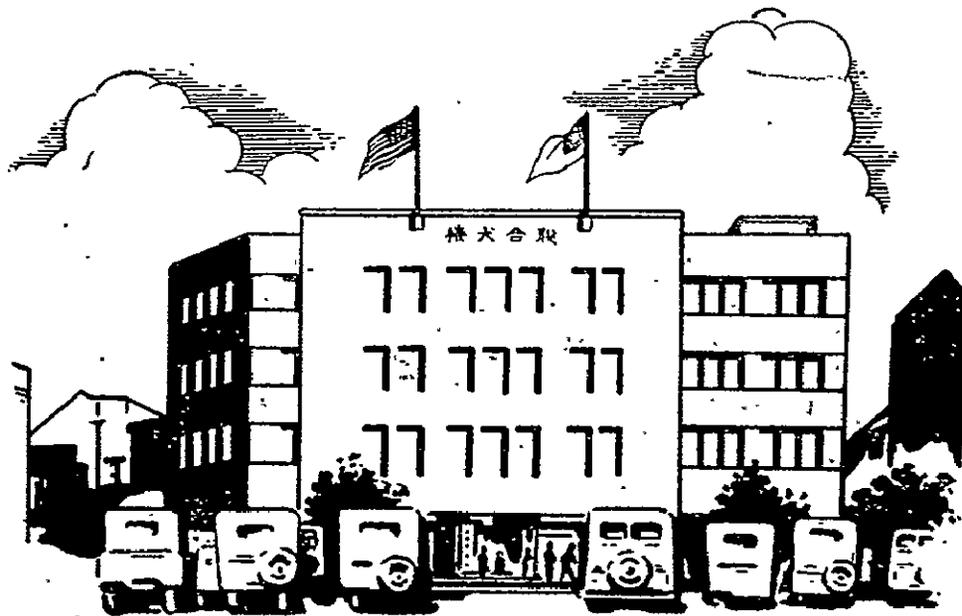


INTRODUCING TAIWAN

AN ORIENTATION MANUAL
FOR THE
MUTUAL SECURITY AGENCY
MISSION TO CHINA



UNION BUILDING

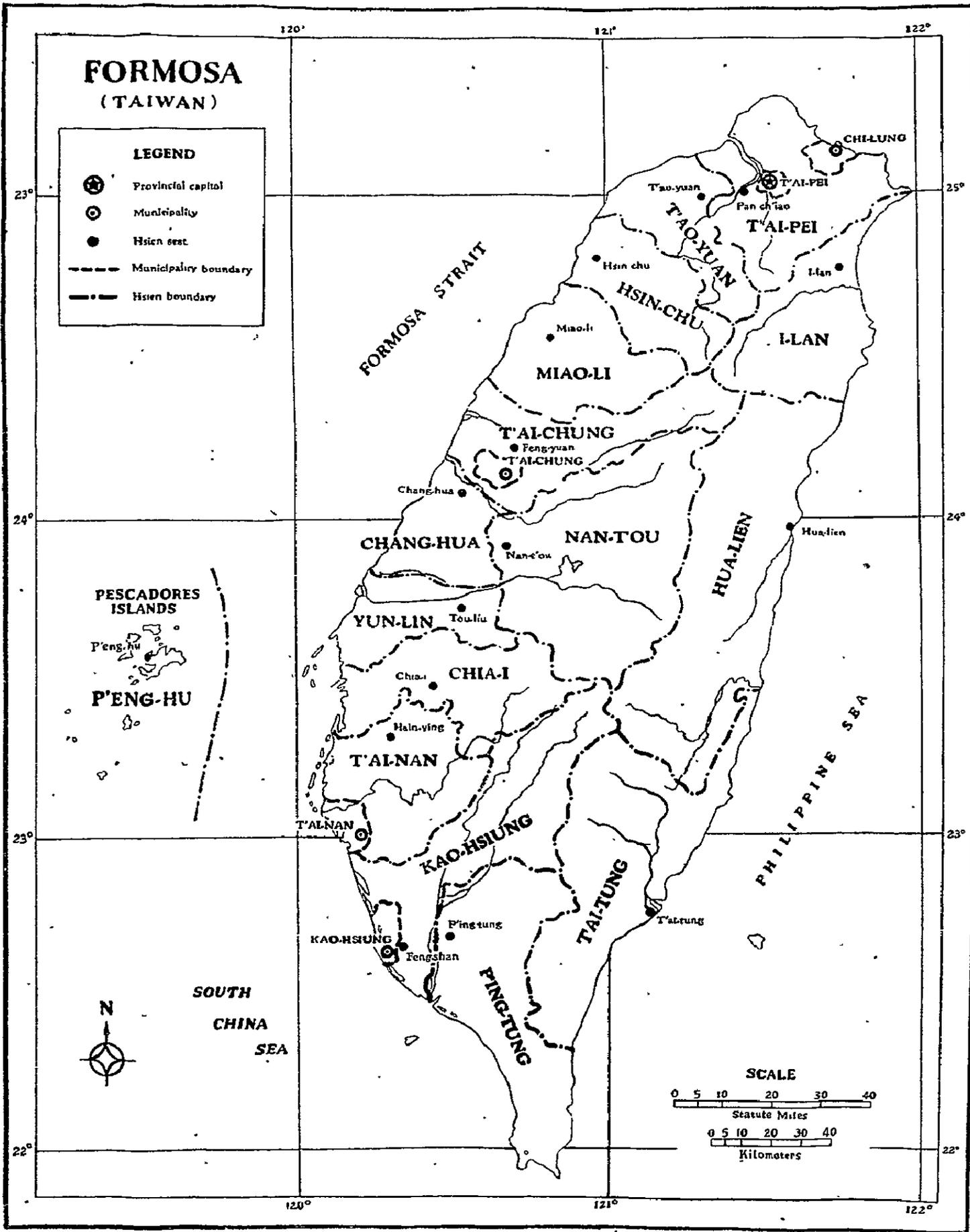
TAIPEI, TAIWAN

FORMOSA (TAIWAN)

LEGEND

-  Provincial capital
-  Municipality
-  Hsien seat

-  Municipality boundary
-  Hsien boundary



PESCADORES ISLANDS

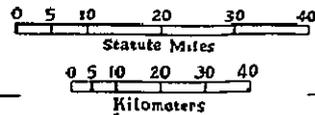
Peng-hu

P'ENG-HU

SOUTH
CHINA
SEA



SCALE



INTRODUCING TAIWAN
AN ORIENTATION MANUAL
FOR THE
MUTUAL SECURITY AGENCY
MISSION TO CHINA

Taipei, Taiwan

FEB 5 1952
October 1952



Rural
Taiwan
is green,
fertile
country -
side...



Taipei is a busy, modern Asian city...

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INTRODUCTION

Orientation for the Orient! Surely it should be possible to forge a striking phrase or two from this title, and thereby induce the unwary to read this Introduction. But the Muse fails, and we can only hope that somehow this prefatory material will secure readers and escape the usual unread condition of such efforts.

The preparation of an Orientation Manual for new personnel is a logical development in the growth of the MSA Mission to China. On March 4, 1952 a Memorandum signed by the Chief of Mission, announced an orientation conference for new personnel and gave a detailed outline for thirteen sections. These sections bore the same titles as the first thirteen sections of this Manual.

Soon after the arrival of the editor of this material at his post, he was appointed Orientation Officer of the Mission and asked to see to the compilation of written reports covering all but three of the sections of the original outlines. At a planning meeting assignments were made and in due course manuscripts were turned in. The editor wishes at this point to express appreciation to all who assisted in this project. In carrying out his assignment he felt it necessary, in many cases, to lay violent editorial hands on certain of the materials presented. That their respective authors are still on speaking terms with the editor attests both to their good nature and to their selfless interest in the project. Specifically one should give credit to:

Dr. Hubert G. Schenck, Mission Chief, whose original idea it was to prepare this Manual

Mrs. D. Bosley Brotman, Information Office, whose office provided both cover and illustrations

Robert Y. Grant, Office of Industry and Natural Resources, whose office provided the charts

and the section authors:

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- XIII Dr. Schenck, C. L. Terrel
 - part 72, Editor

XIV Editor

XV Mrs. Hsin-chen L. Tao, Mrs Rita E. Han.

These fifteen sections, then, represent the original outline material with one new section "Orientation and the Individual", (XIV), inserted prior to the reference section (XV). This new material has been prepared in order to make the previous sections more meaningful. It would be advisable to become acquainted with this new section XIV early in your reading. You may even wish to consider some of the questions in advance of the discussion meetings.

As you read this material you may find certain portions less than limpidly lucid; in others you may feel the need for a further (or perhaps for a shorter) development. All such cases should be attributed to faulty editorial work rather than to flaws in the work of the original author. Your comments, criticisms, and suggestions for improvement are welcome - and invited.

H. Emmett Brown,
Editor

SECTION I

WORLD WAR II AND ITS CONSEQUENCES

1. The Pacific War

The constantly growing tension between Japan and China, especially in Manchuria, culminated in the destruction in 1931 by bomb explosion of a portion of one of the rails of the South Manchurian Railway. Although the damage was not serious, it marked the beginning of a series of incidents which resulted in war between China and Japan.

In July 1937 Japan began her serious attempt to conquer China. The "rape of Nanking" took place in December; ten months later Japanese forces were in control of Canton and Hankow. They made equal progress in the north. The confusions of war always help the growth of Communism. The present war proved no exception. The Chinese Communists, ostensibly repelling the Japanese, were in fact consolidating their strength against the Chinese Nationalist under Generalissimo Chiang Kai-shek.

By the end of 1941, Japan believed that her illegally gained territories could support greater military effort. She therefore launched her attack on Pearl Harbor and began her drive on the Philippine Islands and elsewhere in the Pacific area.

The drive into the southern regions was well planned, coordinated, and executed! When her armies were driving through the Malay Peninsula and her Navy in control of the western Pacific, Japan was a formidable enemy. Her drive took her to the shores of Australia and to the outposts of India. Civil Affairs teams of experts poised to assume the administration of her expanded empire, took over territories as conquered and began the stream of supplies back to the "Home Islands" from abroad. Yes, in victory Japan was a feared and respected enemy.

But the United States military forces were gathering strength after their defeats in 1942. U.S. submarines

and airplanes began to cut off the rich booty going to the Japanese, and the tide of battle turned against them. Driven from New Guinea, Saipan, Okinawa, and suffering enormous losses in the Philippines, the Japanese General Staff knew that defeat was inevitable.

In the spring of 1945 the aerial attack on Japan proper was intensified. Soon Tokyo, Yokohama, Nagoya, Osaka, and Kobe were shambles. In August, less than 2,000,000 people lived in the Tokyo area, where formerly the population had been 7,000,000. The atomic bombs on Hiroshima and Nagasaki broke Japan's will to continue the now unequal struggle.

Thus, on the second of September 1945, the Japanese signed an unconditional surrender aboard the battleship Missouri in Tokyo Bay. General of the Army Douglas MacArthur became Supreme Commandar for the Allied Powers, and Japanese troops throughout the erstwhile "co-prosperity sphere" laid down their arms.

2. Post - Surrender Days on Taiwan

The repatriation of more than 5,000,000 Japanese from all parts of the Orient began soon thereafter. In the case of Taiwan the rapid evacuation of Japanese civilians produced a serious strain on local administration.

With the surrender, Chinese Nationalists began to arrive on Taiwan. General Chen Yi, appointed Governor General, reached Taipei from Chungking by air on October 24, 1945, and accepted the Japanese surrender the following day. Because prior to the Japanese acquisition in 1895 this island had been Chinese, one may say this surrender marked the liberation of Taiwan. Immediately, Chinese engineers set to work to repair the damage done by American bombing of Taipei, Keelung, Kaohsiung, and other cities. The Japanese administrators were replaced almost exclusively by Chinese mainlanders, an act made necessary by the fact that the Japanese had not trained the Taiwanese for high governmental positions. The new administrators found an island a little larger than the states of Vermont and Connecticut combined, a population of about seven million, with notable developments of the

area by the Japanese, but also with many evidences of exploitation due to the stress of war. The new government assumed title to much property which had previously been Japanese-owned.

3. The 1947 Incident

On February 27, 1947, began a serious "incident". Two women were selling American cigarettes in Taipei, and monopoly police enforcing the monopoly law shot and killed one of them. Mob action rapidly began to spread throughout the island. On February 28, several persons petitioning Governor-General Chen Yi for a change in the monopoly regulations were shot down. University students attempted to preserve order with little success. About March 16, Chinese troops arrived from the mainland and ruthlessly crushed the revolt killing many people. But such drastic actions had repercussions and on May 16 the Taiwan Governor-General's Office was abolished and the Taiwan Provincial Government was set up, with Dr. Wei Tao-ming named the first Governor. Curiously enough, Chen Yi went back to the mainland and later joined the Communists. Captured on the mainland by government forces, he was returned and later executed as a traitor.

4. Rise of The Chinese Communists

By their resistance to Japanese aggression in North China during World War II, the Chinese Communists, led by Mao Tse-tung, were able to attract many patriotic Chinese to their ranks and measurably to strengthen their position.

VJ Day, August 12, 1945, found the Communists with their capital at Yanan in effective control of large areas in North Central China, as well as some areas in Manchuria. Their rise to power was very rapid during the ensuing four years.

During 1945-46, they consolidated their position in Manchuria and, during 1946, used the time allowed by the protracted Marshall Mission truce negotiations to develop their strength further. When the latter negotiations

collapsed in 1947, the Communists were prepared to challenge the Nationalist Government's armies for control of China.

Aided by increasing economic deterioration, which they abetted by political and economic sabotage, the Communists embarked upon the series of military campaigns which, in two short years, brought the entire Chinese mainland under their domination.

Mukden, key Manchurian bastion, fell on November 2, 1948. In December, the Communists scored a decisive victory in the battle of Huchowfu, which paved the way for their sweep to the Yangtze River. The critical Tientsin-Peking corridor, weakened by large-scale Nationalist defections, caved in during January 1949. Nanking, the Nationalist Capital, fell on April 21-3 when the Communists crossed the Yangtze River. Shanghai (the world's fourth city) was overrun on May 25-27. In rapid order, Hangchow, Hankow, Foochow, Amoy, Swatow, Changsha, Tsingtao and Taiyuan were swept up by the onrushing Communist armies. Faced with imminent collapse on the mainland, the Nationalist Government, which had earlier moved to Canton, withdrew from Canton and moved to Taiwan. Canton fell on October 14 and the conquest of the Chinese mainland was virtually completed with the fall of Kunming and Chungking at the end of 1949. With their withdrawal from the mainland in November, the Nationalist Government faced the enormous task of re-establishing its strength on Taiwan.

5. Chinese-Japanese Peace Treaty

The Peace Treaty between the Republic of China and Japan was signed in Taipei on April 28, 1952. It was ratified by the two chambers of the Japanese Diet in June and July 1952 and by the Chinese Legislative Yuan on July 31, 1952. For China, the last date is the official "end of World War II with Japan". Although the victor, China has lost the mainland, and she is still at war, this time with her own kin, the Chinese Communists. President Chiang Kai-shek controls a territory nearly as large as Switzerland and with a population 2,000,000 greater than that of Sweden. As a consequence of war, the government

of Free China has come to Taiwan with a large military force but with the open wounds of political and military defeat. Free China occupies a strategic bastion for the defense of the United States and is the "show window" for democracy in southeast Asia. We Americans are here in Taiwan to support the only large anti-Communist military forces united against the evil combination now in control of the mainland, as well as to present the story of democracy to the other peoples of south-east Asia.

SECTION II

LEGAL BASIS FOR MUTUAL SECURITY AGENCY

6. The China Aid Act

The basic authority for furnishing economic assistance to China derives from a law (P.L. 472) enacted by the 80th Congress and signed by President Truman on April 3, 1948. One portion of that law related to economic aid to Europe and was called the Economic Cooperation Act of 1948 (ECAct of 1948). Another portion was the "China Aid Act of 1948." Section 405 of this "Act" provides for an agreement between China and the United States to carry out the purposes of the Act, and to improve commercial relations with China. The resulting exchange of notes between the two governments resulted in the "Bilateral Agreement" which will be discussed hereinafter. Section 402 of the "China Act" substantially echoes the policy of the ECAct when it states:

"Recognizing the intimate economic and other relationships between the United States and China, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in China endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. It is the sense of the Congress that the further evolution in China of principles of individual liberty, free institutions, and genuine independence rests largely upon the continuing development of a strong and democratic national government as the basis for the establishment of sound economic conditions and for stable international economic relationships. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to China, it is declared to be the policy of the people of the United States to encourage the

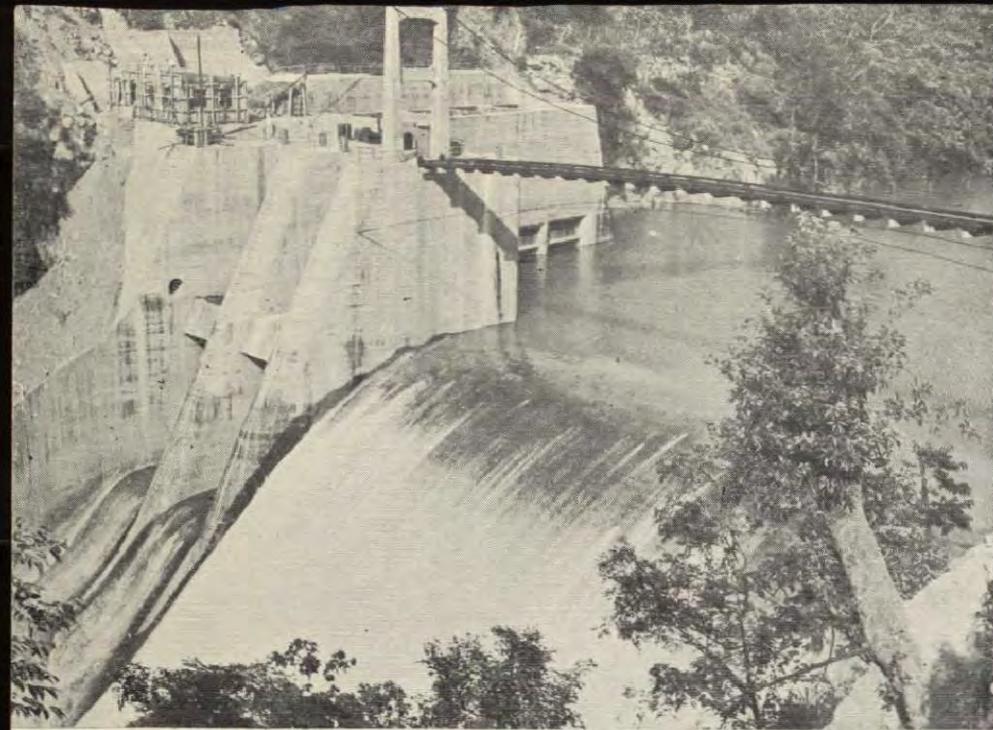
MSA

MSA imports commodities essential to meet the needs of the island, including fertilizers, soybeans and raw cotton.

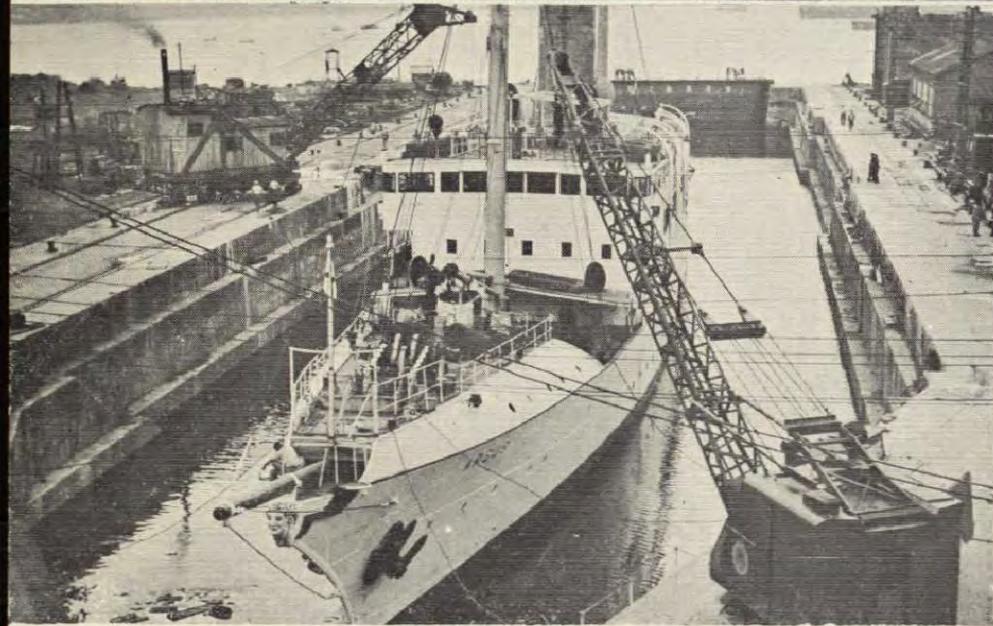


Assistance is being rendered the local governments in the development of island-wide education and public health programs





Basic to the industrialization of Taiwan is the expansion of the power system.



Land and water transport facilities are being improved.



Republic of China and its people to exert sustained common efforts which will speedily achieve the internal peace and economic stability in China which are essential for lasting peace and prosperity in the world. It is further declared to be the policy of the people of the United States to encourage the Republic of China in its efforts to maintain the genuine independence and the administrative integrity of China, and to sustain and strengthen principles of individual liberty and free institutions in China through a program of assistance based on self-help and cooperation: Provided, that no assistance to China herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the United States that assistance provided by the United States under this title should at all times be dependent upon cooperation by the Republic of China and its people in furthering the program: Provided further, that assistance furnished under this title shall not be construed as an express or implied assumption by the United States of any responsibility for policies, acts, or undertakings of the Republic of China or for conditions which may prevail in China at any time".

The entire law, with its European and Chinese components was given financial support by an appropriation of \$400,000,000 on June 28, 1948, the unobligated portion of which sum was continued through February 15, 1950 by a law passed in April 1949. Another law, signed in October of that year, served to divert \$4,000,000 of this sum for the financing of the education of Chinese students, such amount to remain available until expended. Other laws extended the period for the expenditure of the original sum through June 1951.

The Mutual Security Acts of 1951 and 1952

The Mutual Security Act of 1951, (P.L. 165, 82nd Cong.) approved October 10, 1951, changed to a certain extent the concept of our economic aid by tying it to military aid being furnished recipient countries. The aid program is based upon the concept of joint effort and

self-help. These countries and the U.S. are engaged in a combined effort to secure mutual security by strengthening the individual and collective defenses of the free world. In Section 2 of the Act the purpose of the program is stated to be:

"To maintain the security and to promote the foreign policy of the United States by authorizing military, economic and technical assistance to friendly countries, to strengthen the mutual security and individual and collective defense of the free world, to develop their resources in the interest of their security and independence and the national interest of the United States, and to facilitate the effective participation of those countries in the United Nations system for collective security. The purpose of the Mutual Defense Assistance Act of 1949, as amended, the Economic Cooperation Act of 1948, as amended, and the Act for International Development are deemed to include this purpose".

The Mutual Security Appropriation Act of 1952, approved October 31, 1951, (P.L. 249, 82nd Cong.) appropriated under Title III (Asia and Pacific), slightly over \$237,000,000 for FY 52¹. This sum was augmented by money carried over from the previous year. The sum of about \$98,000,000 was authorized for China aid alone. The Supplemental Appropriation Act, 1953, (H.R. 8370) approved July 15, 1952, in addition to amounts carried over, appropriated for Asia and the Pacific, for FY 53, about \$203,000,000 for economic assistance and \$68,000,000 for technical assistance, of which about \$102,000,000 was authorized for China.

1

FY 52: fiscal year 1952. Fiscal years begin on July 1 of the preceding calendar year. Thus FY 52 extends from July 1, 1951 to June 30, 1952.

8. The Bilateral Agreement

As stated above, the China Aid Act of 1948, authorized the negotiation of an agreement between China and the United States. This was consummated between the two governments on July 3, 1948. Of particular interest is Article V. This calls for the Chinese Government to match, in local currency, the dollar cost to the U.S. Government of commodities made available to China. It may thus be seen that the economic assistance furnished under the provisions of these laws, is not an uncontrolled "give away" program. Recipient countries are obliged to pay in their local currency the value of much of the material and supplies received as assistance. This currency, called the "counterpart fund" (see p.47) in turn is used for projects beneficial to the economy of the participating country, the project in each instance being subject to approval of an MSA Mission.

In certain matters not pertinent here, the Exchange of Notes was modified by further exchanges, the first being executed on the same date as the Agreement, namely, July 3, 1948, and others on March 27, 1949 and January 26, 1950.

The increased scope of U.S. assistance under the MSA of 1951, was accompanied by an increase in the number of undertakings by participating governments. Section 511 of the MSA of 1951, provides that where aid is furnished in order to further military efforts, such countries are to agree to the following undertakings:

- (1) join in promoting international understanding and good will, and maintaining world peace;
- (2) take such action as may be mutually agreed upon to eliminate causes of international tension;
- (3) fulfill the military obligations which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party;
- (4) make, consistent with its political and economic stability, the full contribution permitted by its

manpower, resources, facilities, and general economic condition to the development and maintenance of its own defensive strength and the defensive strength of the free world;

- (5) take all reasonable measures which may be needed to develop its defense capacities; and
- (6) take appropriate steps to insure the effective utilization of the economic and military assistance provided by the United States.

An Exchange of Notes encompassing the foregoing, and dealing with other technical features of the MSAct of 1951, was effected on January 2, 1952. An important feature thereof, called for by the Act of 1951, is the authority to utilize counterpart funds for military purposes.

Summaries of the MSActs of 1951 and 1952 have been prepared and are available on request from the Legal Advisor.

SECTION III

ECONOMIC COOPERATION ADMINISTRATION (ECA) AND MUTUAL SECURITY AGENCY (MSA)

9. Original Organization of ECA on Mainland

The ECA Mission to China was organized in Shanghai immediately after passage of the Economic Cooperation Act of 1948, April 3, 1948. Roger D. Lapham, ex-Mayor of San Francisco, was appointed Chief of Mission and R. Allan Griffin was appointed Deputy Chief of Mission. They arrived in Shanghai in June 1948, and program organization commenced immediately after their arrival. Simultaneously, a technical survey team, headed by Mr. Charles L. Stillman, arrived in China to conduct a survey of China's most pressing industrial rehabilitation needs, as part of the overall ECA China Program. By the end of 1948, the ECA China Mission was fully organized and the supply program (principally food, cotton, POL (petroleum, oil, lubricants), fertilizer, coal, medical supplies and agricultural pesticides) was in full swing. In addition to ECA appropriation funds allocated to China, the ECA China Mission inherited from its predecessor agency, the China Relief Mission (U.S. Department of State), about \$4.5 millions worth of medical supplies and several thousand tons of agricultural pesticides and hybrid corn seed.

10. Scope of Mainland Operation

The ECA Appropriation ACT of 1948 provided \$275 millions for economic assistance to China. The dollar import program centered on raw cotton, POL, rice and fertilizer, plus relatively small tonnages of coal. Meanwhile, an integrated industrial development program, with emphasis upon transportation, power and minerals development, was under formulation by the technical survey team mentioned in part 9 above.

The food distribution programs initiated by The China Relief Mission (CRM) in the cities of Peking, Tientsin, Shanghai, Tsingtao, Nanking, Swatow and Canton, were

continued under ECA, which imported sufficient rice and flour to assure the maintenance of adequate food supplies for the populace of these key cities, and thereby to prevent civil unrest. This CRM/ECA food distribution program was the first effective food rationing program in modern Chinese history.

The Joint (Sino-American) Commission for Rural Reconstruction (JCRR) (See Section IV) embarked upon a series of land reform, reclamation, irrigation, drainage and rural health projects in Kwangtung, Yunnan and Szechuan Provinces which were outstandingly successful.

Heavy cotton and POL imports kept the wheels of China's important textile industry, her power installations and her land and coastal transportation facilities, in operation.

The medical supplies inherited from CRM were distributed to hospitals and health clinics throughout the county.

During the siege of Mukden, three different airlines (CAT-Civil Air Transport, CNAC - Chinese National Air Corporation, CATC - Central Air Transport Corporation) under ECA direction, flew in over 4,000 tons of flour. Return flights were crowded with refugees from the stricken city.

As the tide of war moved southward, thousands of refugees were driven into the Tsingtao area, in a Communist effort to embarrass the 7th U.S. Fleet, which at that time was based upon Tsingtao. Under ECA aegis, the Tsingtao Relief Coordinating Committee fed 90,000 refugees each day for a period of eight months.

Program operations were directed by CUSA/ECA Regional Offices established in Peking, Tientsin, Nanking, Tsingtao, Shanghai and Canton on the mainland, and the Regional Office established in Taipei at the outset of the ECA China Program.

11. Successive Movements of ECA Base of Operations

With the evacuation of the Nationalist Government from Nanking (to Canton) on the eve of the Communist crossing of the Yangtze River, April 21-2, 1949, ECA Headquarters moved from Shanghai to Canton, leaving a small group of ECA personnel in Shanghai to continue supplying the city's basic needs and, as the Communist tide swept ever closer, to evacuate ECA supplies not required to meet the city's minimum needs. By May 14, the Communist Third Field Army, under General Chen Yi, were hammering at the approaches to Shanghai, and the city was stormed and captured on May 25-7. However, 38 shiploads of ECA supplies, totalling over 110,000 tons, were successfully evacuated from Shanghai to Taiwan, Korea, Hong Kong and Canton, prior to the encirclement of the city by the Communists.

As the Communist conquest of South China proceeded at a rapid pace, ECA Headquarters at Canton was removed to Hong Kong, where the staff was disbanded, except for a small group who were retained to wind up the affairs of the Mission on the mainland. Subsequently, several members of this team were transferred to the ECA Taipei Office, where JCRR and ECA program operations were expanded.

12. Distinction Between ECA and MSA

The principal distinction between ECA and MSA is that, whereas ECA was authorized by the Congress and organized for the basic purpose of providing economic assistance to World War II Allies to enable them to achieve rapid rehabilitation of their war-torn and dislocated economies (as a U.S. contribution to economic stability in the post-war world), the MSA concept places primary emphasis upon strengthening the economies and military establishments of friendly countries in order that they may preserve their freedom and resist Communist aggression. In one sense, both concepts had as their basic objective the establishment and maintenance of world peace; however, whereas ECA was strictly economic in character, MSA provides direct military

1941

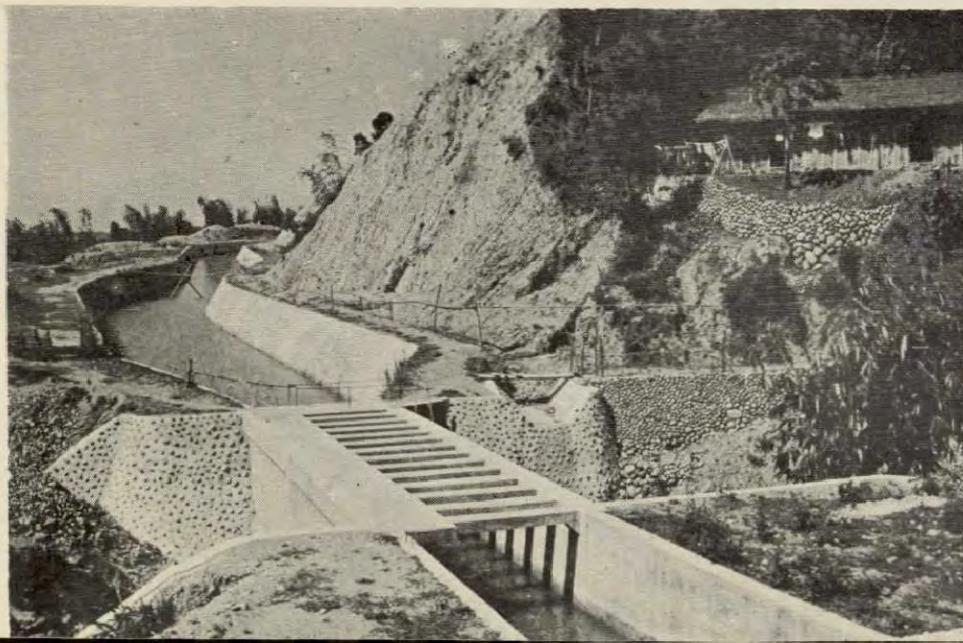
assistance as well as economic aid - and the emphasis is upon the principle of collective security, rather than merely economic recovery. (See part 7)



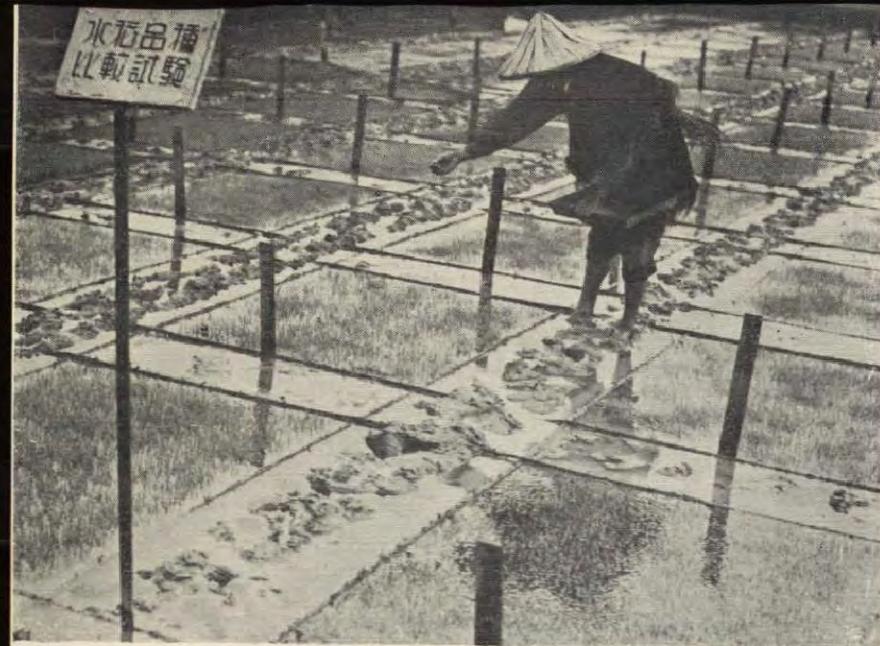
JCRR

Health programs, such as malaria control, give promise of healthier life on Taiwan.

37.5% rent reduction contracts and the owner-tiller program give farmers more of every harvest.



Irrigation repair and construction allows farmers to produce more per hectare.



Improved rice seed multiplication increases rice yield per hectare for every rice farmer.



Rationed beancakes, made from MSA-financed imports of soybeans, assist program of proper feeding of hogs to produce high-grade pork for sale.

Crossbreeding as well as disease prevention and control programs make hog raising more profitable to farmers.

Education to use of chemical fertilizers helps farmers obtain maximum value from rationed fertilizers.



SECTION IV

JOINT COMMISSION ON RURAL RECONSTRUCTION

13. Background, Organization and Functions of JCRR

The Joint Commission on Rural Reconstruction is a natural and logical expression of the principle of "jointness" which has characterized Chinese and American relations, particularly in the fields of education and agriculture over a period of many years. More specifically, the China-United States Agricultural Mission of 1946, which in itself was a joint organization, laid the foundation for the JCRR by the recommendation that a joint organization was needed to plan and implement a program of agricultural reconstruction in China.

Legislative authorization for the JCRR was provided in Section 407 of Title IV of the Foreign Assistance Act of 1948 (China Aid Act). The instrument specifically creating the Joint Commission on Rural Reconstruction in China was an Exchange of Notes between the Government of the United States and the Government of the Republic of China signed in Nanking on August 4, 1948. The JCRR came into existence on October 1, 1948, when the Joint Commission met in Nanking for its first official session.

The China Aid Act of 1948 specified that the Joint Commission "shall be composed of two citizens of the United States, to be appointed by the President of the United States, and three citizens of China to be appointed by the President of China," and that such Commission shall, "subject to the direction and control of the Administrator (ECA), formulate and carry out a program for reconstruction in rural areas of China, which shall include such research and training activities as may be necessary or appropriate for such reconstruction." It was intended, and is rigidly observed; that the JCRR should be a completely joint organization in which American and Chinese nationals would participate on the basis of complete equality. The enabling legislation further provided that an amount equal to not more than 10% of the funds made available to China shall be used to carry out the purposes of the JCRR. Actually the

Commission operates primarily with local currency (counterpart) as the current budget provides for less than 5% of appropriated dollars.

14. Mainland Experience

The rapidly deteriorating military and political situation on the mainland during and subsequent to the establishment of the JCRR did not provide opportunity for the full development of a program of rural reconstruction. The period of approximately six weeks following the initial meeting of the Joint Commission was devoted to a discussion of such matters as objectives, policies, form of organization and other general considerations. In that brief period conditions in Nanking became such as to force the evacuation of JCRR to Canton on December 4, 1948. By early August of the following year, it had become clear that the days of JCRR activity in the neighborhood of Canton were limited, and soon thereafter it became necessary to accompany the National Government in its removal from the Mainland to Taipei. This was in November, 1949.

During the ten months in which JCRR Headquarters were on the mainland, substantial progress had been made. This experience proved of great value later in the rapid implementation of a program in Taiwan. While still on the mainland a nucleus staff of experts was recruited including some of the most experienced agriculturalists and other specialists in China. A total of 160 projects in agriculture, irrigation, education, rural industries and rural health received JCRR assistance, and the equivalent of nearly \$3,000,000 were paid out in support of these projects. Land tenure reform programs were put into effect in Kwangsi, Szechuan and Fukien Provinces, giving to an estimated 25 million farm people a fairer share of the crops they raised. Approximately 206,000 acres of land were brought under irrigation or had their irrigation facilities improved which made possible an annual increase in production of paddy rice estimated at 164,000 tons. Approximately 479 hsien (county) health bureaus each received about 500 pounds of selected drugs and other

medical supplies. Programs of vaccination for the control of rinderpest protected 64,000 head of water buffalo. Farmers of Kwangsi Province were helped by provision of 81 work animals, and funds were made available for the purchase of 5,000 additional head. The beginning of a sound system for the multiplication and distribution of improved seeds was inaugurated.

Statistics are not an adequate guide to the accomplishments of JCRR on the mainland, but at various times, the Commission's efforts affected the lives of perhaps 72 million Chinese. There is more than a grain of truth to the statement that "Had this program been started in time, and implemented energetically, the recent history of China might have been different."

15. Objectives and Policies

It was during the brief, critical period on the mainland that the JCRR evolved its objectives and policies which still are:

Objectives

- (1) Improve the living conditions of rural people.
- (2) Increase crop and livestock production.
- (3) Develop the potentiality of rural people for the rehabilitation of their own communities.
- (4) Support and strengthen governmental agencies in their services to agriculture.
- (5) Encourage and develop rural leadership.

Policies

- (1) There must be a felt need for JCRR services and activities on the part of farm people.
- (2) There must be some sponsoring agency qualified to utilize effectively JCRR assistance.

- (3) There must be fair distribution of accrued benefits.
- (4) There must be frequent field inspections by JCRR experts.
- (5) There should be demonstrations of feasibility of any particular project or activity following which the project or activity must be susceptible of rapid and broad expansion.

The evolution of these objectives and policies on the mainland, the recruitment of a staff of outstanding agricultural experts and experience with 160 projects laid the foundation for the work of the JCRR on Taiwan, and provided the basis for the progress which has been made on this island.

MSA/JCRR Coordination

While the JCRR is by legislative authority and mutual agreement an autonomous semi-independent organization, it functions as the agricultural arm of the MSA China Mission. In the development of its program and the implementation of its projects, the JCRR acts within the framework of policy established by the Mission. The JCRR program and annual budget are transmitted to MSA/W for approval through the Chief of the China Mission. While both the ECA China Mission and the JCRR were relatively small organizations, problems of coordination were neither serious nor complex. With the rapid expansion in the size and scope of the MSA China Mission, and to lesser extent in the JCRR, coordination became more difficult and important.

In recognition of the necessity for insuring the closest harmony in policy and working arrangements, a number of important steps have been taken. The American Commissioners attend the regular weekly staff meeting of the MSA/CM and either the Deputy Chief or the Special Assistant to the Chief of the China Mission attends the meetings of the Joint Commission. Frequent conferences are held by the American Commissioners with the Chief of Mission. Chiefs of Divisions of JCRR maintain close

liaison with appropriate opposite officers of the China Mission. Much of the correspondence and all cables originating with the JCRR are cleared by the Chief of Mission. In addition, JCRR participates in the regular staff teas held by the Chief of Mission, and JCRR Commissioners and specialists are represented on joint committees and participate in joint conferences and meetings held for specific purposes. As a further measure, certain MSA officers, such as the Controller and Public Health Officer, have been invited to serve as advisors to officers working in the same fields in the JCRR organization. The matter of coordination of JCRR and MSA/CM is given continuing thought with a view to complete harmony of policy and program.

In the matter of administration, JCRR has established its own procedures which may differ in some detail from those of MSA/CM. While encouraging the closest of informal working arrangements, matters requiring the official attention of the JCRR are forwarded through the Commission Secretariat. The JCRR maintains its own administrative office, personnel section and transportation system, but personnel actions and support to its American staff are handled by the Mission.

17. Areas of Overlapping Interest

While JCRR's interests and activities relate primarily to the field of farming and rural life, MSA/CM has an over-riding concern in the broader economic recovery program. In two important fields there is a tangible and definite community of interests and endeavor. These fields are health and fisheries. In each, JCRR has had and continues to have substantial programs. However, in both cases, there has been evolved a single coordinated program in which the resources of both the MSA/CM and JCRR are joined.

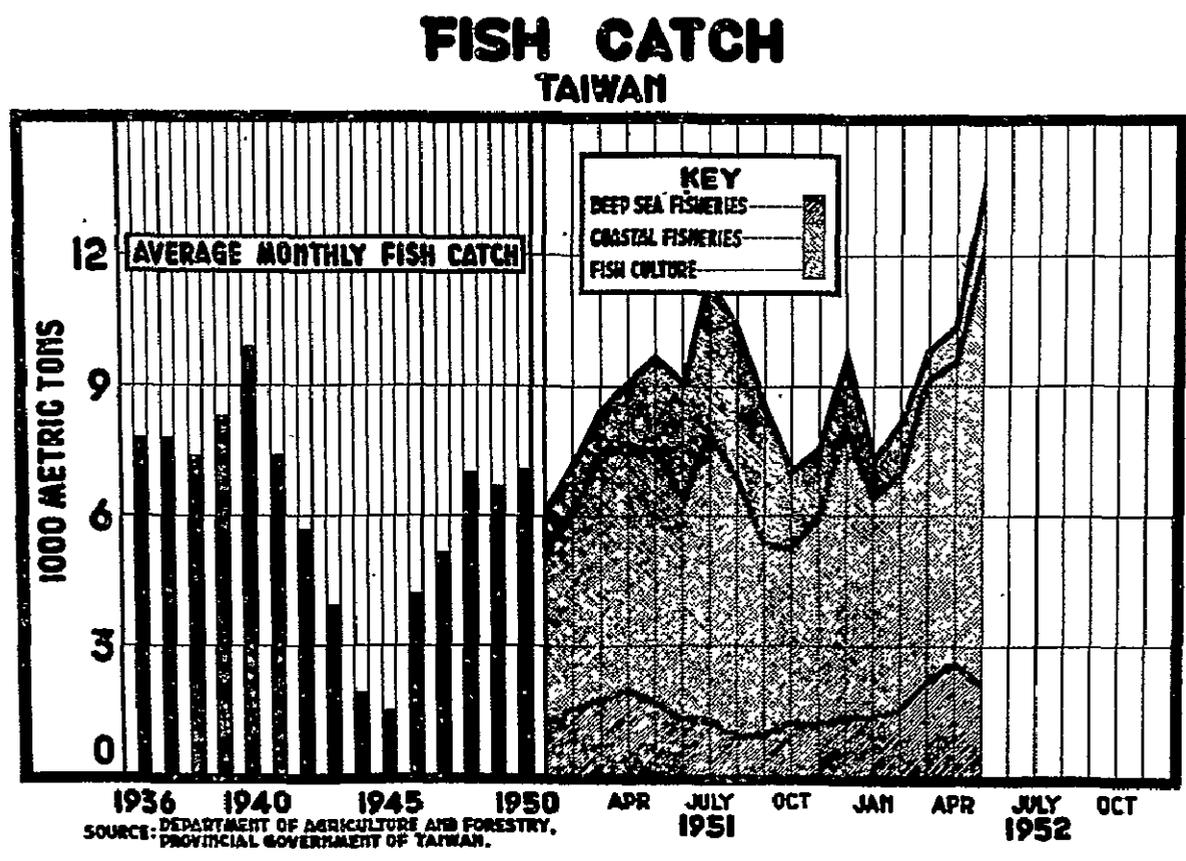
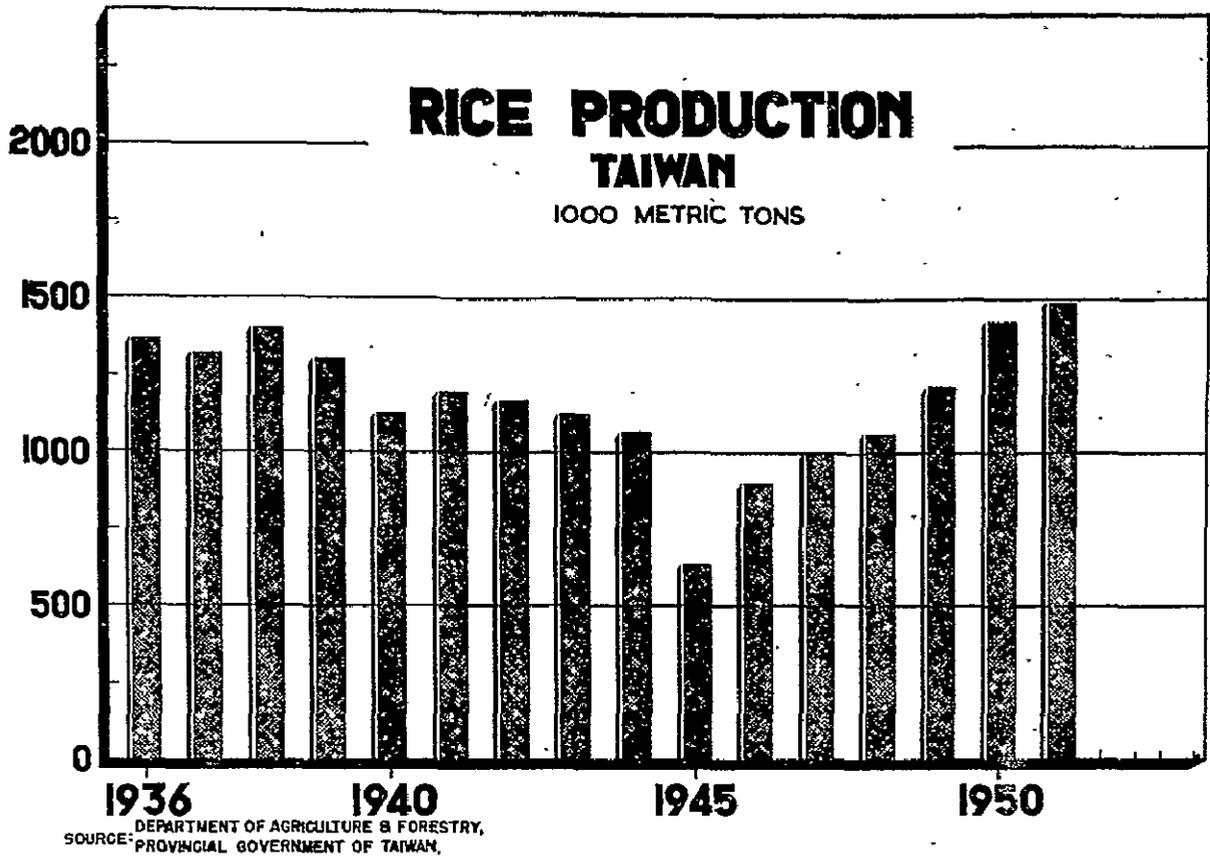
In the field of health, JCRR undertakes to implement those aspects which relate most directly to rural areas, while MSA/CM emphasizes the program as it relates to urban areas. Similarly, in the case of fisheries, JCRR places its primary emphasis upon in-shore fisheries and fish farming, and fish culture, while MSA/CM emphasizes

off-shore and deep sea fisheries; and those types of projects which require substantial financing including those relating to large shore installations and processing plants.

There is overlapping interest also in the procurement, distribution and use of commercial fertilizers. In this field, MSA/CM in cooperation with the fertilizer specialists of JCRR determine the fertilizer requirements to be financed by MSA. Once the fertilizers have been landed in Taiwan, JCRR, through its Food and Fertilizer Division, maintains a continuous field check of fertilizer distribution and end release to farmers.

Further areas of overlapping interest lie in the work of the joint MSA/JCRR Information Office and in the MSA/JCRR Clinic. Both of these units are jointly supported in terms of both personnel and financing, and their services divided between the two supporting organizations.

Special coordinating devices including joint committees for integration and general supervision have been established, and as other fields of overlapping interests are developed, steps will be taken to insure their closest coordination and fullest implementation.



SECTION V

CURRENT ACTIVITIES OF THE CHINA MISSION

This section will be covered in the form of an illustrated lecture given by the Chief of the China Mission. The talk is organized under the following heads:

- * 18. The Basic Problem
- 19. Inventory
- 20. Expansion of Output
- 21. Free Enterprise
- 22. Economic Stability
- 23. Social Stability
- 24. Military Support
- 25. Priorities
- 26. The Future

* These numbers continue the sequence of headings used in the written presentations.

SECTION VI

MISSION ORGANIZATION.

The organization of the Mission is a composite of experience on the mainland and in Formosa, and general principles slowly evolved over the last four years by MSA/W in the organization of its other Missions. The result reflects an increasingly uniform Mission pattern.

The Office of the Chief includes the Chief of Mission, Deputy Chief, Special Assistant and administrative and stenographic aids. As was mentioned in Section III, Roger D. Lapham was appointed Chief when the Mission was first established on the mainland. From the period August 1950 to November 1951, Dr. Raymond T. Moyer filled the two-fold position of JCRR Commissioner and Mission Chief. The present Chief is Dr. Hubert G. Schenck, on leave from his position as Professor of Geology at Stanford University and for six years prior to accepting this post, Chief of the Natural Resources Section, General Headquarters, Supreme Commander for the Allied Powers, in Japan. Dr. Schenck assumed office on November 12, 1951.

27. Administrative and Technical Assistance Personnel

At the outset it is helpful to recognize the difference between "Administrative" (DA) and "Technical Assistance" (TA). DA personnel are those attached to, and a part of, the official Mission to China (MSA/CM). They are directly and completely responsible to the Chief of Mission, who in turn is responsible to MSA/W.

TA personnel are distinctive at the outset in that they are paid out of program funds. Program funds are those amounts which are made available out of the appropriation to accomplish specific projects or purposes in countries. Such funds include the cost of raw materials, machinery and other items of equipment. In addition, however, to these physical materials in the program, there is what is sometimes referred to as the "point 4" effort. This is the program which had its

inception in President Truman's inaugural address of January 20, 1949. In this speech the last of four points was concerned with making American technical "know-how" available to underdeveloped territories of the world in order to enable them to improve their standards of living. In recent months, an organization in the State Department known as the Technical Cooperation Administration (TCA) has taken over the control of most "point 4" activity.

The balance between emphasis on TCA and emphasis on the physical import aspects, i.e. raw materials, machinery, etc. from one recipient country to another and is by no means static. For example, on June 30, 1952, two countries (Indonesia and Burma) which previously had been "Missions" under MSA/W were transferred to the TCA organization, reflecting the fact that the major part of that activity came under the TCA or point 4 concept involving technical assistance rather than under the MSA concept of providing physical materials. Another difference is that in TCA countries no military assistance advisory group is involved. In the Far East, TCA is responsible for the aid programs in Indonesia and Burma as stated, whereas MSA is the responsible agency in Thailand, French Indo-China, the Philippines and Formosa.

However, even though a recipient country is under MSA it is nevertheless true that a certain portion of the effort in these areas is always in the "point 4" technical assistance category.

Thus, the Mission to China (Formosa) places an increasing amount of emphasis on the technical assistance aspects of this program. This technical assistance is provided largely through TA personnel, and the cost is not charged to the administrative budget on which the DA personnel of the Mission proper is supported, but instead is programmed in the same manner as the more tangible types of aid.

The concept of the position of the TA personnel has been gradually evolving over the last year or so. Theoretically, technical assistants (i.e. specialists in particular fields), are employed only after the request

of the recipient country and upon arrival are assigned or attached to specific departments of the specific country as advisors to them. In actual practice, however, in the past they have been in effect administrative members of the Mission to China under the direct authority of the China Mission. This situation in Formosa has been changing during the past six months and is now approaching more and more nearly the ideal.

For all administrative matters concerned with the TA personnel, such as payroll, personnel records and leave, the Mission is responsible. Reflecting this fact, some intermediate and junior grade personnel supporting these administrative matters are attached to the Mission. Other intermediate or junior TA personnel may be assigned to senior TA personnel and, therefore, work within Chinese Government organizations, without being attached directly to the Chinese Government agencies.

28. Program Review Committee

A mechanism is necessary to secure coordination of policy within the Mission and to keep all appropriate persons informed concerning the establishment of new policy or change in old. A Program Review Committee, which serves this function, operates under the chairmanship of the Deputy Chief, with the Chief of Mission an ex-officio member, and includes as members certain office chiefs. Other Mission personnel attend meetings, as the subject under discussion may require. In this Committee basic policies of the Mission are discussed and proposed conclusions adopted. After approval by the Chief of Mission these become established Mission policy positions. A statement of the policy conclusions and the reasons leading to the adoption is disseminated to all concerned.

The ultimate result of continued operation of the Program Review Committee (PRC) will be a completely indexed statement of Mission policy in all major fields. The Committee has, however, been functioning only a short time and hence an attempt by PRC to solve all policy problems immediately would result in unreasonable delay in current activities or an exorbitant demand

on the time of Committee members. Accordingly, the current agenda of the PRC is limited to a relatively few subjects. When the number of items on its agenda exceed a reasonable minimum, the least basic subjects on the agenda are stricken from the agenda and referred to appropriate officials for administrative decisions.

29. The Secretariat.

The secretariat of MSA/China was established December 23, 1952, in the Office of the Chief of Mission. The Secretariat is headed by a Chief who reports directly to the Deputy Chief of Mission and Chief of Mission. The functions of the Secretariat are the expeditious handling of all incoming papers, cables, letters, memoranda, and other materials addressed to the Mission or to the Chief or Deputy Chief of Mission as well as materials emanating from the Chief or Deputy Chief of Mission or bearing their signatures; the servicing of the meetings of the Staff Conference, the Program Review Committee, and such other Mission meetings as may require the participation of the Chief or Deputy Chief of Mission; the development, maintenance and supervision of the use of a policy file covering all current policy decisions applicable to the Mission's objectives and operations; the provision, as needed by authorized officials, of information on current assignments and responsibilities within the Mission and information on the activities of Chinese, or American or Sino-American groups or agencies with which the Mission has official connections or legitimate interest; and, such other duties as may be assigned from time to time by the Chief of Mission or the Deputy Chief of Mission. The Chief of the Secretariat will report and be responsible directly to the Deputy Chief and Chief of Mission.

30. Organization of Offices

In addition to the Program Review Committee and the Secretariat there are a number of other offices whose relations to each other and to the Mission as a whole should need no explanation. The relation of these several offices is indicated in Figure 1 following.

Brief descriptions of the functions of each of the above offices are available in Executive Orders for those who wish more details.

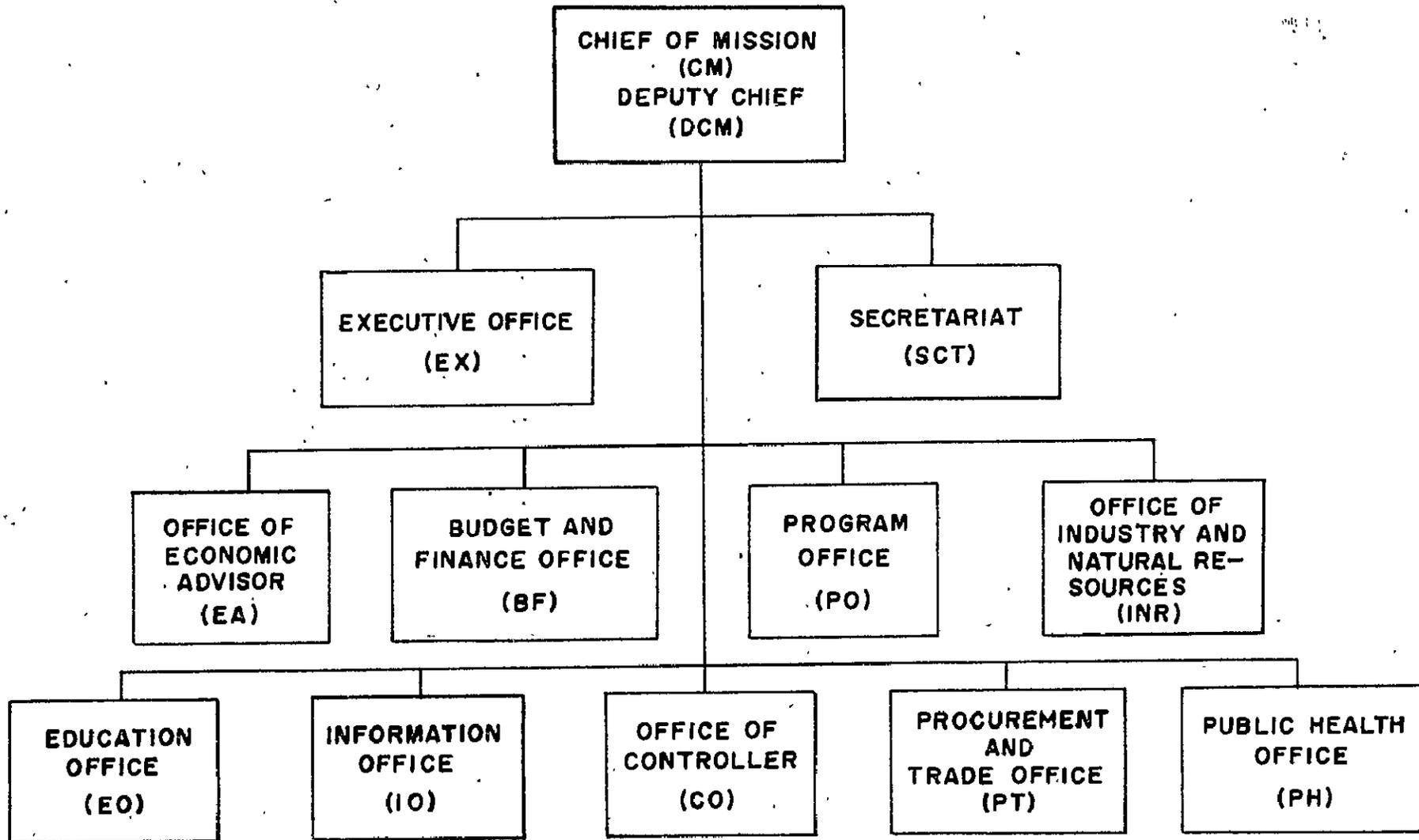
Technical assistance experts referred to on pages 22-3 are often assigned to work directly with Chinese offices. Most of these persons are grouped, for purposes of advisement, in a single office, the Office of Industry and Natural Resources. This office chief insures that the Mission is kept informed of the activities, contacts and advice of the TA experts and also that they themselves are kept informed of the Mission's policy, activities and decisions relevant to their particular fields.

31. Other Parts of the Mission

In Section IV, the story of JCRR and a few of its accomplishments were set forth. From this it should be clear why MSA/CM does not have with the Mission a food and agriculture office as in most Mutual Security Agency missions.

An explanation of the J. G. White Engineering Corporation is given in Section IX of this Manual. At this point we need note, therefore, only that the J. G. White engineers constitute, in effect, a group of TA experts under contract with the Chinese government but financed by MSA and coordinated with the Industry Office of the Mission through the Joint Committee on Industrial Reconstruction and Replacement (JCIRR). (See page 53).

MUTUAL SECURITY AGENCY MISSION TO CHINA



JANUARY 15, 1953

SECTION VII

ORGANIZATION OF JCRR

32. The Pattern of Organization

Under the terms of the Sino-American Bilateral Agreement and related Memorandum of Understanding between the Joint Commission on Rural Reconstruction and ECA (MSA) China Mission, the Joint Commission is authorized to establish its own organizational pattern and administrative procedures.

The organization of the JCRR is simple and of the typical pyramidal form. It consists of two levels and includes the Joint Commission and Commission Secretariat, three administrative support offices, and nine program divisions as follows:

1. The Joint Commission, including the Commission Secretariat
2. Operational Offices:
 - (1) Office of Administration
 - (2) Office of the Controller
 - (3) Office of Information
3. Program Divisions (in order of establishment)
 - (1) Plant Industry Division
 - (2) Irrigation and Engineering Division
 - (3) Land Reform Division
 - (4) Rural Health Division
 - (5) Farmers' Organization Division
 - (6) Food and Fertilizer Division

(7) Animal Industry Division

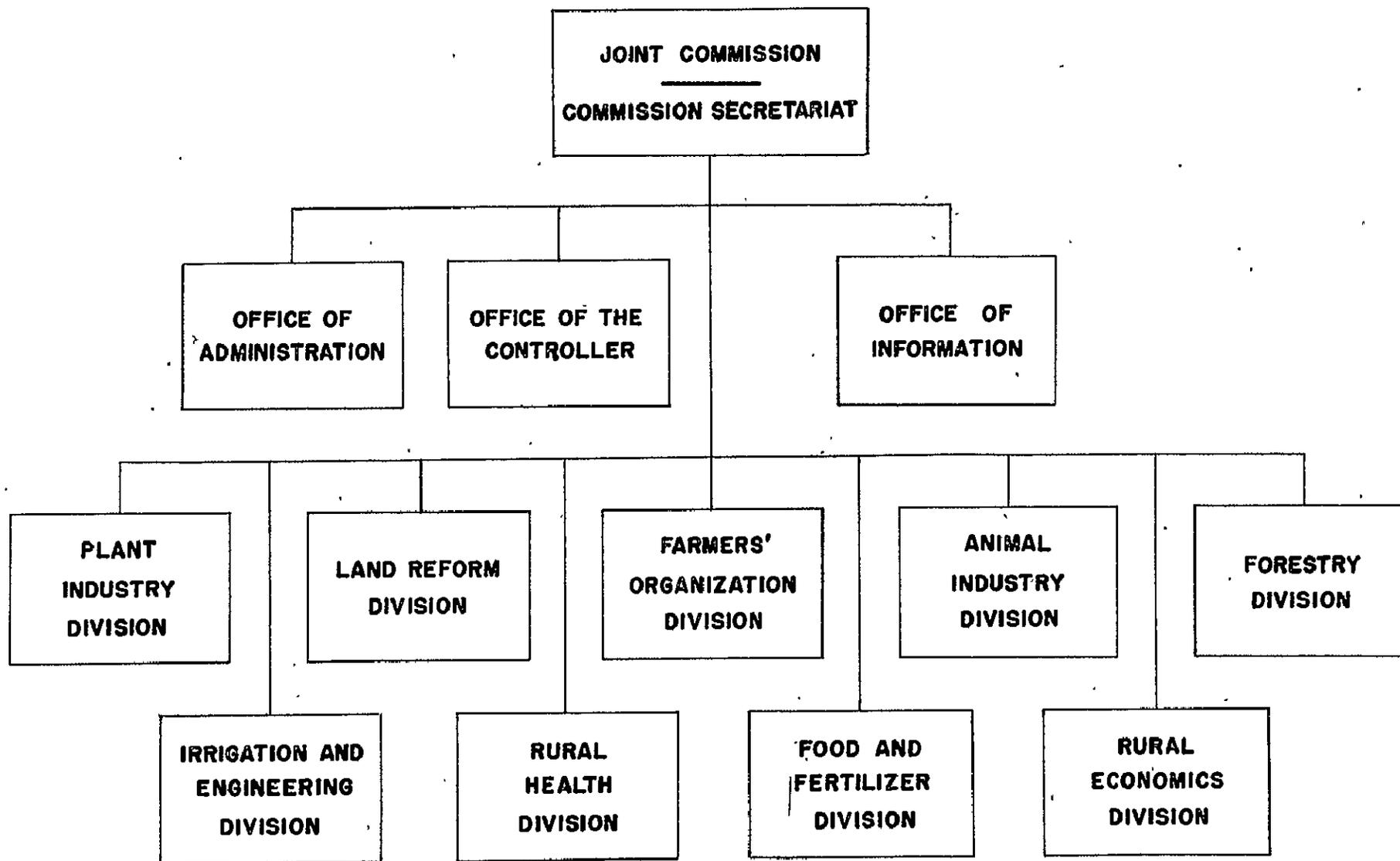
(8) Rural Economics Division

(9) Forestry Division

The organization and functions of the Joint Commission have been described in previous sections. The Commission Secretariat, which includes the Secretary-General, the Secretary to the Joint Commission and related clerical, secretarial and administrative personnel, provides direct administrative support to the Joint Commission and assists in the implementation of its policies and program decisions. The functions and responsibilities of the administrative offices and program divisions are, in general, indicated by their title or designation.

The attached diagram (Figure 2) indicates the organization and internal relationships of the JCRR.

JOINT COMMISSION ON RURAL RECONSTRUCTION



SEPTEMBER 15, 1952

SECTION VIII

ORGANIZATION OF CHINESE NATIONAL AND PROVINCIAL GOVERNMENTS

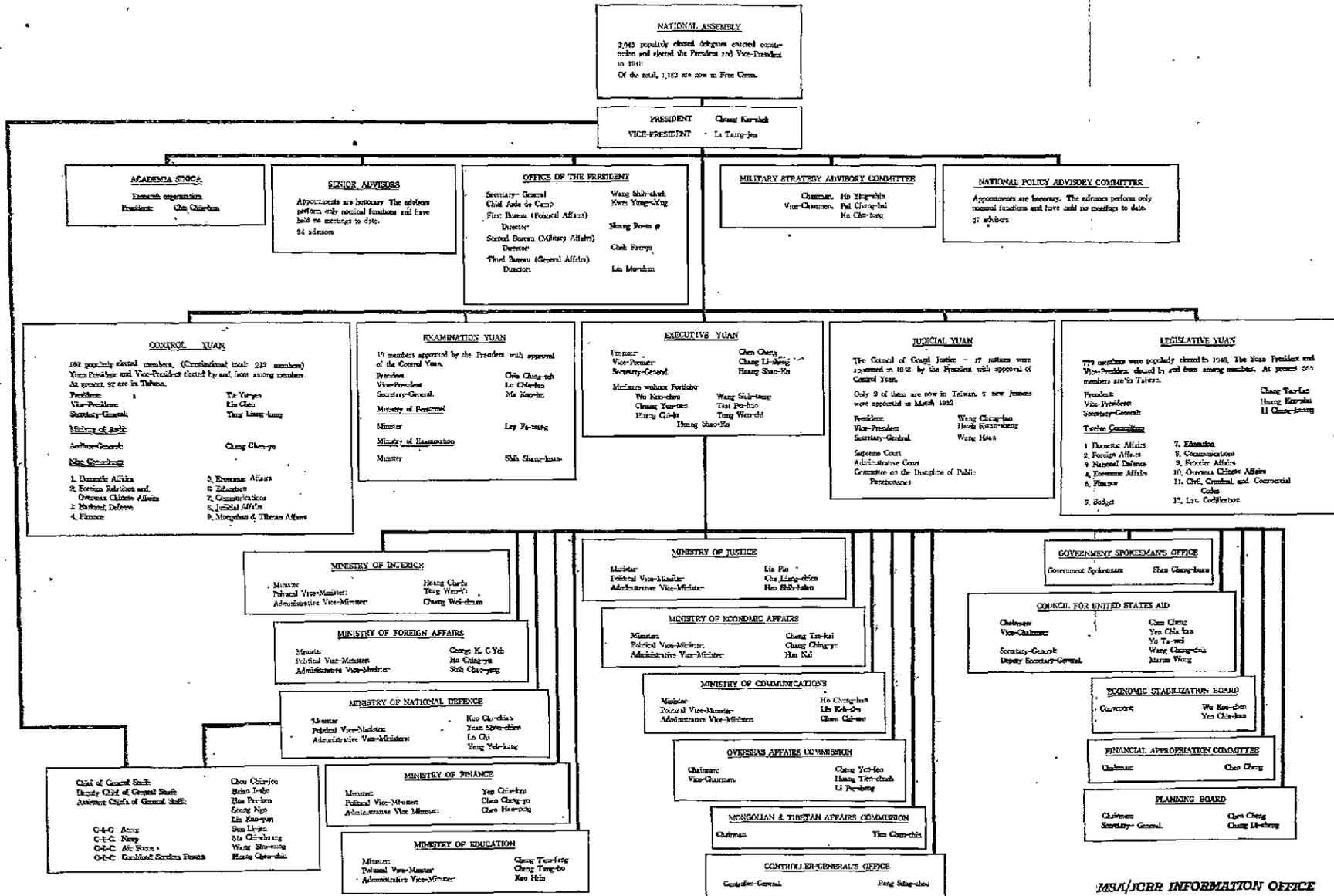
33. The National Government

The Chinese Government has been a one-party government since 1927. After over twenty years of this one-party rule, for the first time in Chinese history, the Chinese people in 1948 elected Representatives to the National Assembly. This National Assembly which meets only once in six years to select the President, elected Generalissimo Chiang Kai-shek to that office and chose General Li Tsung-jen as his Vice-President.

Since 1927, there have been five Yuans (departments) under the Nationalist Government of which one, the Executive Yuan, whose chief is the Premier, is the most important. The Judicial Yuan, comparable to the U.S. Supreme Court, and the Legislative Yuan, comparable to the U.S. Congress, are government departments found in any democratic country. However, the Control Yuan which has searching powers of supervision over government officials, and the Examination Yuan which is responsible for the selection of these officials, have functions not closely matched by any U.S. governmental division. Under the Chinese emperors, the departments of control and examination possessed great powers and were among the most important of government agencies.

There are eight Ministries and two Commissions in the Executive Yuan, the head of each being of cabinet rank. Before 1949 the number of Ministries was larger, but when the Government moved from Nanking to Taiwan, it was seen that the needs of this small island did not justify so many government agencies. The resulting re-organization produced the present system. Relations between the various governmental divisions are shown in Figure 3.

THE GOVERNMENT OF THE REPUBLIC OF CHINA



34. The Provincial Government

When the Chinese took over Taiwan in 1945, Governor Chen Yi followed the Japanese pattern of highly centralized control in setting up the new provincial government. Although Governor Chen, himself, proved a despotic administrator and fled the country (See page 3) the governmental pattern he established has been continued. It differs from provincial governments previously conducted by the Nationalist government partly in the size of the administrative unit (Taiwan is about 240 miles long and has an area of nearly 14,000 square miles), but chiefly in the large number of business enterprises directly operated by the government. The present head of the provincial government is Governor K. C. Wu, Princeton-trained, and famed as the reform mayor of the mainland cities of Shanghai, Chungking and Hankow.

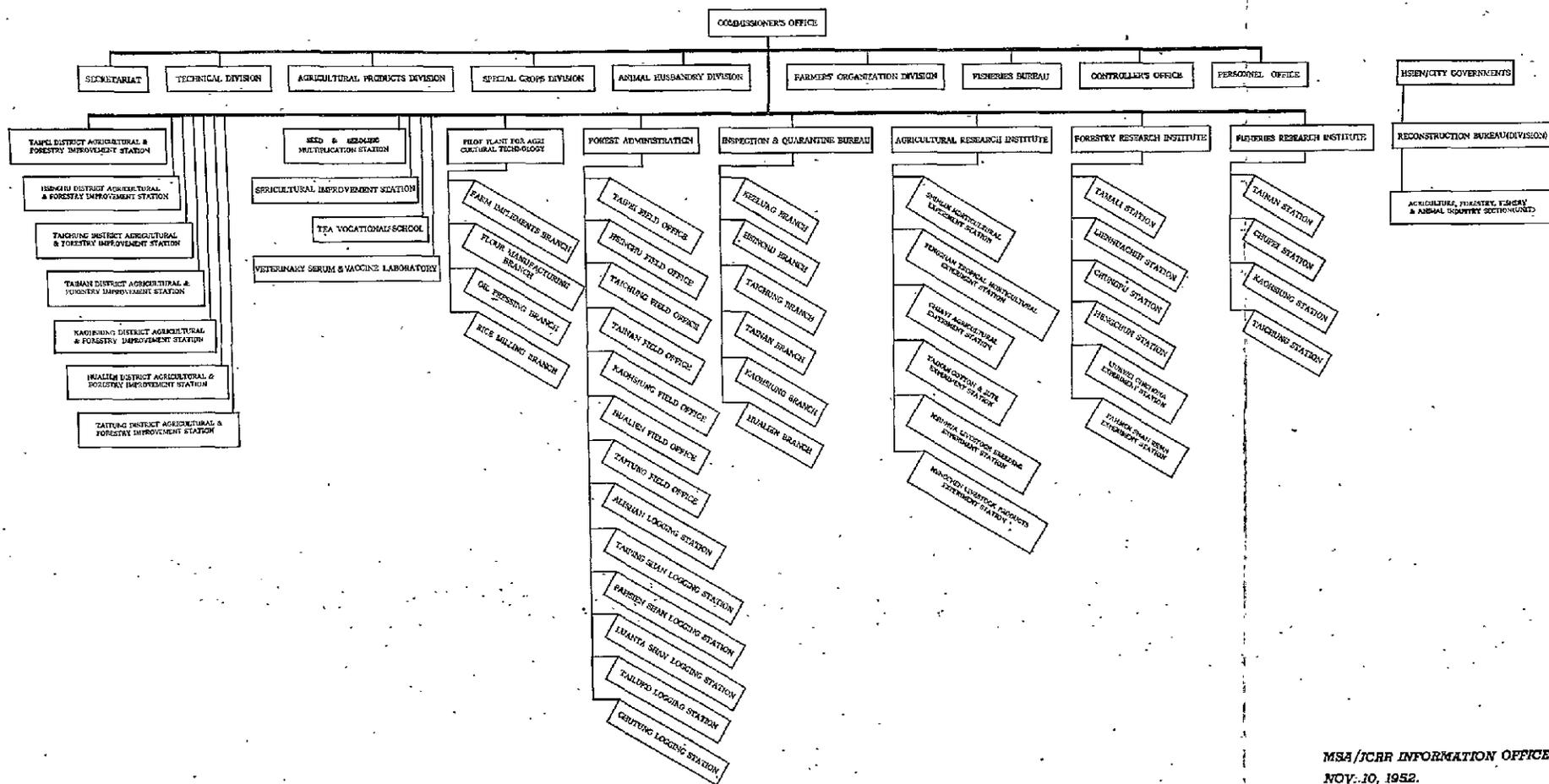
The departments of the provincial government and the numerous government run business are diagrammed in Figure 4.

35. The Kuomintang (China Nationalist Party)

Founded by Dr. Sun Yat Sen, father of the Republic of China, the Kuomintang has been the ruling party of modern China since 1911. It was the party in power during all the period of the wars and the years thereafter (Section I). We have seen (page 33) how the members of the National Assembly who were elected for the first time in 1948 selected the Chinese President. A President had thus been selected in accordance with the provisions of a new constitution. Democratic forms had been followed in form although the one-party system had in no sense been weakened. The connection between the party and the government is indeed close since President Chiang is Director-General of the Kuomintang and Premier Chen Cheng is the top member of the Central Reform Committee.

The Central Reform Committee is one of two committees, the other being the Central Advisory Committee, which play a big role in the functioning of the Kuomintang as a party. It so happens that in 1950 Generalissimo Chiang appointed the

PROVINCIAL DEPARTMENT OF AGRICULTURE AND FORESTRY



MSA/ICRR INFORMATION OFFICE
NOV. 10, 1952.

members of both the Central Reform Committee and of the Central Advisory Committee. Since the Central Reform Committee itself is charged by the Constitution with the responsibility for selecting the Director-General, a constitutional principle evidently had been violated, even although the emergency made the step necessary. Therefore on October 10, 1952 a meeting of the National Assembly changed this method of selection and themselves chose both of the Central Committees as well as the Party Director General. With this return to constitutional procedures, the Central Executive Committee was restored to its place of primacy and the Reform Committee was allowed to go out of existence.

36. The Economic Stabilization Board¹

Purpose and Composition

The Board is the agency to which general problems involving Formosan economy and the relations to it of U.S. aid are brought for review, discussion, and decision.

The co-convenors of the Board are K. C. Wu, Provincial Governor and Minister without Portfolio, and C. K. Yen, Minister of Finance, National Government. In addition to these two at the time of writing, membership on the Board was held by eight other Chinese officials occupying the following posts: Deputy Chairman of the Taiwan Production Board and General Manager of the Central Trust of China, Commissioner of Finance (Provincial Government), Chairman of the Boards of Directors of the Bank of Taiwan and Central Bank of China, Deputy Secretary-General of Cusa, Minister of Communications and Minister of Economic Affairs (both from the National Government), one of the JCRR Commissioners, and a representative of the Ministry of National Defense.

¹ For a more complete discussion of the work of this Board see: Chien, C.T. "Organization and Functions of the Economic Stabilization Board": Chinese-American Economic Cooperation. Vol. 1, No. 7, p 1-25, 1952 (July)

At Board meetings U.S. Government representatives attend as observers. Those typically in attendance are the Mission Chief and Deputy Chief, MSA; Economic Adviser, MSA, Budget Adviser, MSA; Chief, MAAG; Charge d'Affaires ad interim, American Embassy. If one of the above U.S. representatives is unable to attend, he is represented by a designee. When specific questions are considered requiring knowledge possessed by other United States representatives, they are invited for the occasion.

Method of Operation

At the bi-weekly meeting, recommendations of sub-committees or other working groups ordinarily are the chief items of business. New problems may also be introduced. The Board may accept recommendations of its sub-committees or reject them. It may refer problems for re-consideration or for consideration by another of its sub-committees than the one reporting. Actions taken by the Board pass to the Executive Yuan for concurrence and implementation.

The ESB has the following committees which typically consider problems within their scopes and make recommendations to the Board:

1. Committee A (Currency and Trade)
2. Committee B (Coordination of Economic and Military Aid)
3. Committee C (Prices and Wages)

There are also a number of working groups, the more active of which are the following:

1. Budget and Taxation
2. Food Policy and Ration
3. Fisheries
4. Defense Military Projects under U. S. Aid



Minister C. K. Yen



Governor K. C. Wu

THE ECONOMIC STABILIZATION BOARD

Governor K. C. Wu of the Taiwan Provincial Government and Minister Without

Portfolio, and Minister of Finance C. K. Yen have served as Convenors of the meetings of the ESB since its inception.



Governor-General O. K. Yui

Mr. O.K. Yui, Governor-General of the Central Bank of China, internationally renowned as one of China's elder financial statesmen, is a key member of the ESB.

5. Taxation Inquiry
6. Foreign Exchange Requirements
7. Import Procedure

Less active working groups from time to time consider such problems as the Taiwan Sugar Corporation activities, public enterprises, coordination of agriculture with industry, sales of government-owned enterprises to private purchasers, land and land reform, counterpart funds and counterpart fund budget, note issue, bank loan policy, and rice stockpile.

Mission representatives and, when appropriate, MAAG representatives, sit with nearly all of the above committees and working groups. While their roles are officially those of observers, in practice they enter into discussion freely and their opinions are given full weight in committee deliberations.

Functions

Functionally, the ESB exists to give working effect to the bilateral agreement between the United States of America and the Republic of China. More particularly, the ESB discusses and recommends:

1. Measures necessary to ensure efficient and practical use of economic resources including both those of the Chinese Government and those available through U.S. Aid.
2. The development of industrial and agricultural production.
3. The maintenance of financial, monetary, budgetary, and administrative measures necessary for stable economic conditions and promotion and marketing of goods for domestic consumption and export.
4. The promotion of international trade.

5. The management of Chinese foreign exchange resources in relation to U.S. aid.
6. Mechanics for distribution and pricing of U.S. aid commodities.
7. The collection of sales proceeds to enable payment into the "counterpart fund."
8. The budgeting of counterpart funds as provided by Article V of the agreement.

37. Council for United States Aid¹

Organization

The Council for United States Aid (CUSA) is an integral part of the executive branch of the Chinese Government, since its Chairman is the Premier ex-officio, and all of its members are appointed by the Executive Yuan. The Council was officially established on July 1, 1948, by order of the Executive Yuan, to carry into effect the Bilateral Agreement (See page 9) between the Governments of the United States and the Republic of China, and to integrate U.S. Economic Aid into the economic and financial programs of the Government. In order to carry out this assignment, the scope of duties of the Council was defined and promulgated by the Executive Yuan in June 1948, as follows:

- (a) Programming and screening of all U.S. economic aid projects.
- (b) Procurement, receiving, storage and allocation of U.S. aid commodities.
- (c) Collection, custody and utilization of sales proceeds of aid commodities.

¹ For another discussion of this organization see: Wong, Martin. "CUSA's Activities." Chinese-American Economic Cooperation. vol. 1, p 47-52, 1952 (Feb)

- (d) Reports, compilation of statistics, information and supervision of aid projects.
- (e) Coordination and liaison with MSA Mission to China.
- (f) Other matters pertinent to U.S. economic aid.

It is therefore necessary for CUSA, in programming for U.S. economic aid to study and consider the requirements of the entire economy before recommending the program to the Mutual Security Agency for approval through its Mission to China. In all such matters, the Council does not decide on policy, nor does it actually handle the procurement and distribution of aid supplies. Decisions on policy are made by the various Chinese Government committees and boards, at meetings in which CUSA is represented and MSA Mission observers are usually present. The Council acts as a liaison and coordinating agency between the various government organizations and the MSA Mission, and assists in planning and presenting full justifications for the aid requested by these organizations.

The Council is currently composed of thirteen members. These include the Premier who is Chairman. The two Vice-Chairmen are the Minister of Finance and the Special Assistant to the Chinese Ambassador to Washington. The remaining ten members include four Ministers: Foreign Affairs, Economic Affairs, Communications, and National Defense. Other members are the Provincial Governor, the Governor of the Central Bank of China, the Executive Secretary of the Economic Stabilization Board, the Secretary-General and Deputy Secretary-General of CUSA, and the Chairman of the Chinese Technical Mission to Washington.

The Secretary-General and Deputy Secretary-General are the chief executives of the Council. The divisions, each of which is headed by a Chinese chief, are:

General Affairs Division

Technical Division
Finance & Accounting Division
Supply Division

The staff comprises about sixty persons at the present time.

Activities of Each Division

The General Affairs Division handles all incoming and outgoing documents of the Council, prepares reports, engages personnel, arranges conferences and performs many other service functions. It also acts as liaison with MSA/CM, JCRR and J. G. White Engineering Corporation in matters concerning administration.

The Technical Division assists in the programming and review of industrial and military projects. It also has a liaison function and deals with matters relating to the J. G. White Engineering Corporation and the Joint Committee of Industrial Reconstruction and Replacement.

The Finance and Accounting Division performs the many functions that would be expected of such an office. One of its important functions is that of the collection of sales proceeds and the allocation of counterpart funds, and in pursuance of another of its functions, the auditing of projects which use counterpart funds.

The Supply Division works in close coordination with the Program Office of MSA/CM and also acts as liaison between the various government agencies and the Mission. This Division is primarily concerned with the programming and distribution of U.S. aid. Thus it prepares the official requests for commodities (the well known Firm Requests or FRs), designates procurement agents, arranges for import certificates, handles the shipping of aid supplies (once they are in Taiwan) and prices and allocates them. This Division also surveys the general trend of commodity prices on the market so as to adjust the programming accordingly.

Counterpart Funds

Counterpart funds are developed in this manner. Let us suppose that the U.S. has provided certain commodities needed in the Formosan economy. These are sold by the Chinese government to the consumers. Under the provisions of the Economic Agreement between the two countries, the Chinese government makes payment in New Taiwan dollars. But this Taiwan currency is not turned over to the United States. Instead, it is placed in a special fund called the Special Account subject to withdrawal control by both Chinese Government and U.S. Government. The money in this Account is the counterpart fund and is utilized to further production, maintain economic stability, rehabilitate industry and strengthen defenses. In planning for any project, both U.S. dollars and counterpart costs must be considered. Thus, the U.S. money originally spent for commodities has a double impact: the first, through the effect of the commodities themselves in promoting better living and keeping prices in control; the second, through the generation of counterpart funds which are used to advance the U.S. aid program.

38. Public Enterprises on Taiwan

The term public enterprises is generally applied to those organizations of a commercial, banking, or productive nature which are either wholly or partially owned by the government. Others of this group could be characterized public service agencies. There are 52 of these organizations of which 38 were formed from Japanese private and public assets. Title to the latter was transferred at the end of the war to the Chinese Government. The other 14 enterprises include six moved from the mainland and eight which are entirely new.

During the war the former Japanese enterprises suffered heavy damage. Many plants were destroyed, railroad communications were in a state of collapse and electric power production had been more than cut in half. With the surrender of the Japanese, both the repatriation of Japanese managers and technicians, and the transfer of sovereignty operated to cause serious disorganization. Machinery was not maintained; buildings, roads, railroads and telecommunications rapidly deteriorated; and the economy approached

a state of total collapse. To save the situation Chinese engineers of the recently abolished (Sept. 1, 1952) National Resource Commission (NRC) were sent to Taiwan. After making a survey they reorganized the enterprises and established a policy of combined production and rehabilitation. This was implemented by making each plant produce to the limits of its remaining machinery and by plowing back all profits into reconstruction. Lack of funds for rehabilitation loans made this technique mandatory. It was successful and was largely responsible for re-establishing industrial production on Taiwan in the early years after the war.

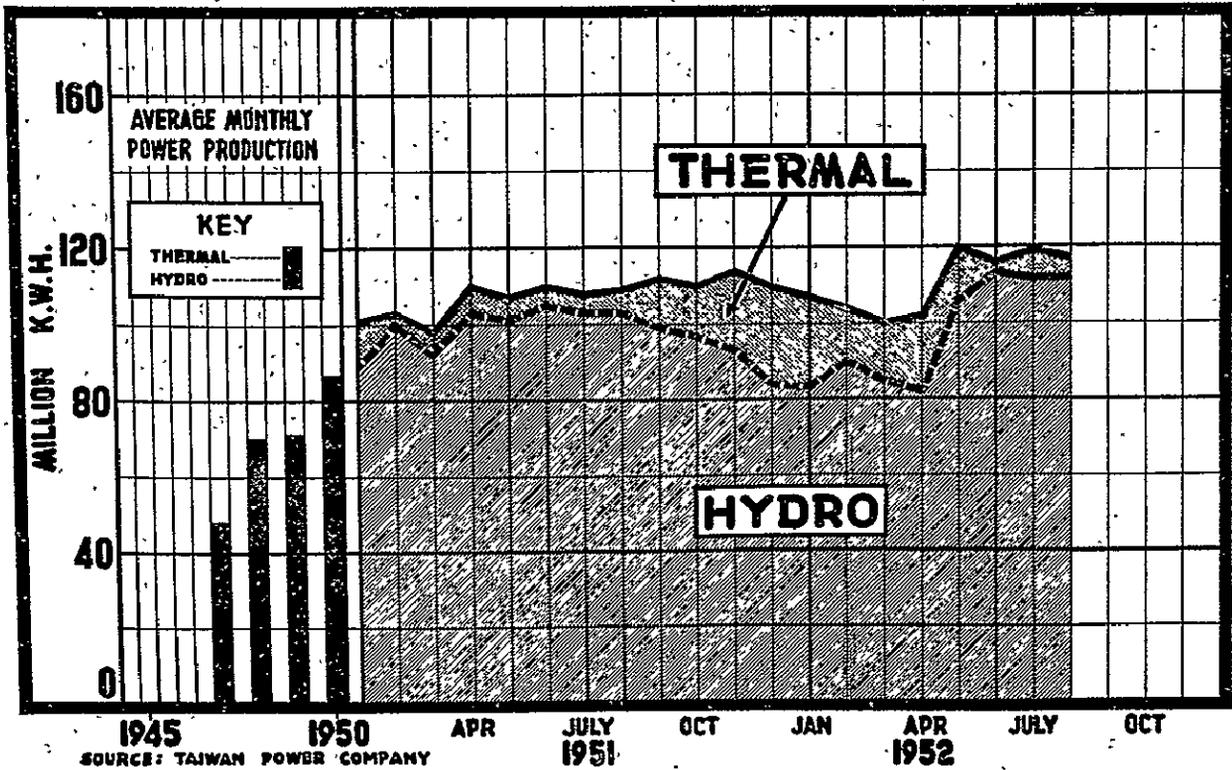
On May 1946 the 11 largest enterprises then supervised by the National Resource Commission were evaluated at about 70 million US dollars, while in 1949 they were re-evaluated at over 249 million. The following table further illustrates the success of the reconstruction effort, primarily effected by using the enterprises' own profits:

Selected Production on Taiwan (1)

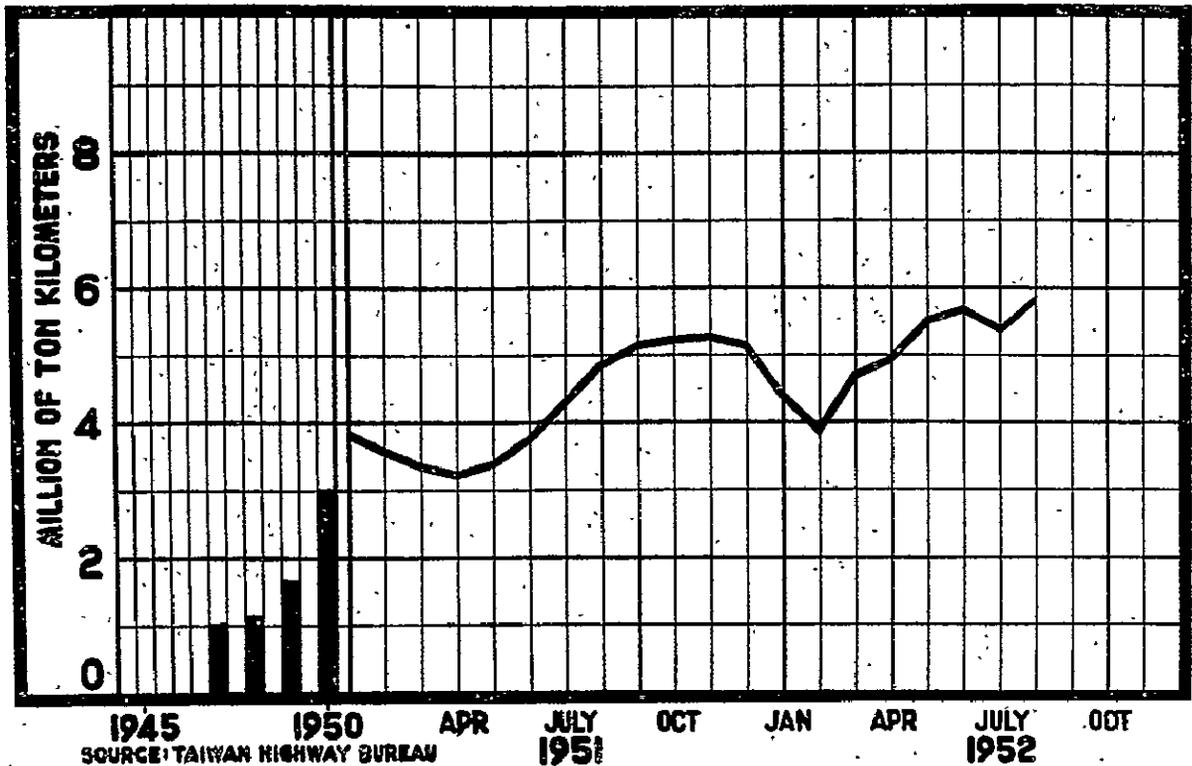
		<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
Power	1,000,000 Kilowatt hrs.	1,053	457	471	577	843	857	1,044
Coal	1,000 (MT) Metric ton	1,914	795	1,053	1,325	1,629	1,614	1,404
Aluminium	Metric ton (MT)	7,990	592	-	-	2,509	1,312	1,761
Cement	1,000 (MT) (all kinds gross)	303.4	78.6	97.3	192.6	235.6	291.2	332
Fertilizer	Metric ton	8,807	1,059	4,843	17,208	38,330	45,840	58,675
Caustic Soda	" "	6,949	410	951	3,288	4,778	4,279	3,123
Machinery	" "	-	-	565	1,788	2,063	2,337	4,190
Sugar	1,000 (MT)	880	324	86	31	262	631	612

(1) Data from C/M Industry Division.

POWER PRODUCTION TAIWAN



TRUCK TRANSPORTATION TAIWAN



Although agricultural production is the most important economic activity on Taiwan, the public enterprises are predominant in the industrial - commercial sector. In 1952 the registered capital worth of the public enterprises was almost two billion New Taiwan Dollars, while that of private firms was only a little more than one billion. Thus the capital worth of the public enterprises aggregated 62% of the total. Although registered capital worth on Taiwan is not completely satisfactory as a measure of the real value of enterprises, the above figures are a rough guide to the relative importance of publically owned versus privately owned enterprises.

Not only are more funds invested in publically owned enterprises than in private, but the products of the public enterprises are of greater importance to Taiwan's economy. Public enterprises produce all the electric power, aluminum, cement, salt, fertilizer and tobacco products, most paper and pulp, and process almost all the sugar (which earns about 60% of the foreign exchange from exports). These organizations transport everything that moves on rails. They carry about 6 out of every 10 people travelling by bus, and load and unload all but military sea cargoes. They carry on most of the banking operations, buy and sell food, fertilizer, and coal and engage in marine, fire and life insurance operations. Even telephone calls and telegrams must travel over wires and equipment wholly owned by the public enterprises. The proper and efficient functioning of these organizations is absolutely essential to a healthy expanding economy in Taiwan.

As shown in detail on the attached Schedule "A", government ownership is divided between the National and Provincial Governments. Some of the government stock is wholly owned by the National Government, some wholly owned by the Provincial Government and some jointly owned by both. The jointly owned enterprises are supervised by the National Government's Ministry of Economic Affairs. The other enterprises are supervised by various National or Provincial Government units, depending on which government owns.

the stock. These supervisory agencies appoint the personnel who direct the enterprises and maintain general control over operations.

Of the 52 public enterprises, 31 have boards of directors; two have committees and nineteen are directly administered units of the government. Originally those with boards of directors were designed to be semi-autonomous and non-political. It was felt that in this way they would operate more efficiently and provide a larger profit return to the National and Provincial Governments. In reality, since in all cases except one (Changhwa Commercial Bank) the governments own a decided majority of stock and appoint most members of the boards, there can be little real autonomy resulting from this organization. All other public enterprises including those organized with committees have no claim on autonomy, being directly supervised by units of either the National or Provincial Governments. Efficient operation of these enterprises is of such overwhelming importance that the Mission has programmed a public administration survey team to come to Taiwan. This team made up of three accountants and two organizational specialist will examine both the organization and the fiscal operations of the enterprises. Particular attention will be paid to realistic cost accounting and the enterprises' organizational relation to the government. As a result of this team's activities, significant operational improvements are expected in 1953.

Schedule "A"

Organization of Public Enterprises

Prepared by V. C. Fong, Finance & Trade Office

Public Corporation or Enterprise	Rated Capital (1000 NT\$)	Ownership		Total Personnel
		Government %	Private %	
<u>National Government Owned:</u>				
<u>Supervised by Ministry of Communication</u>				
China Merchants Steam Navigation Co. (1)(2)	199,223	99.00	1.00	3,814
Taiwan Telecommunications Adm.	54,000	100.00	-	3,355
Taiwan Postal Administration	63,000	100.00	-	2,305
<u>Supervised by Ministry of Economic Affairs(3)</u>				
Taiwan Salt Works	15,000	100.00	-	1,077
Taiwan Fisheries Rehabilitation Adm.	5,000	100.00	-	754
China Petroleum Corp.	60,000	100.00	-	5,275
Taiwan Aluminum Plant	16,014	100.00	-	1,907
Taiwan Gold & Copper Mining Administration	10,000	100.00	-	2,538
Taiwan Steel Works	6,030	100.00	-	312
Sin-Chu Coal Mining Administration	2,268	100.00	-	968
China Textile Development Corp.	6,000	99.5	0.50	959
Bureau of Mech. & Engineering Service	4,819	100.00	-	748
Taiwan Agricultural & Chemical Works	14,355	100.00	-	161
<u>Supervised by Ministry of Finance</u>				
Central Trust of China	18,000	100.00	-	312
Central Bank of China	30,000	100.00	-	246
Bank of China	18,000	66.67	33.33	322
Bank of Communications	18,000	87.96	12.04	94
<u>Provincial Gov't Owned & Supervised</u>				
Industrial & Mining Corp.	35,000	85.94	14.06	24,314
Agriculture & Forestry Development Corp.	20,000	98.1	1.90	3,007
Tobacco & Wine Monopoly Bureau	29,000	100.00	-	7,916
Forestry Administration	25,000	100.00	-	5,499
Camphor Bureau	5,000	100.00	-	872
Kaohsiung Ammonium Sulfate Plant	17,075	-	-	531
Agricultural Processing Factory	614	100.00	-	88
Provincial Government Printing Works	220	100.00	-	237
Taiwan Steam Navigation Co.	30,000	100.00	-	3,855
Taiwan Railway Administration	459,947	100.00	-	19,057
Taiwan Highway Administration	4,002	100.00	-	3,599
Taiwan Travel Service	1,200	-	-	226
Keelung Harbor Bureau	30,000	100.00	-	1,619
Kaohsiung Harbor Bureau	13,823	100.00	-	889
Taiwan Supply Bureau	1,600	100.00	-	675
Taiwan Coal Control Commission	600	94.65	5.35	392

(continued)

Public Corporation or Enterprise	Rated Capital (1000 NT\$)	Ownership		Total Personnel
		Government %	Private %	
Shing-Sheng Pao (Daily News)	2,000	88.22	11.78	507
Taiwan Book Store	153	100.00	-	60
Bank of Taiwan	5,000	100.00	-	1,823
Taiwan Land Bank	2,000	100.00	-	484
Taiwan Cooperative Bank	500	60.00	40.00	529
Huanan Commercial Bank	3,000	52.8	47.20	892
First Commercial Bank	2,560	66.6	33.40	966
Changhwa Commercial Bank	2,400	47.1	52.90	940
Joint Savings Corporation	250	91.0	9.00	303
Life Insurance Corp.	1,500	100.00	-	94
Fire & Marine Insurance Corp.	1,500	100.00	-	176

Joint Nat'l & Prov'l Gov't Ownership

Supervised by Ministry of Economic Affairs (3)

Taiwan Sugar Corporation	600,000	96.71	3.29	22,423
Taiwan Power Co.	250,000	90.76	9.24	4,937
Taiwan Paper & Pulp Corp.	36,000	73.37	26.63	3,248
Taiwan Cement Corp.	25,000	91.34	8.66	3,249
Taiwan Fertilizer Corp.	16,000	96.03	3.97	3,251
Taiwan Alkali Corp.	4,000	100.00	-	1,515
Taiwan Machinery Manufacturing Corp.	4,000	62.18	37.82	1,438
Taiwan Shipbuilding Corp.	2,000	91.55	8.45	1,572

- (1) All companies, corporations, banks, the Central Trust of China, the Taiwan Fisheries Rehabilitation Administration, the Taiwan Travel Service and the Shin-Sheng Pao-Daily News have boards of directors which in turn appoint general managers. The Taiwan Salt Works is controlled by a Readjustment Committee, and the Provincial Government Printing Works by a Directory Committee. All others have managers or directors appointed by their supervising agency.
- (2) The China Merchants Steam Navigation Co., the Central Trust of China, the Central Bank of China, the Bank of China, the Bank of Communications and the China Textile Development Corp. have all moved from the mainland with their assets. The Taiwan Fisheries Rehabilitation Administration, the Taiwan Steel Works, the Sin-chu Coal Mining Administration, the Bureau of Mechanical & Engineering Services, the Taiwan Agricultural & Chemical Works, the Kaohsiung Ammonium Sulfate Plant, the Agricultural Processing Factory and the Taiwan Supply Bureau are all new investments. All other enterprises are former Japanese assets rehabilitated and re-organized by the Chinese.
- (3) Originally the Ministry of Economic Affairs directly supervised the Salt Work and Fisheries Rehabilitation Administration only. The other enterprises under this category were directly supervised by the National Resources Commission which was nominally under this ministry. To streamline administration the N.R.C. was abolished and its functions transferred on September 1, 1952.

39. JCRR as a Unit of the Chinese Government

Because of its unusual legal status and bi-national character, there are a number of factors which complicate the clear and definite relationship of the JCRR, either to the National Government of the Republic of China or to the Government of the United States. Within the Government of China, the Joint Commission on Rural Reconstruction may be considered as a separate and distinct instrument of the Executive Yuan of the National Government. In theory, on the Chinese side, the JCRR reports to the Executive Yuan and is under its general direction and control. In a similar manner on the American side, the JCRR is an instrument of the Mutual Security Agency and is under its general direction and control.

40. The Joint Committee on Industrial Reconstruction and Replacement

The key agency in the rehabilitation of Taiwan industry with U.S. aid has been the Joint Committee for Industrial Reconstruction and Replacement (JCIRR). With the restoration of local industry to approximately the pre-war level, the JCIRR is now turning its attention and energies to the industrial development of Taiwan with a view to achieving a self-supporting economy which will be capable of providing the military and civilian sectors with their minimum requirements.

The JCIRR was first established in Nanking on July 13, 1948, a few days after the creation of CUSA. It is a committee composed of the top Chinese and MSA officials directly concerned with industry. At present the American members are the Deputy Chief of Mission, the Special Assistant, and the Acting Industry Officer. Their Chinese counterparts are the Minister of Economic Affairs, the Commissioner of the Department of Communications, the Deputy Chairman of the Taiwan Production Board, and the Deputy Secretary-General of CUSA. Representatives of the J. G. White Engineering Corporation are in attendance at regular meetings.

The primary function of the JCIRR is to consider and act upon all those matters relating to U.S. aid, both in U.S. and NT Dollars, which affect Taiwan industrial reconstruction and development. To implement this responsibility, it establishes guiding policy for industrial growth and the optimum use of U.S. aid and directs the activities of the J. G. White Engineering Corporation. It works in close cooperation with relevant industrial and economic agencies of the Chinese Government, especially the Ministry of Economic Affairs and the Taiwan Production Board, the Chinese agencies responsible for overall industrial policy. As in the JCRR, decisions of the JCIRR are by unanimous agreement of the members, not by majority vote.

In September 1952, a small group of top Chinese and American personnel discussed the establishment of a proposed new committee in the industrial field. According to tentative plans, this committee which may be designated by some title such as the Committee on Industrial Development, will consist of a full-time Chinese staff. The Committee would not be identified with any government bureau but would make its recommendation in the industrial field directly to the Cabinet for consideration.

41. The Chinese Technical Mission

For the purpose of facilitating the programming and screening of U.S. aid projects, the Chinese Government in January 1947, expressed its desire to dispatch a Technical Mission to the United States. Upon receiving the concurrence of the United States Government, the Mission was set up in Washington in April 1948.

The activities of the Mission which are under CUSA supervision, include:

- (1) To act as a liaison between CUSA and the MSA in Washington.
- (2) To assist in the procurement and shipment of aid supplies to Taiwan.

- (3) To countersign all procurement authorization on behalf of the Government.
- (4) To represent CUSA, and on behalf of the Chinese Government, to recruit the services of certain U.S. technicians and to negotiate, draft, and sign service contracts.
- (5) To report to the Chinese government on the current policies and developments of U.S. aid programs, as well as to inform the U.S. Government and the general public on the progress of U.S. aid in China.

The Mission is at present composed of a Chairman, a Secretary-General, three members, together with five assistants. The present Chairman is Mr. P. H. Ho and the Secretary-General is Dr. Lee Kan.

SECTION IX

J. G. WHITE ENGINEERING CORPORATION

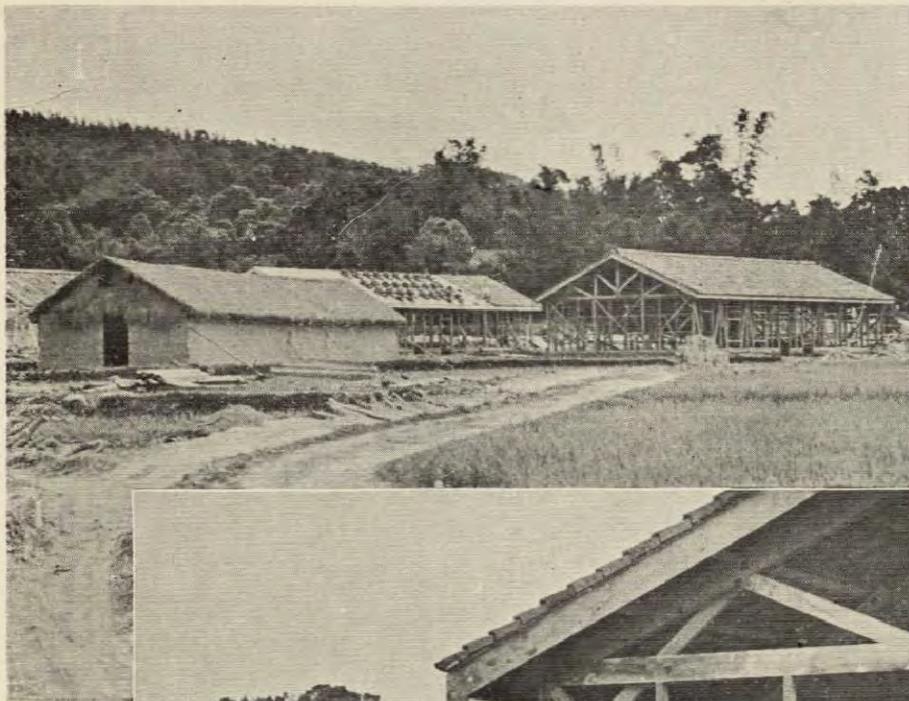
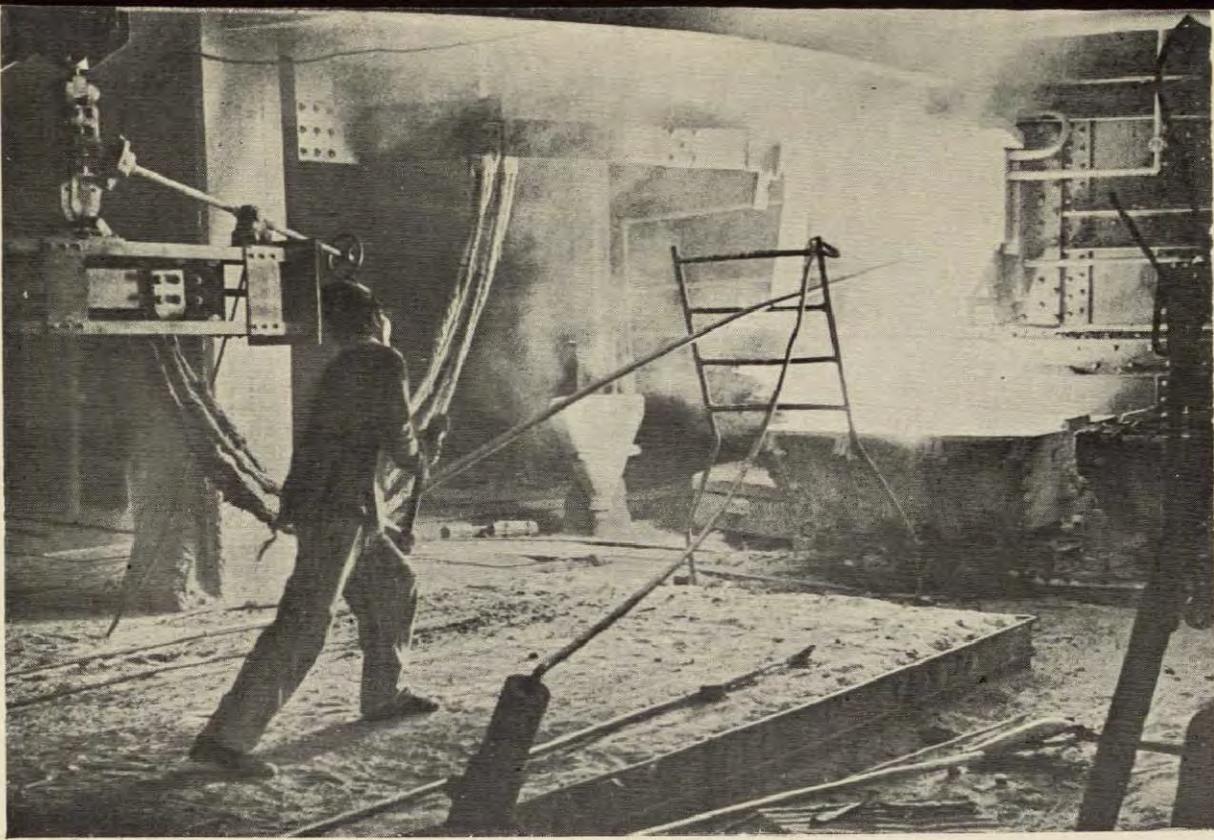
42. Concept of Employment of Private Engineering Firm

U.S. funds, although eventually a grant to the people of China, are really an investment: an investment in friendship and in mutual security. Generally, when large construction projects are undertaken, the investments are protected through the use of a consulting firm of engineers during planning, purchasing, construction and operation. The normal function of an engineering consulting firm is to aid in the planning and execution of these investments so that they become an asset to the investor and a related and permanent contribution to the economy. This is standard business practice upon which much of the successful growth of industry in the United States has relied. The same has been true in Taiwan. When the Morgan banking interests supplied funds to the Japanese Government for the construction of the major hydroelectric facilities located in the vicinity of Sun-Moon Lake, this investment was protected by the services of an American consulting engineering firm.

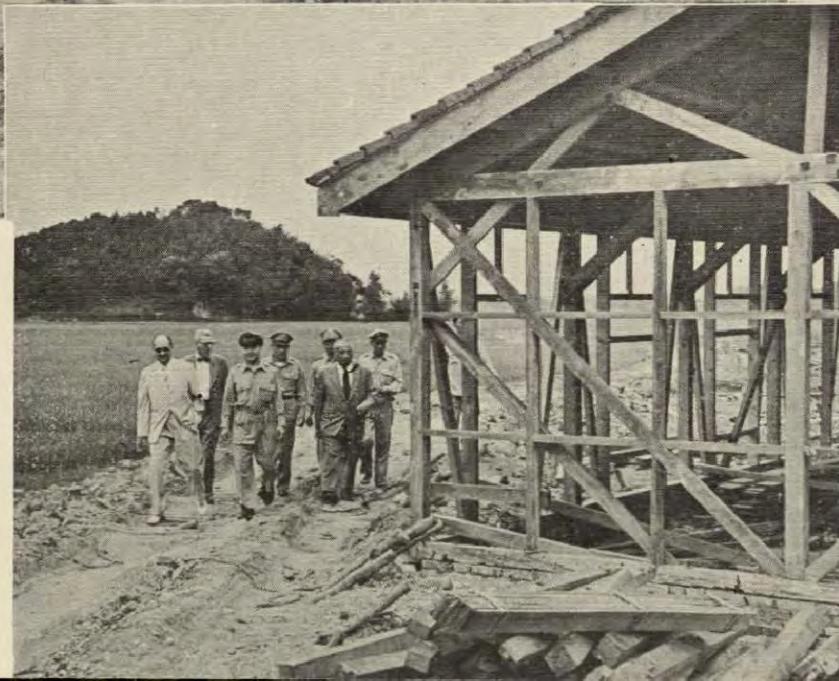
The J. G. White Engineering Corporation similarly serves as a management engineering firm. The team of engineers functions through a Joint Committee of MSA and Chinese Government officials and supplies them with technical knowledge on the planning and execution of the various project made possible by the extensive investments of the United States Government in Taiwan. When individual industries are aided, the attempt is made to improve products, reduce costs, and improve process efficiency.

43. New York Organization

The J. G. White Engineering Corporation is a private concern, owned by a limited number of stockholders. In the New York office of the Corporation the largest department is that of Engineering, with



Technical Assistance to factories helps modernize and increase production.



Joint Chinese-U.S. efforts provide Formosa's soldiers better housing.

structural, mechanical, and electrical divisions. The other departments are Construction, Reports & Appraisals, Purchasing, and General Office. The Taipei office reports to the head of the Reports and Appraisals Department.

44. Taipei Organization

The Taipei organization of The J. G. White Engineering Corporation is flexible, so as to conform to the needs of the industrial program as determined by CUSA/MSA policy. For example, if the industrial program is concentrating on the improvement of transportation, transportation experts are important members of the staff. Now that the concentration of industrial development on Taiwan is on power, power consultants in several categories are being added to the staff.

At the time of preparation of this report, the chief staff positions were as follows:

- Project Manager and Senior Chemical Engineer
- Senior Forestry Engineer
- Senior Mining Engineer
- Senior Construction Engineer
- Senior Textile Engineer
- Senior Sugar Engineer
- Senior Electrical Engineer
- Senior Mechanical Engineer
- Master Mechanic

45. Relationship with the Joint Committee on Industrial Reconstruction and Replacement, MSA/CUSA

Although The J. G. White Engineering Corporation has a contract with the Council for United States Aid (CUSA), the control of its actions is in the hands of the Joint Committee on Industrial Reconstruction and Replacement, MSA/CUSA. (JCIRR, See also page 53.)

46. Project and Activities

The J. G. White Engineering Corporation has two types of projects to execute for the Joint Committee. The first is to make studies in the industrial field, including services such as transportation, to present to the Joint Committee (JCIRR) its recommendations for overall industrial development as well as the development within each industry or factory. The second type of its projects is to work closely with the aid recipients responsible for the execution of each approved project to make sure that the completed work, as originally envisaged by CUSA/MSA officials, is carried out.

47. Coordination with JCRR, MSA, MAAG and American Embassy

JCRR. Coordination with JCRR is on an informal basis. The industrial development of Taiwan depends to a considerable extent upon agricultural production, or use of industrial materials on the farms. As the programs and recommendations are developed, or as problems in execution arise, informal discussions are maintained with appropriate specialists in JCRR.

MSA. Since officials of MSA are on the Joint Committee on Industrial Reconstruction and Replacement, the major coordination is through this body. Aside from this, staff members of the J. G. White Engineering Corporation participate in meetings with MSA officials or groups when detailed information is required on industrial planning or execution. Since the J. G. White Engineering Corporation is studying each industry from the planning stage to the final operation, close coordination is maintained with the Industry and Program Offices of MSA, as well as with the Office of Advisory Services. This entails follow-ups on procurement and checks on general progress. The Project Manager attends the weekly meetings of the Chief of Mission.

MAAG. Since MAAG projects often involve considerable construction, the J. G. White Engineering Corporation has on its staff a well-qualified construction engineer who works with the engineers in MAAG in the Combined Service Forces.

American Embassy. All coordination between the J. G. White Engineering Corporation and the American Embassy is through MSA.

SECTION X

MILITARY ASSISTANCE ADVISORY GROUP (MAAG)

48. Organization

The Chief of the Military Assistance Advisory Group, Formosa, is Major General William C. Chase, US Army. General Chase has commanded the Group since its activation on May 1, 1951. The Group has an authorized strength of 764 Army, Navy and Air Force personnel.

The MAAG consists of a General Staff, Special Staff and four sections to correspond to the organization of the National Government of the Republic of China Armed Forces. The personnel assigned to the staff headquarters perform the necessary administrative functions in connection with the operation of the Group and in addition advise and assist the members of the Supreme staff of the Ministry of National Defense.

The four operating sections of MAAG are:

- (1) Army Section
- (2) Navy Section
- (3) Air Force Section
- (4) Combined Service Force Section

49. Methods and Accomplishments

MAAG works in close and daily association with the Ministry of National Defense and the Armed Forces. The Chief of MAAG deals directly with the Chief of Staff of the Ministry of National Defense (MND); who, under the Generalissimo, is the head of the Armed Forces. The MAAG General Staff deals with the Supreme

Staff of MND, and so on to the lower levels, each section of MAAG dealing with its counterpart in the Armed Forces of the Republic of China. There are MAAG advisors at air bases, naval installations, schools and training centers, armies and divisions, and with the technical services.

MAAG has been in operation slightly over a year. In that time the situation has been fully surveyed and complete programs for the Fiscal Year of 1951, 52, 53, and partial program for FY 54 have been submitted to Washington. The Chinese forces are well on their way to reorganization into more modern and efficient units. Military schools have been rehabilitated and new schools have been organized. Over two hundred officers of the National Government of Republic of China (NGRC) have gone to the United States for training. New recommendations being made are designed to make the NGRC Forces an efficient co-operative team. Troop training programs have been prepared and are in effect in the armed forces. Two divisions have been put through an intensive course of training at a training center and two more such training centers are being put into operation. Co-operation between the arms and services is being stressed throughout.

50. Coordination with Embassy, MSA, JG White and JCRR

MAAG relations with MSA, the US Embassy, JCRR, and JG White are controlled and directed by the Chief of MAAG with much of the active coordination being accomplished by the MAAG Comptroller and the Combined Service Forces Section of MAAG. The Chief personally coordinates MAAG policy with the Chief of the US Diplomatic Mission and the ranking officials of other agencies of the US Government active in the Area. A representative of MAAG attends the weekly meeting of the Chief, MSA Mission.

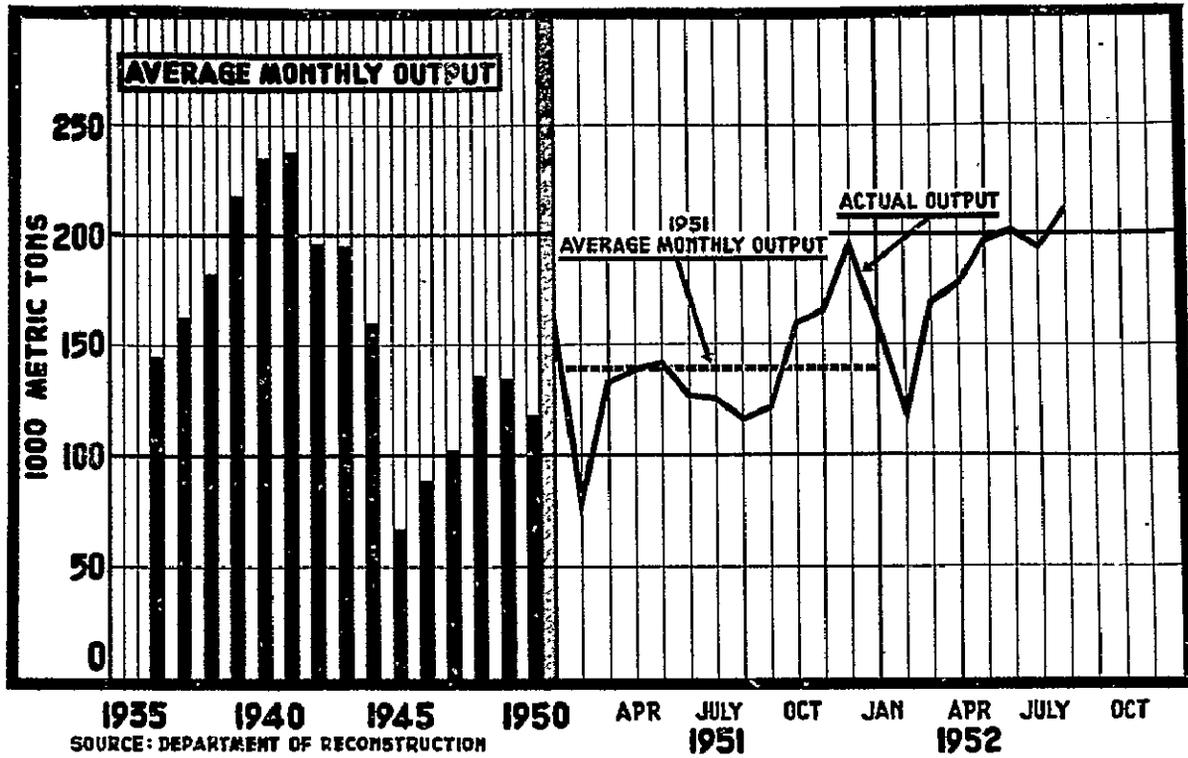
The Comptroller exercises overall supervision over fiscal and financial matters on the general staff level. He observes and advises the Chief of MAAG, concerning the impact of the military aid program on

the civilian economy, and is concerned with coordinating the MSA counterpart program. He works largely with Embassy and MSA officials.

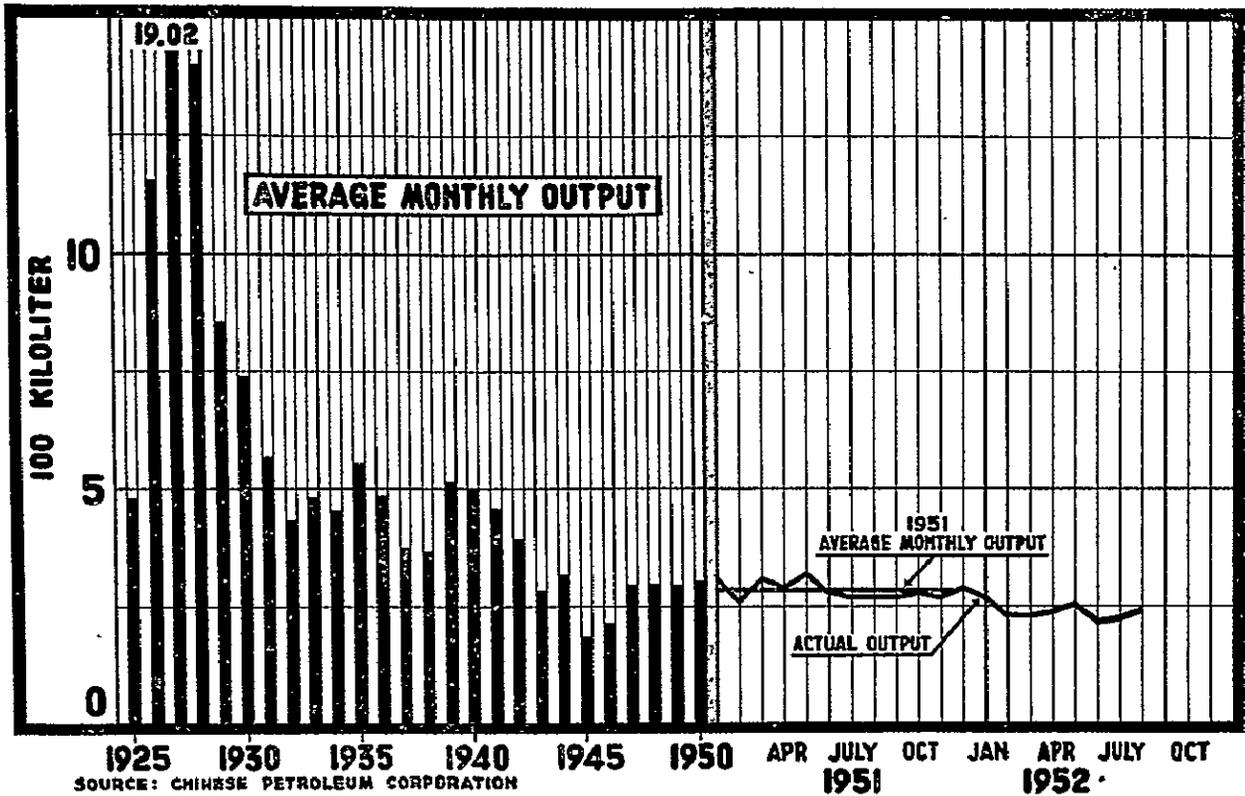
The Combined Service Forces (CSF) Section is the advisor to the Combined Service Force of the armed forces of the National Government of the Republic of China. The latter is the logistical support agency of the Chinese armed forces, and serves the Chinese Army, Navy, and Air Force.

The CSF Section has assigned specialists to duty as advisors of the various Chinese technical services (medical, chemical, etc.) and is, thereby, one of the principal factors in achieving full coordination with MSA concerning the supply of "soft" goods to the Chinese forces, the receipt and end use check of supplies for the Mutual Defense Aid Program, and MSA military impact aid support.

COAL PRODUCTION TAIWAN



CRUDE OIL PRODUCTION TAIWAN



SECTION XI

AMERICAN EMBASSY

Overall Responsibility for American Policy in Taiwan.¹

The responsibility of the Embassy for coordination of American policies and activities in Taiwan was set forth by the President of the United States in Executive Order 10338 dated April 4, 1952, "Coordination Procedures under Section 507 of the Mutual Security Act of 1951". Pertinent excerpts follow:

"Section 1. Functions of the Chief of the United States Diplomatic Mission. (a) The Chief of the United States Diplomatic Mission in each country, as the representative of the President, and acting on his behalf, shall coordinate the activities of the United States representatives (including the chiefs of economic missions, military assistance advisory groups, and other representatives of agencies of the United States Government) in such country engaged in carrying out programs under the Mutual Security Act of 1951, and he shall assume responsibility for assuring the unified development and execution of the said programs in such country. More particularly, the functions of each Chief of United States Diplomatic Mission shall include, with respect to the programs and country concerned:

¹ You will note that both the terms Taiwan and Formosa are used to apply to the "unsinkable aircraft carrier." The pattern of usage as set by the U.S. Embassy is to use Formosa in communications to the United States and other countries, but to use Taiwan in local communications.

The reason for this distinction is apparent. Formosa, derived from the laudatory "Ilha Formosa" (Beautiful Island) used by the first Portuguese navigators who landed in 1590 is the name by which the island is best known to Europe and America. The name used by both Chinese and Japanese, however, is Taiwan.

- "(1) Exercising general direction and leadership of the entire effort.
- "(2) Assuring that recommendations and prospective plans and actions of the United States representatives are effectively coordinated and are consistent with and in furtherance of the established policy of the United States.
- "(3) Assuring that the interpretation and application of instructions received by the United States representatives from higher authority are in accord with the established policy of the United States.
- "(4) Guiding the United States representatives in working out measures to prevent duplication in their efforts and to promote the most effective and efficient use of all United States officers and employees having mutual security responsibilities.
- "(5) Keeping the United States representatives fully informed as to current and prospective United States policies.
- "(6) Prescribing procedures governing the coordination of the activities of the United States representatives, and assuring that these representatives shall have access to all available information essential to the accomplishment of their prescribed duties.
- "(7) Preparing and submitting such reports on the operation and status of the programs under the Mutual Security Act as may be directed by the Director for Mutual Security.

"Section 2. Referral of Unresolved Matters. The Chief of the United States Diplomatic Mission in each country shall initiate steps to reconcile any divergent views arising in the country concerned with respect to programs under the Act. If agreement

cannot be reached the Chief of the United States Diplomatic Mission shall recommend a course of action, and such course of action shall be followed unless a United States representative requests that the issue be referred to higher authority for decision. If such a request is made, the parties concerned shall promptly refer the issue to higher authority for resolution prior to taking action at the country level. The Director of Mutual Security shall assure expeditious decisions on matters so submitted."

52. Sections of the Embassy

The American Embassy in Taipei, like most other Embassies throughout the world, is divided into five sections under the direction of the Chief of Mission. In Taipei, the Deputy Chief of the Diplomatic Mission has the title of Counselor of Embassy. The various sections, with the responsibilities assigned to each, are as follows:

1. Political Section: Political reporting; negotiation of treaties, claims, etc.; coordination with the Armed Services Attaches; coordination with the MSA Mission and the MAAG; protocol.
2. Economic Section: Economic analysis of industry, finance, transportation, and communications; trade promotion; trade protection; commercial policy; commercial intelligence; commodity reporting; coordination with the MSA Mission.
3. Information and Cultural Section (more generally known as the United States Information Service, USIS): the conduct of an information program through the media of press, radio, and motion pictures; cultural affairs, including exchange of persons and the maintenance of the USIS Library.

In carrying out these functions USIS has an extensive program for teaching English, involving radio programs, classes in English, and a publication. USIS maintains a stock of selected textbooks for this purpose. Curriculum collections of texts and books on methods of teaching are also being developed at Taipei and Tainan. In the general cultural field, USIS sponsors record concerts and recitals.

USIS has a trainee program under the Smith-Mundt Act, in which 10 teachers of English and 5 students are being sent to the U.S. in the current period.

At the present time USIS offices and its library are in separate buildings. Soon, however, they plan to move into a single large building which will more adequately house its several services.

4. Consular Section: Visas; citizenship; invoices and legal papers; protection and welfare of U.S. citizens; federal beneficiaries (such as veterans); services to ships and seamen.

5. Administrative Section: Personnel; property; equipment; supplies; communications; records; disbursing; security; administrative support to the MSA Mission and the MAAG and additional services such as the operation of the Embassy Commissary.

53. Attachés

The Attachés and Assistant Attachés of the Army, Navy, and Air Force in Taipei are an integral part of the American Embassy. Their principal duties are to act in a liaison capacity with officers of the Chinese Armed Forces, particularly with Intelligence officers (G-2) of the Ministry of National Defense. They provide the Chief of the Diplomatic Mission with military information required by him in the performance

of his duties. They also have direct communications channels to their respective headquarters in Washington, to which they submit information reports on matters of particular concern to the Armed Services.

The Air Attaché maintains a C-47 here which serves as a valuable supply and communications link between Taipei and Hong Kong.

The Naval Attaché is responsible for radio communications for all three services and in addition occasionally handles some communications traffic for the Embassy itself.

54. Cable and Communications Responsibilities

The following is an analysis of the proportions of time spent by the Embassy Code Room on MSA and Embassy telegraphic traffic. Proportions vary from month to month; when the workload is heavy, MSA accounts for as much as 90% of the total classified traffic; when it is low, about 50%. so that an average is about as follows:

MSA & MAAG	75%
USIS	10%
Embassy	15%

Incoming cables are received either through MAAG teletype channels or through the Embassy Radio Room, unless there is an extreme emergency, and then MAAG teletype is used. Since the middle of August 1952, teletype facilities have also been in operation at the Embassy.

Of all incoming MSA unclassified telegrams, 90% come in through the Embassy Radio Room. They are picked up there by a MSA messenger and taken to MSA, where permanent copies are typed. The remaining 10% of these telegrams come in through MAAG.

The Code Room types all copies of all incoming classified cables and all copies of Embassy incoming messages, both classified and unclassified.

MSA types only the outgoing cables, classified and unclassified, and has no further responsibilities for transmittal.

SECTION XII

STAFF DOCTRINES AND FUNCTIONS

This section will be covered in the form of a lecture, given by the Deputy Chief of China Mission. The talk is organized under the following heads:

- * 55. Responsibilities to MSA/W
 - 56. Functions of Staff
 - 57. Completed Staff Work
(Executive Order No. 2, January 3, 1952.)
 - 58. Teamwork.
- * These numbers continue the sequence of headings used in the written presentations.

SECTION XIII

MISSION OPERATIONS

The most important part of this Section is a lecture, to be given by the Deputy Chief of the Mission. The outline for this talk is:

- * 59. Administrative Principles
- 60. Standing Operating Procedures
- 61. Staff Conferences
- 62. Committee Assignments
- 63. Other Special Assignments
- 64. Housekeeping Activities
- 65. Relations with Other Agencies
- 66. Security
- 67. Field Trips
- 68. Suspense Procedure
- 69. Public Relations
- 70. Professional Ethics and Moral Standards
- 71. The Library

* These numbers continue the sequence of headings used in the written presentations.

72. Executive Orders

These Orders, issued at irregular intervals as need occasions, give official statements concerning Mission operating practices and policies. A file of these Orders is maintained in the Executive Office where

it may be consulted by interested persons. Executive Orders are not classified material.

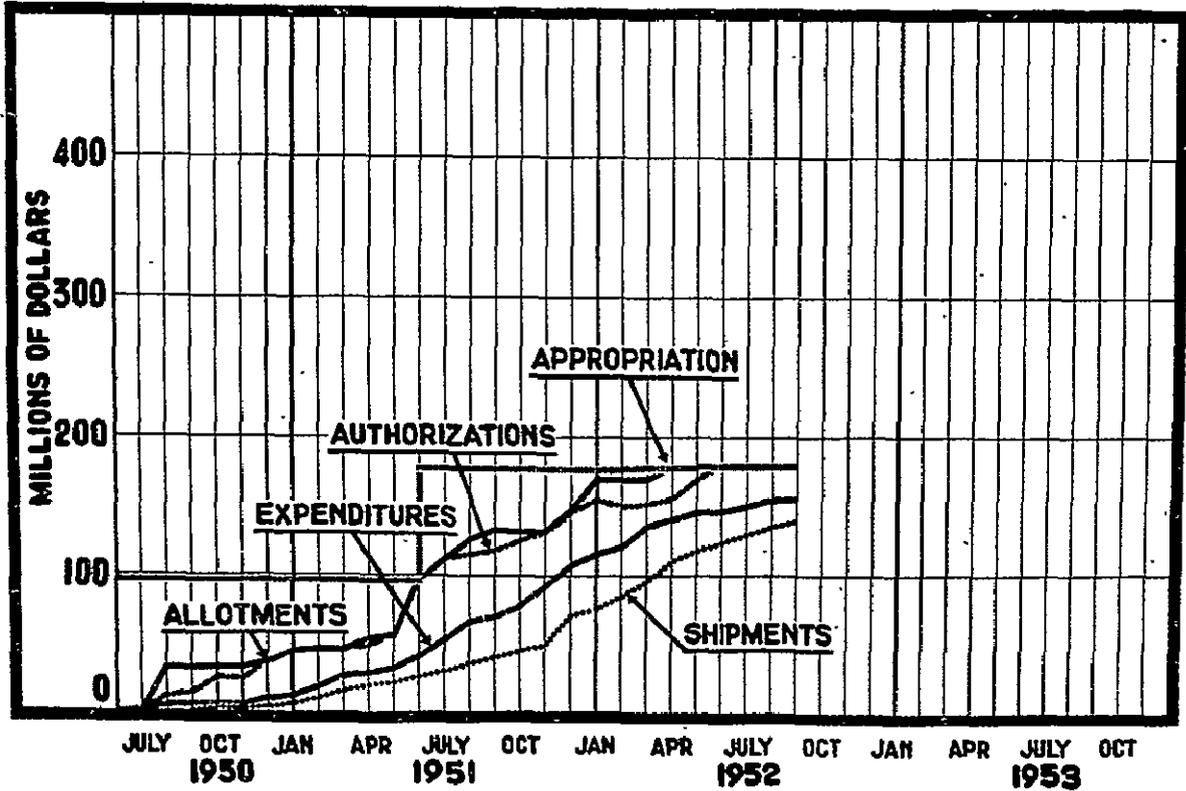
Among these Orders, the ones that are of particular interest in the field of Mission operations are:

- #65. Aug. 19, 1952. Access to Classified Material by Local Employees.
- #45. June 12, 1952. Staff Tea Conferences. (Pattern of attendance at Tuesday afternoon teas.)
- #25. Mar. 12, 1952. MSA/CM Procurement Procedure.
- #23. Mar. 6, 1952. Security Information. (Explains four categories.)
- #22. Mar. 6, 1952. Duty Officer. (Clarifies hours and functions See also #22A - Mar. 4, and 22D-May 21)
- #18. Feb. 6, 1952. Special Assignments (Explains duties of various special officers.)
- #16. Feb. 4, 1952. Interviews and Public Addresses. (Official instructions with respect to these)
- #14. Jan. 31, 1952. Import of Personal Automobiles. (Conditions governing import and rules of use on Taiwan. Includes a very stringent rule on accidents.)
- #6. Jan. 9, 1952. Liaison with Outside Organizations. (The officers through whom contact should be made.)

#5. Jan. 7, 1952. Signatures on Communications to
MSA/W. (Certain officers of the
Mission are designated to sign
letters to certain other officers
in the Washington organization.
This Order makes the lines of
communication clear.)

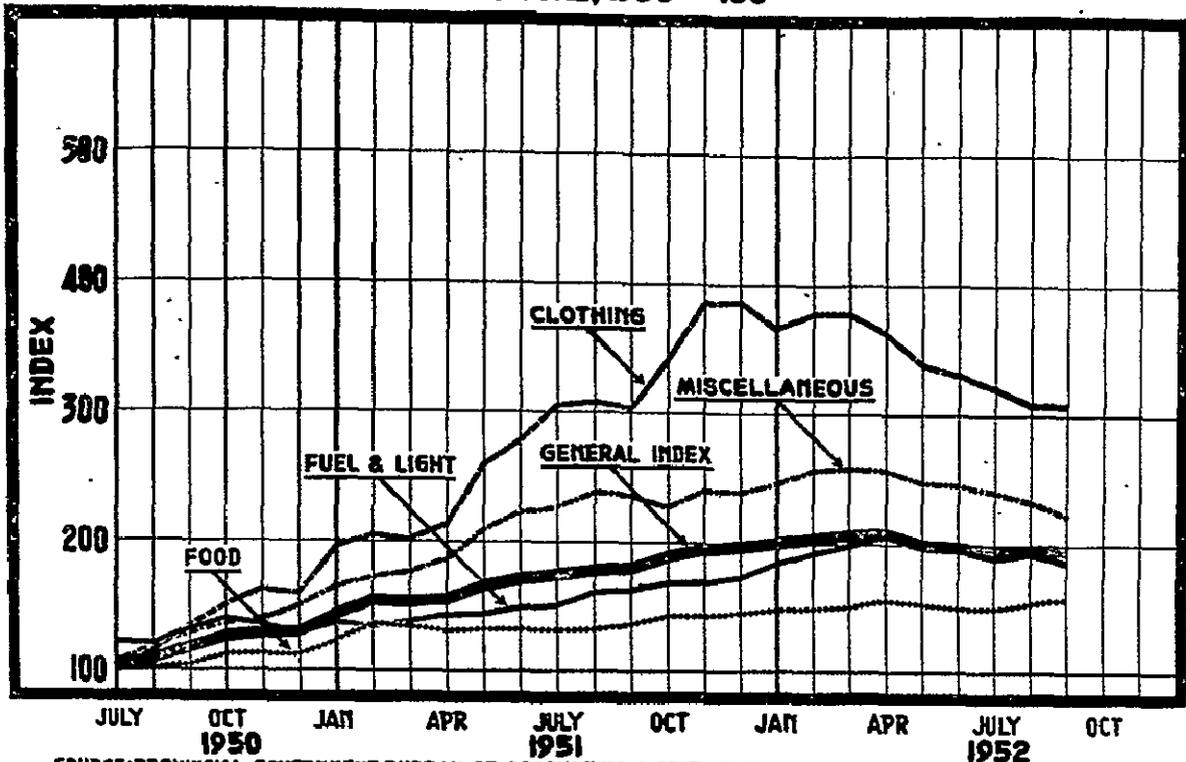
Although not an Executive Order, the Memorandum of
March 12, 1952 which reproduces Manual Operation
Order no. 290-1 dealing with personal conduct is of
importance. In it will be found important
statements concerning speeches and interviews,
writing for publication and restrictions applicable
to family members.

AID PROGRAM RECORD



RETAIL PRICES IN TAIPEI

JAN.-JUNE, 1950 = 100



SOURCE: PROVINCIAL GOVERNMENT BUREAU OF ACCOUNTING & STATISTICS (FORMULA: SIMPLE GEOMETRIC MEAN 50 ITEMS)

SECTION XIV

ORIENTATION AND THE INDIVIDUAL

The preceding sections, then, give the main features of the background and present ramifications of the Mission organization and program. Reading them should give you a fairly clear picture. However reading, alone, is not enough. There should be some chance to ask questions and to further clarify your understandings through discussion. Then, too, certain sections i.e., V, XII, XIII are not detailed in writing; the material is presented in lecture form. Because of these considerations, your reading will be supplemented by a few small-group meetings. These meetings will be called when there have been enough new personnel arrive at the Mission to constitute a good working group.

73. Schedule of Group Meetings

Meeting No.1

1. Talk:- Current Activities of the China Mission
(Section V).....Chief of Mission
1 hr. 15 minutes
2. Discussion of above talk 20 minutes
3. Social period 20 minutes
4. Discussion of reading of Sections
I, II, III, IV, VI
lead byOrientation Officer
MSA personnel responsible for the preparation of
the above sections should attend to answer
questions 1 hour

Meeting No. 2

1. Talk: (a) Staff Doctrines and Functions
(b) Mission Operations
 ...Deputy Chief of Mission 1 hour
2. Discussion of above talk 20 minutes.
3. Social Period 20 minutes
4. Discussion of reading of Sections
 VII, VIII, IX, X, XI
 lead byOrientation Officer

 MSA personnel responsible for the preparation
 of the above sections should attend to answer
 questions 1 hour

Meeting No. 3

Discussion period held after consultation with new personnel, based upon reading, and to clear up uncertainties.

Lead by person, or persons selected in light of the areas to be discussed..... 1½ hours

74. Questions for Discussion

Why a set of questions, one may ask? Surely, MSA personnel do not need this feature of school texts long since discarded! And yet, adults or children alike, we only really understand those things that we have chance to use and to subject to the clarifying process of trying to state in our own words. Hence - these questions. Their framer hopes that they truly may be thought-provoking, requiring application of the material and not merely its recall. Some of the questions will serve as a basis for the planned discussion periods. It is hoped that new personnel will reflect concerning the others or, better still, talk them over informally with friends.

QUESTIONS FOR DISCUSSION

Section I

1. Do you believe that "the confusion of war always help communism". If true, why should this be so? What evidence is there to support your belief?
 2. Would you say that the "1947 incident" reflected a "colonial attitude" on the part of the Chinese officials at that time? Have you noticed, or heard, of any effects of the incident on Taiwan at the present time?
 3. What were some of the main causes of the economic deterioration referred to on page 4?
 4. What are some of the senses in which Formosa is truly a "show window" for democracy?
- Section II
5. What significant new concept with respect to aid appears in the MSA Act of 1951 that was not in the ECA Act of 1948?
 6. Why can it be said the U.S. dollars spent for commodities to be used in Taiwan usually have a "double effect"?
 7. What do you think are the significance of the six agreement points (page 9) for the defense of Taiwan? Do they seem excessively demanding?

Section III

8. Note the use of the word "integrated" in connection with "industrial development program". (page 11) What is the opposite of "integrated"? What kinds of considerations must be taken into

account if a program is to be integrated?

9. What were some of the outstanding features of the ECA program on the mainland?

Section IV.

10. How would operating procedures under the "jointness" concept differ from practices followed in certain relief programs undertaken by the United States. Comment on the significance of the fact that of the five JCRR Commissioners, three are Chinese?
11. Do you believe that the quotation on page 17 is true? Assuming that it is, how might the history of China been changed? Could Communist control of mainland China been averted?
12. Note that two objectives 3 and 5 from the JCRR list (page 17) are concerned with developing the abilities of rural people themselves. What do you think to be the significance of this? (Note also No. 1 of the list of Policies.)
13. Which is the older organization JCRR or MSA/ECA? What bearing does this fact have on the differences between MSA and JCRR organization?
14. What is meant by the phrase "land tenure reform programs?" How are they accomplished?
15. Do you consider the existence of separate, although coordinated, JCRR and MSA programs in the areas of health and fisheries to be desirable (page 19)? Is the division of effort in fisheries the logical result of the differing nature of JCRR and MSA? Why?

Section V

Discussion lead by Chief of Mission:

16. Define the word "demography" and explain the practical significance of this science to MSA activities.
17. Is social stability as important as economic stability? Explain your point of view.
18. Explain what is meant by "flight of capital". Discuss.
19. Is the black market rate of exchange the realistic rate? Explain.
20. In an economic program, such as on Taiwan, do you believe that there are several phases, such as
 - a. Control of inflation;
 - b. Increase of production;
 - c. Economic self-support;
 - d. Termination of aid?
21. Will increased productivity cause inflation?
22. Could the Republic of China use an annual grant of US\$5 billion? Discuss and explain the significance of this question.
23. How does a Public Health program fit into the terms of reference of the Mutual Security Act?
24. In the light of current MSA activities and efforts, do you think that the Mission's educational program should be directed towards primary schools or vocational training? Give reasons for answer.
25. In an Asian country such as this, will a free labor movement be successful?

Section VI

26. Recall the basis on which TA personnel are secured. Why does this makes it logical that these men should have their offices in a Chinese government agency?
27. Assume that a Burmese newspaper reports that the TCA Mission there is about to provide Burma with military supplies and military advisory personnel. Why would such a report be almost surely in error?

28. Would you say that it is inconsistent with MSA principles to have "an increasing amount of emphasis on the technical assistance aspects of this program" (page 23)?
29. What would be the easy way to have policy decisions made in the absence of a Program Review Committee? Is, therefore, the establishment of this Committee a step toward, or away from, democratic Mission procedures?
30. Do you think it would be better in theory to have TA personnel supervised by the various section chiefs of the Mission or increasingly to have supervisory authority vested in the Office of Industry and Natural Resources. Why?
31. Study the organizational chart of the Mission (Figure 1). Note the relation of your section to others, and to OCM (Office of Chief of Mission). Comment on the nature of these relations. Are they logical and desirable, do you think?

Section VII

32. Study the chart for JCRR organization. (Figure 2) At what points may there be overlap with MSA projects? How may duplication of effort be avoided?
33. What U.S. government bureau comes closest in function to the Control Yuan of the Chinese government (page 33)?
34. Would you characterize the Chinese government as socialistic in view of the many businesses that it operates (page 36)?
35. Recall that Generalissimo Chiang holds two positions (page 36). If the President of the U.S. held two similar offices what would they probably be? Why cannot an exact parallel be made?
36. Why are American observers regularly present at meetings of the Economic Stabilization Board (ESB), the membership of which is entirely Chinese (page 41)?

37. Compare CUSA and ESB (page 41, 44). Both are Chinese organizations dealing with U. S. aid; both deal with economic matters. Do their activities duplicate each other? Give reasons.
38. Since CUSA "does not decide on policy" what is its function? How does it work with MSA in carrying out a project?
39. What businesses in the U. S. are operated along lines similar to the public enterprises (page 47)?
40. Suppose that it had been possible to have boards of directors of public enterprises "semi-autonomous and non-political" (page 50) would a system of private enterprise have resulted? Explain.
41. In what respect is JCRR (page 53) similar to CUSA?
42. Do you consider that the Joint Committee on Industrial Reconstruction and Replacement (JCIRR) and the Economic Stabilization Board have overlapping functions? What are your reasons?
43. The Chinese Technical Mission (CTM) was established in 1948. What developments would have made the establishment of CTM necessary at a later time even if it had not been in 1948?

Section IX

44. Why are staff positions with J. G. White necessarily changed from time to time?
45. Note that (page 54) J. G. White is controlled by JCIRR, although its contract is with CUSA. Does this impress you in any way as unusual? Is it in line with your previous ideas of the nature of these latter two organizations? Explain.

Section X

46. Note the method by which the MAAG General Staff deals with the Supreme Staff of MND. Is this similar to,

- ...or quite different from, the method by which MSA officers deal with their counterparts? Explain.
47. MAAG has provided considerable material aid to the Chinese Armed Forces. What are some of the other probable effects on these Forces of MAAG activities on Taiwan?

Section XI

48. Why, in all probability, has the Chief of the U.S. Diplomatic Mission on Taiwan been designated as a sort of referee on MSA programs? What functions of his office should peculiarly qualify him for this task?
49. Why do not the Military Attaches duplicate any of the functions of MAAG?

Sections XII and XIII

Discussion lead by Deputy Chief of Mission.

50. To what extent should authority be delegated in an organization such as the China Mission?
51. Could all programs be formulated by one office? Discuss.
52. Why does the Chief of Mission insist on the principle of completed staff work?
53. Are the fundamentals of security as practiced in MSA/CM followed in most private businesses in the U.S.?
75. The Reading Lists

We will read this Manual, then, and have meetings to discuss its parts. But that alone will not be enough if you are really to feel the pulse of Mission activity. Reading is essential. You will want to read all of the books of the first list in the first few months of your

stay (part 76), and others from the second list (page 77), as your interest indicates. You also may wish to consult some of the references in part 78.

Other reading, too, will be of value. The Mission publication Taiwan Tours, is a guide to some of the many interesting places on Taiwan. It was prepared by a valiant group of "Mission wives". You have all read the Mission Post Report. And then there are the current materials in the daily MSA-JCRR Press Translation Summary, and the monthly Chinese American Economic Cooperation (CAEC), generally considered the best of all the MSA Mission monthly reports. The official report entitled U. S. Economic Assistance to Formosa gives an excellent summary of accomplishments for the period January 1 to December 31, 1950.

Here, then, is truly a goodly quota of reading material. It may even serve to enrich those dreary periods when, for some reason, the precious stream of magazines from home has ceased to flow.

SECTION XV

SELECTED REFERENCES

Lists have been prepared by the MSA/JCRR Library staff. Numbers following book titles are the call numbers, given in order to make book location easy for this Library.

76. Suggested Reading For All

1. Bate, H. Maclear Report from Formosa
On order for MSA/JCRR Library. A recent bit of English reportorial writing, good although somewhat superficial. Stresses ECA's activities. Contains a complete chronology of Formosan history.

2. Chiang, Monlin Tides from the West (920)
Dr. Chiang's style has a pleasantly fluid quality, and reading his book is like effortlessly drifting with a stream. This autobiography is much more a book about the Chinese people than about its author. In that class it is one of those most worth reading.

3. Han Li-wu Taiwan Today (951.24)
This gives a general but concise account of Taiwan after the war -- its political and social conditions, finances,

agriculture, industry, communications and education, together with necessary statistics presented from the point of view of the official group. It is not difficult to read and should satisfy the needs of anyone new to the island. The author was formerly Minister of Education but is now an advisor to the President.

4. Sun Yat-sen

Three Principles. English Reader (320)

As everyone should know, the author was the Father of the Republic of China. The Three Principles are Nationalism, Democracy, and Livelihood, all of which are Nationalist principles. The book is a textbook with questions and notes.

77. Other Books for Reading

1. Campbell, W.

Excerpts from The Island of Formosa; Past and Present by James W. Davidson (Ph1421) Those portions from the large book by Davidson gives the reader a general history of Taiwan from its discovery to the middle of the 17th century. Written in narrative form, it is easy to read. The complete book is not in the

MSA/JCRR library but
may be borrowed from the
Mission Chief.

2. Canadian Dept.
of Mines

Formosa: A Geographical
Appreciation
On order for MSA/JCRR
Library.

3. Chen, Cheng

An Approach to China's
Land Reform (333)
The author, now the
Premier of the National
Government of China, was
responsible for the
introduction of the land
rent reduction program
in Taiwan when he was
Governor in 1949. The
sale of public land, the
reform of urban land, and
the reform of private
farmland are also dealt
with in this booklet.

4. . . . Cressey, George W.

Asia's Lands and People
(915)
This is a fully revised
2nd edition. The nations
of Asia are grouped into
5 regions -- China, Japan
and Korea; Soviet Union;
Southwestern Asia; India
and Pakistan and
Southeastern Asia. The
historical, political
and cultural background
of the peoples of each
nation as well as the
economic conditions are
examined. Character-
istic photographs of the
above nations are supplied.

5. Dewey, Thomas E. Journey to the Far Pacific
Based on a recent trip. Chapter 4 deals with Formosa. Not in MSA/ JCR Library.
6. Dobby, Ernest H. G. Southeast Asia (915)
The book is divided into three parts. The first pictures the natural setting, the second goes from this basis into the human details of each political unit, and the third ties together the social geography of Southeast Asia. The quality of this work is very uneven, otherwise the general conception of the book is highly commendable.
7. Hunter, Edward Brain Washing in Red China (915.05)
One of the most important jobs confronting the initial band of Chinese Communists was to subject their citizens to 'brain-washing' in order to rid them of 'imperialist poison' and to qualify them for their positions in the 'new democracy'. The author explains how this has been accomplished.
8. Macmillian, Hugh F. Tropical Planting and Gardening (581.95)
Here is a book convenient for those who wish to cultivate plants for

ornament, utility, or commercial purposes, covering both flowers and fruits of the tropics. Illustrations are numerous and varied.

9. Tsao, Wen Yen

The Constitutional Structure of Modern China (354.51)

The draft of the Chinese Constitution as well as the full text of the Constitution are given in full. The People's Congress, Legislature, Judiciary, and Civil Service are explained. A description is given of the Central and Local Governments, the Presidential and Executive Powers.

10. Riggs, Fred W.

Formosa Under Chinese Nationalist Rule

On order for MSA/JCRR Library.

11.

Chronological Outline: Political History of Taiwan, 605 A.D. to 1942. (Ph1423)

It can be said that this is a continuation of Campbell's Excerpts from the Island of Formosa. A useful guide to the political history of Taiwan.

12.

General Report of the Joint Commission on Rural

Reconstruction, 1950 and 1951 (630.61)

In both these reports, we have the background and organization of the Joint Commission, its budgetary and financing problems. The programs of all the divisions as well as their achievements are traced in full. Highly recommended for all those interested in the activities of the JCRR.

13. U.S. Office of the Chief of Naval Operations.

Civil Affairs Handbook: Taiwan (Formosa) Taichu Province. (951.24)

In this handbook one finds many facts about Taichu Province (Taichung). The only difficulty is all place names given here are transliterated according to Japanese pronunciations. This is very good reading for any new arrival to this island, as it covers almost every thing there is to know about the central province of Taichung.

14. idem

Civil Affairs Handbook: Taiwan (Formosa) Takao Province (951.24)

This is a similar catalogue of facts as that on Taichu Province, except that the southern province of (Kaohsiung) is covered here. Again, this gives an overall picture of the Province and should prove very useful to new personnel.

78. Useful References:

Books

1. Cattell, Jacques American Men of Science
(R923)
2. Hockett, Charles F. Spoken Chinese (in 2 volumes)
and Guide's Manual (495.1)
3. Marquis, A.N.&Co. Who's Who in Commerce and
Industry (R923)
4. Mathews, Robert H A Chinese-English Dictionary
(R495.3)
5. Who's Who in America, 1952-
1953 (R920)

Maps

U.S. Army Map Service (912)

1. "Taiwan (Formosa) Road Map" 1:500,000;
AMS L491
2. "Formosa City Plans" AMS L891
3. "Taiwan (Formosa)" 1:25,000; AMS L892
4. "Formosa" 1:50,000; AMS L792

Periodicals

1. Chinese-American Economic Cooperation
2. Free China Review
3. Modern China

Vertical File (loose leaf material)

1. Chinese Government - Members

2. ECA, MSA/JCRR, Establishment of

3. Mutual Security Act

77. Other References:

This magazine article appeared after the pages of the Manual were mimeographed.

Sherrod, Robert

"The Tiger at Red China's Heels"
Saturday Evening Post, vol. 225,
p. 30-31, 92-95; January 10, 1953.

An illustrated article dealing with present conditions in Taiwan against a background of the Korean war and international politics.