, and exert greater efforts in policy planning, the training of the necessary personnel and other related matters. Although the scope of our work is for the time being confined to Taiwan and some government-held islands off Chekiang and Fukien provinces, these islands serve not only as a protective screen for Taiwan but also as advance posts for the counter-attack on the mainland. Reconstruction work in these islands, therefore, is of great political significance.

III. Our present and future needs

The Anti-Communist and anti-Russian campaign is a strenuous and protracted struggle. Our purpose is not only to recover the mainland and to deliver our compatriots from the tyrannical rule of the Communists, but also to build up a modern nation. As has been repeatedly pointed out by the President, we have to exert our utmost to prepare for the counter-attack on the mainland and also to lay a sound foundation for national reconstruction. On the basis of this principle, it would not be enough to give a good account of our past work today. At the same time, we have to draw up plans for tomorrow. We have not only to solve the problems confronting us today but also to keep our eyes on what is likely to happen tomorrow. In other words we cannot plan and work only for today without any thought of the future.

Since we have to consider our future needs as well as our present needs, we have to pay attention to the time factor and the cumulative effect of policy system or planning. Our president is not unlike a big house being blown down by a gust of wind. As our resources are at the moment somewhat limited, we can only build a small house for shelter. But we should not be content with our being able to muddle through at present. On the contrary, we have to have long-range views and a master plan for the future. Even if we could not translate it into action in our own generation, we should at least lay a sound foundation for our posterity. In doing our work according to this principle, "time" is our friend: the more time there is, the less difficulty there will be. Otherwise, "time" would work against us: the more time there is, the more difficulty there will be.

IV. Individual and overall requirements

Judging from the review of the administrative policies in the past few days, we can readily see that the opinions expressed and the plans submitted by different agencies are sound from the viewpoint of the particular agencies concerned. But taking the overall picture into consideration, they are not free from shortcomings because they lack adequate knowledge of the requirements of the whole. Of course, each agency has its own needs and should lay emphasis on them. It also has its own problems to solve. But we should know that the government is an organism whose requirements and problems are inter-related and, therefore, quite indivisible. For this reason, we should judge any problem in the light of the whole picture.

All government agencies should henceforth view the governmental structure as an entity and take into consideration the close relationship between the various departments. They should also strengthen their coordination and cooperation with one another. They should seek to solve their individual problems with the requirements of the whole government in view, and to regulate their development in such a way as to keep pace with the development of the whole. On the one hand, they should refrain from looking to their self-interests (a practice coming down from the past), and develop a spirit of mutual assistance. On the other, they should improve their administrative efficiency by strengthening the sense of responsibility and the division of labor.
In addition to the above, there are a few remarks which I would like to make.

A. We must be optimistic. Dr. Sun Yat-sen said: “Optimism is the source of success, while pessimism is the cause of failure”. Only when we are optimistic can we overcome our difficulties. Though there are still many difficulties to be overcome, we have passed through the darkest and most dangerous crisis. However, our optimism is by no means blind. Judging from the world situation, the Communist bloc has gradually lost its initiative. The Communists have obviously come to the end of their tether. On our part, our strength is ever on the increase and the general situation is turning in our favor. If we could take our past lessons to heart, avoid the mistakes which contributed to the loss of the mainland, and start our revolutionary work anew, we cannot fail to win the final victory.

B. We must take the initiative. In this connection, I should like to tell you a story. An old farmer once invited several guests to dinner. Early in the morning he asked his son to go to the market to buy food. When all the guests had arrived, the boy had not returned from the market: Getting impatient, the old farmer went to the market himself to see what had happened. He found his son standing with a peddler in the middle of a narrow road. The old farmer asked what it was all about. The boy said that the peddler would not make way for him, while the peddler made the same accusation against the boy. As a result, they had to stand where they were. The old farmer lifted the baskets of the peddler to one side of the road and, let the boy pass. By standing where we are, we would not be able to solve any problem. We can solve many problems if we take the initiative.

C. Correct methods of doing things. The President said: "The most important thing in administration is not merely that we should have an overall policy but that we should have, in addition to an overall plan, a system of coordination." We are correct in the general policies for the salvation of our country and our people. But the result will prove disappointing unless we go about our task in the proper way. In matters of administration, some things are, of necessity, far from satisfactory. The reason for this is not due to the policies themselves, but rather to the improper methods of doing things. There must be coordination in planning, execution and technique. The resolutions passed in the review conference, such as those for the improvement of administrative efficiency, the registration of government property, etc, can be implemented only through the adoption of correct methods. I hope all of you will pay special attention to it.

D. Sense of responsibility and law-abiding spirit. By sense of responsibility we mean not only doing our work promptly, but also doing it ungrudgingly. The law-abiding spirit is demonstrated by the observance of law and order. Assumption of responsibility without observance of law would result in overstepping the scope of one's work while observance of law without being able to assume responsibility would result in the failure to accomplish anything. It befits all members of a modern country to realize their responsibility and the scope of their work and to undertake their work within the limit of their scope.

What I have said above is not merely for the staff of the Executive Yuan itself, but also for other agencies concerned. All agencies would do well to take it into serious consideration. During the past three years, we have done much and have made great contribution to our country. But from the results of the present conference, we can see that there are still many things which have not been done and many problems which have not been solved. Why is it that we have failed to do these things and to, solve these problems? There are, difficulties, of course. But the difficulties are by no means insurmountable. One more effort, and we shall succeed. Therefore, I hope you will all put your shoulders to the wheel so that you may contribute to the cause of our country under the leadership of the President.

Speech Delivered by Dr. Tingfu F. Tsiang
Before the U. N. Correspondents Association
on 4 March 1953.

Two questions are uppermost in our minds. One is the war in Korea and the other is Formosa. I have therefore decided to devote my brief talk to these two questions.

As regards Formosa, since the State of the Union message of President Eisenhower, the world press has published a great deal on the military capabilities of my Government. I will not say much about military affairs, first because I am not a
military man, secondly because so much has, been said, and thirdly because I believe that military matters more, properly belong to the realm of action than to the realm of talk.

The island of Taiwan has a total area of 14 thousand square miles and a population slightly over nine million. The Chinese people began to colonize the island some 15 centuries ago. Colonization and settlement did not attain any large scale, until the 17th Century, about the time when the Mayflower landed at Plymouth Rock. With the exception, of 150 thousand aborigines, the population on the island is completely Chinese.

The island was ceded to Japan in 1895 as a result of the war between China and, Japan at that time. At Cairo it was agreed by the United States, Great Britain and China, that this island among other territories taken by Japan from China should be restored to China. This decision was confirmed at Potsdam, where the Soviet Union participated. This decision was carried out factually by my Government's re-occupation of the island in the winter of 1945 and formally by the conclusion of the Treaty of Peace between China and Japan in 1952.

In the past years I have heard in the corridors of the United Nations talk about a U. N. mandate over Formosa on the ground that the formal retrocession of Formosa to China had not been completed for the lack of a peace treaty with Japan. At the time that kind of corridor talk took place here. I was surprised that the Western world again adopted a double stand. As a result of the Second World War, territorial transfers occurred in different parts of the world. Very few of those transfers had the historical and moral justification as that of Formosa back to China. Nobody talked about a U. N. mandate over, say, the Kurile Islands or the southern half of Sakhalin or Eastern Germany, yet people here indulged in that kind of talk about the island of Formosa.

Well, today the formal ground on which that talk based itself is removed. A formal Treaty of Peace has been signed between my country and Japan. We are today in full possession of the island.

Agriculture remains the most important occupation in Formosa. Of the population, a little over 50% depend on agriculture. The principal crops are rice and sugar. In 1945, the last year of Japanese rule, the island produced 700,000 tons of rice. Last year the production exceeded 1,400,000. This year we hope to harvest 1,600,000 tons.

In the years under Japanese rule, Formosan rice was largely exported to Japan. The local population had to content themselves with sweet potatoes. Today the rice produced in Formosa is consumed by the people there to the extent of 90%, leaving 10% for export. In the East the consumption of rice, instead of substitutes, is regarded as a sign of well-being.

The sugar crop enables my Government to export approximately half a million tons a year.

In industry, electric power plays a very large role on Formosa. In 1945 when we took over the island, the production of power had dropped to 20% of the pre-war level. Now it is 30% above the pre-war level.

Under Japanese rule, the island depended on Japan for the supply of chemical fertilizers, importing every year around 300,000 tons. Now we are building a fertilizer industry on the island. At present we supply over half of our own fertilizer demand.

Under Japanese rule the island depended on Japan for textiles. Now we are 95% self-sufficient in textiles. By the end of 1953 we will be completely self-sufficient.

All the sugar produced in Formosa is refined on Formosa.

The substantial progress made during these brief post-war years is creditable. Some of the credit rightly belongs to U. S. economic and technical aid. We knew we have heavy burdens to bear in the future and the economy of the island must be further developed. Technicians and managers are working hard to increase and improve both agriculture and industry. The spirit among these workers is as fine as it can be.

We inherited from Japan a good foundation in elementary education. The Japanese established enough schools to accommodate 71% of the children of school age. That education, however, was calculated to make the island completely
Japanese, for the learning of the Japanese language was compulsory. Since we took over the island we have increased the elementary school population to 84% of the children of school age. Today there are 970,000 pupils in these schools. The Chinese language is restored to its proper place in elementary education. We still have 16% of our children of school age not attending schools. We are trying to decrease this percentage as fast as the training of teachers and construction of school buildings permit.

In secondary education, under Japanese rule there were 64,000 students in high schools; today there are 123,000. In higher education there are today 8,011 students in the University and the colleges. I do not know the figure for the Japanese period. I know, however, that under Japanese rule the University of Taiwan had 800 students of whom half were Japanese. Today the University of Taiwan has over 3,000 students, all of whom are Chinese.

Aside from the progress that we have made in the economic and educational fields, I would like to call your attention to two basic reforms, the land reform and the reform in local government.

Land reform on Formosa has been divided into two stages. The first stage was the reduction of rent from approximately 50% of the crop to approximately 37%. This stage of the reform was completed before I returned to visit the island in the spring of 1951. Today the Government is working on the second stage, that is, to enable the farmers to own the land they cultivate. The reform law has been passed by the Legislature. All absentee landlords must sell all their land. Absentee land-lordism is to disappear. Resident landlords, according to this law, will be limited in their land-holdings to a little less than five acres of irrigated land or 9,390 acres of non-irrigated land. Compensation to the landlords is fixed at 21 times the annual value of the main crop. The landlords will receive as compensation some cash and some government bonds and/or some shares or stock in government industrial enterprises.

The land reform has necessitated a measure of denationalization of industry. You may not know that industry, transportation and banking have been nationalized to a degree way above that achieved in Great Britain or India. We think the time has come for a moderate measure of denationalization.

We conceive this land reform to be in the interests of the whole community and therefore the cost of the reform should be borne by the whole community. There is no confiscation of property. The landlords make a sacrifice by accepting an evaluation slightly below the market price. The farmers have to pay a number of annuities. The Government, that is, the whole body of citizens, also bears a part of this burden by selling government land at low prices and by offering stocks and shares. This reform will be substantially completed by the end of 1954, and completed without the use of terror or liquidation of any group or class.

Before we took over the island from the Japanese, the government on the island was a colonial government with a Japanese Governor General. During the 50 years of Japanese occupation there was never an election of any kind. Nobody had the right to vote on any matter. Chinese participation in the civil service was severely limited. As of October 1945, shortly before the Chinese took over, there were on the island of Formosa altogether 109 first-class civil servants of whom only one was Chinese and 108 were Japanese; 2,070 civil servants of the second class of whom 27 were Chinese and 2,043 were Japanese; and 20,909 civil servants of the third class of whom 3,681 were Chinese and 17,228 were Japanese.

Today the government of the island is divided into 16 counties and five municipalities. All these 21 units have elected magistrates or mayors and elected county or municipal assemblies. The measure of local self-government is complete.

It is easy to pass a constitution and to give the people the right to vote and elect. That kind of political reform is relatively simple. I have seen in the American press criticism of so-called back ward countries. The critics usually imply that it is the ruling class which denies the people the right of self-government. The act is that this whole problem of self-government is not so simple. The test comes after the elections take place and many so-called democratic countries fail on this test. We have examples of democratic countries with the usual parliaments and we find that, in some cases, such parliaments are an obstacle to progress or to honest government. In other cases we find such parliaments and assemblies, by their internal divisions, make government almost impossible. What is remarkable in this reform in local self-government in Formosa is that it has met the second test, the test of performance. The level of magistrates and mayors and the level of assemblies in these 21 units are quite high. We are satisfied that this scheme of local self-government will mean not only the realization of a democratic principle but will also mean good government. As regards the armed forces I wish only to say that morale in all three services is high. When the test comes, the world will discover that these forces of Nationalist China will show not only the will to fight but a fanatical will to fight and win.
We believe we have demonstrated on Formosa that in an underdeveloped country both economic and political progress can be rapid and, at the same time, not sacrifice freedom. This demonstration has great world significance.

Now I wish to say a few words on the war in Korea.

The war in Korea, so far as world communism is concerned, has been fought on a formula. To make my idea clear, I state this formula in mathematical terms although I realize that politics is not susceptible to mathematical measurement. The formula of the Kremlin used in this war in Korea is as follows: One hundred units of psychological warfare plus one hundred units of Asiatic manpower plus fifty units of Russian military hardware.

Let me say a few words on each of these constituent factors. The Kremlin's psychological warfare which has accompanied the hot war in Korea consists of several elements. First of all there is the smearing of the Republic of Korea. President Syngman Rhee has been called a reactionary, a dictator, a collaborator with the Japanese, in spite of the fact that he has devoted his whole life to fighting the Japanese, in spite of the fact that he is a convinced believer in constitutional government. The second element of the Soviet psychological warfare is hatred of the United States and for this reason there has been this persistent propaganda on germ warfare and on what the Kremlin calls brutal and indiscriminate destruction of civilian population and of hospitals. These two elements are meant both for the world outside of Korea and for the soldiers on the front, because it is only by such propaganda that the communists can maintain fanaticism among their soldiers.

Psychological warfare of world communism of course exploits the sentiment for peace. It is meant for the victimization of the soft-brains, timid souls and fellow travelers throughout the world. This propaganda has nourished the demand for the opening and continuation of the truce talks and the truce talks have netted the communists a substantial military advantage in stockpiling and in digging trenches in the front.

Finally there is another important element in Moscow's psychological warfare, that of appeal of Asian nationalism. Moscow has been helped by the accident that the fighting men on the communist side are all Asian whereas the fighters on the U. N. side have been largely white. Asian nationalism is raw and has made itself an easy victim to this line of propaganda.

The second factor in the Soviet formula for the war in Korea is 100% Asiatic manpower. That is obvious. The casualties on the communist side have all been Chinese or Korean.

The third factor is Soviet military hardware. You will notice that I assigned the figure "fifty" to this factor. The Russians have, during the period of the truce talks, supplied more hardware than before, but even now the Chinese and Korean communist divisions in Korea are equipped only to the level of 50% of Russian divisions. The Kremlin expects that Chinese and Korean flesh and blood will do the service of the other 50% withheld by the Soviet Union.

In connection with President Eisenhower's policy in regard to the Seventh Fleet, there has been much speculation in the world press about the danger of extending the war. Those who are afraid of extension of the war have studiously refrained from specifying. They do not tell us who will extend the war and where will the war be extended to.

My conclusion in this matter is this, that the effort made by Soviet Russia and the Chinese and Korean communists up to the present moment is their maximum effort. After this period of truce talks and with the stockpiling which the truce talks have enabled them to do, there might be a period of intensified action in the war in Korea but the resources of Soviet Russia, the Chinese and Korean communists do not permit them to extend the war beyond Korea.

In this connection I wish to call your attention to a dispatch published in the New York Times about two weeks ago, to the effect that the Chinese communists have adopted a budget for 1953 to the amount of 9.8 billion U. S. dollars. Economists, both Chinese and foreign, have worked on the statistics of China's national income. Various estimates have been made both on the global national annual income and on the per capita annual income of the Chinese people. In the absence of accurate and detailed statistics, the estimates of the experts have naturally varied. The lowest estimate is that
the Chinese people have a per capita annual income of 20 American dollars; the highest estimate, 45 American dollars. Now the budget of 1953, as reported in the New York Times amounts to 22 U. S. dollars for every man, woman and child living under the communists today. You can appreciate the burden of this communist regime.

During the last two years, the war in Indo-China has not been much extended or intensified and this is not because the Chinese communists or the Soviet Union have voluntarily put limitations on themselves as a reciprocal gift for the limitations which the United Nations have imposed on their effort in Korea. The war in Indo-China has been dragging because of limitation of power on the part of communists.

Will the Soviet Union extend the war in Korea beyond Korea? I believe that the Soviet Union will adhere to the formula that I have put before you. They prefer to fight in places where they can fight with 100 % Asiatic manpower and 50% Russian hardware. So far as Asia is concerned, the Russians will not fight where and when the factor of Russian hardware will have to be increased and the factor of Asiatic manpower will have to be decreased. So far as I know, there is no possibility of extension of the war by Russia without altering the formula of war-making which the Kremlin has adhered to up to the present.

A new factor has arisen in the war in Korea, that is, the army of the Republic of Korea. Now at last the Republic has won the admiration of the world through the splendid performance of the ROK's. This new factor gives us hope and must lead us to rethink our whole political philosophy about this war in Korea. To me, for one thing, the rise of the army of the Republic of Korea means that the United Nations must forget the 38th degree parallel. Let us remember that the Kremlin hates the 38th degree parallel as much as the Republic of Korea.

**Speech Delivered by General Chang Chun, Special Envoy of President Chiang Kai-shek, on Japan's Foreign Economic Policy Before the Sino-Japanese Economic Association, Tokyo, August 18, 1952**

In discussing Japan's economic problems, one will recall the Sino-Japanese economic relations during the past fifty years. Owing to their territorial propinquity, Japan and China depend to a great extent on each other in the economic field. Since the restoration of 1868, Japan's industry has been so much developed that the whole nation has been modernized. China, on her part, has had to carry out a program of industrial reconstruction, under which the mechanical skill and equipment would primarily be obtained from Japan. Certainly, Japan would be the first country to profit by the vast Chinese market when China has completed her reconstruction work, raising the purchasing power of the people. There is, indeed, no reason why China and Japan should not be able to cooperate economically.

As a matter of fact, however, Japan and China have never really cooperated. The reason is simple: economics and politics cannot possibly be separated. When two nations are political antitheses, it would be extremely difficult for them to achieve economic cooperation.

As a result of the war, Japan has become a democracy with the military men no longer holding the reins of government. Hence, China and Japan have no longer been political antitheses. It is not too much to expect that there should have been good economic cooperation between them in the postwar years.

However, following the long-drawn-out war China fell a prey to world Communism. The mainland, unfortunately, fell under the Communist rule. As a consequence, the economy on the mainland has become part of the Soviet economic system. Under such circumstances, it has become impossible to bring about a reasonable economic collaboration between Japan and the mainland of China. For such collaboration one has to wait until after the collapse of the Chinese Communist regime. The reason is obvious: Political antithesis makes economic cooperation impossible.

Japan has emerged from the war with her territory reduced, population jammed, and food supply cut down. Raw materials have had to be imported in a great measure. Only the foundation of industry has not been destroyed. Following the outbreak of, the Korean war, Japan's industry has shown a marked development. In July 1951, the level of industrial
production was 137 per cent of the average production index of the prewar period 1932-1936. Because of this, the supply of raw materials has become all the more difficult.

Moreover, there was in 1951 an unfavorable balance of trade to the amount of more than US$350,000,000. It is estimated that in 1952 the figure would be approximately US$494,000,000. It must be remembered that in the past such unfavorable balance of trade has been met by: (1) Japanese materials and services made available to UN troops in Korea and (2) sums expended by the G.I.'s in Japan. It is clear that incomes of this kind and the industrial boom are all of a temporary character. They cannot be relied upon as permanent sources of revenue.

It is to be expected that some Japanese businessmen and industrialists should have been thinking about trade with the mainland of China as a way out of their difficult position. It was recently reported that a barter arrangement had been made between the Sino-Japanese Trade Promotion Association in Japan and the so-called "China International Trade Promotion Association" under the Chinese Red-regime and that the first batch of commodities exchanged cost 2,000,000,000 yen. We must not forget that these Japanese people, being anti-Communist at heart, have come to pin their hope for gain on trade in the Communist-controlled areas. I quite understand the agony and contradiction in their minds. But I want to point out to them that apart from the political considerations as set forth in the white paper released by the Japanese Foreign Office on June 7, 1952, the sort of trade which the Communist regimes should care to have with free nations would at best be a "golden apple" in the mirror. It is quite doubtful that Japan can really derive some benefit from such transactions. The reasons behind my argument are as follows:

1. After the Chinese Communists conquered the mainland, their economic has been entirely under the control of the Soviet Union. A "Committee For the Unified Purchase and Sale of Material Resources" has been set up at Peiping under the direction of the Soviet Command of Economic Warfare. This committee is actually a branch of the said Soviet command and controls all foreign trade of Continental China. For this reason, if Japan wants to trade with the Chinese mainland, she will actually be trading with Soviet Russia.

Continental China is simply not allowed to trade independently with countries beyond the Iron Curtain, even if she thinks it springs from her legitimate economic desire. To make matters worse, after the so-called "3-Anti" and "5-Anti" campaigns on the Chinese mainland the industrial and commercial classes have practically been liquidated. Foreign trade has more than ever been concentrated in Communist hands. The Japanese will inevitably suffer, if they choose to do business, without diplomatic protection, with the Chinese Red-regime which is so notoriously barbarous and ruthless. Quite a number of Hongkong traders, for example, have become bankrupt, because they have carried on business with the Chinese Reds.

2. The Soviet-Chinese Communist trade is actually an exchange of Chinese raw materials for Soviet consumers' goods such as wine, paper, cloth, etc... As we know, Moscow and Peiping have now concluded a trade agreement. In the past trade with Russia constituted only 2% of the total amount of foreign trade of China. Now, it amounts to more than 90%. In addition, the Chinese Reds have commercial relations with the Eastern European satellites. Such being the case, it is not difficult to understand that continental China held tightly behind the Iron Curtain has really no need for trade with Japan. What Japan has for sale is textiles and some other products of light industry, but these are not the things the Chinese Communists want. What the Chinese Communists want is not the things Japan can supply. As a result of the Washington economic conference, regulations for four items of Japan's products of light industry have been relaxed. But this has merely solved the problem of sale on the part of Japan. It leaves unsettled the question of purchase on the side of the Chinese Reds. The Japanese must not make the mistake of thinking that the Chinese mainland today is the same old market before the war. After three long years of starvation, the mainlanders have been so impoverished that they have hardly enough to keep alive. They simply have no purchasing power for Japanese commodities.

In regard, to the question of imports, Japan naturally would like to obtain raw materials and fuel from the mainland of China, for the cost and transportation must be cheaper there. Contrary to our expectations, the facts are just the opposite. As far as I know, Japan had expected to import in 1951 from the Chinese mainland 3,800,000 tons of iron ore, 1,500,000 tons of salt, and 2,300,000 tons of coal. By the end of that year, the commodities actually imported were only 100,000 tons of iron ore, 200,000 tons of salt, and 300,000 tons of coal. What a difference I The reason behind this is obvious: the
Chinese Reds want to supply such materials only to Soviet Russia and her satellites, but not Japan. If the past is any guide, we have no reason to believe that from now on the situation would turn for the better.

In short, all that is dominant in Communist countries is war economy. They have among themselves their particular trading system which they call the "interflow of goods." Japan cannot hope to join them except as she acts for the sole purpose of supplying the needs of their war economy. Japan, I submit, would not be "willing to act for that purpose. Nor would she be in a position to do so in view of her international obligations.

In this connection, we may do well to cite the case of Great Britain as an object lesson. Great Britain has maintained commercial relations with China for more than a hundred years with a vast volume of assets left in China to the amount of US$840,000,000. No sooner had the Chinese government moved to Taiwan than the British government recognized the puppet regime at Peiping. It seems clear that the British government has considered this move realistic. As a matter of fact, however, all the British expectations have turned out to be false. In the past three, years the British merchants on the Chinese mainland have been ruthlessly persecuted with the result that for all their patience they have had to withdraw from the mainland at last. In regard to that matter, Mr. Morrison, then British Foreign Secretary, admitted that the British policy had done no good and that the Chinese Reds had simply not tolerated British trade on the Chinese mainland. Of course, we cannot say that with their withdrawal from the mainland the British have given up all hope for trade with the Chinese Reds. Foreign Secretary Eden has made it clear that British trade with the mainland of China might be handled through new agencies. But the truth is that, whatever their efforts, the British are doomed to failure. In the spring of 1952 British exports to continental China were estimated at only US$325,000. That is no comparison with the prewar level. We can say with confidence that, whatever the price, the British will find it impracticable to improve their trade with the Chinese Reds. For political antithesis makes economic cooperation impossible.

In is clear that Great Britain is in a better position than Japan in dealing with the Chinese Communists. Great Britain has recognized the Peiping regime, though a political antithesis. She has for the last three years maintained unrequited diplomatic relations with Peiping, however dishonorable. Japan has no diplomatic ties with Peiping, nor can she hope to establish such ties in the future. Moreover, the Chinese Red regime appears to be more of a political antithesis to Japan than to Great Britain. Now that Great Britain has been ignored by Peiping, how can Japan hope to have a better chance?

In attempting to tackle a question, one must face the realities. To separate economics and I politics is not realistic. Similarly, to split the Chinese Red regime away from the Kremlin is not realistic. Again, taking care of today without I any thought of tomorrow is not realistic, either. The present world situation is that as new political alignments have been formed, international economic systems must be revised accordingly. In the face of hard realities, Japan cannot help revising her foreign trade policy in order to find a way out.

Japan has rich experience in trade on the Asiatic markets. She fully understands the interdependence of her industry and the economically back ward areas of Asia. She must remember that her foreign trade can be expanded only in these vast areas of free Asia, and nowhere else. In the postwar years these areas have been undertaking gigantic programs of economic development with the benefit of foreign aid. All foreign aid programs provide capital for these areas with a view to producing more raw materials needed in industry. It will turn out that these areas will have large quantities of exports in exchange for their needed imports. National incomes will increase with the economic progress made. There will be a growing demand for imports including lots of consumers' goods which never before have been called for.

There can be no doubt that the vast areas in free Asia will provide a new outlet for Japan. Needless to say, she should particularly promote her trade with Free China, which has already been placed on a firm and serviceable basis. Under the present circumstances, Japan has no alternative but to revise her trade policy to fit into the changed system of international-economics. In doing so, she should win the sympathy and support of all democratic nations, particularly the U. S. and Great Britain. Further more, there are some 12,000,000 overseas Chinese in southeastern Asia. They support the cause of Free China with unprecedented enthusiasm. It behooves Japan to win their goodwill and in this respect the Chinese government can give Japan great help.

A Chinese saying goes: "Where there is a deadlock, there will be a change. Where there is a change, there will be a way
out." Now the entire world situation has changed. If Japan still clings to the old ways which have already changed beyond recognition, she is bound to fail. Japan can only overcome her difficulties by facing realities; She must make change in order to find a solution. She must see that the policy of today should not be an obstacle to the policy of tomorrow. I think this is what the Japanese government and I people can and should do for the benefit of Japan at the present moment.

**Superiority**

Tsu Shih-shao was fond of amassing money. Yuan Yao-chi was fond of collecting wooden shoes and was in the habit of taking care of them personally. Both were enslaved to a hobby, but it was difficult to decide which one is superior to the other. Someone called on Tsu and he was then reviewing his hoard of pelf. Precipitately he stowed away his money. Two small baskets of coins, which he did not have time to remove from sight, were shoved behind his back. He looked very much embarrassed. Another one called on Yuan, who was found in the act of applying wax to his wooden shoe over a fire, and was heard muttering something to himself, "I know not how many pairs of wooden shoes one would wear during one's whole lifetime!" He was all complaisance. The question was decided as to which one of the two was the superior man. - *From Shih Sho Hsin Yu*