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RICHARD V. ALLEN
CHAIRMAN

11 December 1989

It was a pleasure to see you last week, and I thank you very much for the fine luncheon at the Hyatt. I apologize for running off in such a hurry to catch my plane.

You asked that I share with you my observations after visiting Taiwan, and I am pleased to do so.

While in Taipei, I met with a number of government officials at the rank of Minister and just below, with the Secretary General of the Kuomintang (also an old friend), with a number of astute business persons, and even with members of the opposition party. I also had extensive discussions with very high ranking military officers (at the leadership level).

Understandably, Topic Number One was the results of the Saturday elections. The "bottom line" is, as you know, that the KMT lost seats and the Opposition (DPP) gained seats. In some newspapers outside Taipei, this was depicted as a "severe" loss for the KMT, and has also been interpreted as a "solid gain" for the DPP. I am not so sure.

In the Legislative Yuan races, the KMT won 71 seats, and the DPP increased from 12 to 21 seats. Since 20 seats are required to introduce legislation, it is clear the the DPP will take advantage of the opportunity, and thus will cause legislative headaches for the KMT.

However, the KMT's solid majority is also enhanced by five independents who will vote with the ruling party. Further, the KMT's basic attitude is very interesting: Its leaders, privately and publicly, recognize (a) that the DPP will now be forced to act as a responsible opposition party, no longer with the luxury of shouting matches and even physical violence in the Legislative Yuan; (b) that much of the DPP "victory" is in reality dissatisfaction with certain features of KMT policy and its personnel, and therefore can be interpreted not so much as a DPP "victory" but more a

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protest vote against the present structure of the KMT; and (c) that many people who voted for the Opposition wanted the KMT to get a strong message to reform itself.

If this is so, then the KMT has started out correctly; President Li Teng-hui held special meetings of the Party and the Cabinet, and sent out a strong message to begin the process of reform.

Part of the dissatisfaction with the KMT has its roots in the continued presence of many old Mainlanders in the Legislative Yuan. People, and especially the young, resent the older folks, and feel that they are out of step with the demands of modern life. This is quite likely the truth.

At the same time, everyone recognizes that the present prosperity of Taiwan is the result of forty years of KMT rule. No one wants that prosperity to be threatened, either internally by instability and/or chaos, or externally, by the PRC.

Some DPP gains are very significant, especially at the county and local levels. To be sure, the election of Yoo Chin as Magistrate of Taipei County will have important ramifications, because he is in a position to draw the Central Government into numerous disputes, and even into important power struggles. Although the KMT lost this election by only 4,000 votes in a total of 1.2 million, the KMT candidate was hand-picked by President Li Teng-hui, and therefore the KMT loss is magnified.

Many strong supporters of the KMT agree that the results are actually good for the Party and the country, and believe that the leadership will move quietly to present new programs and a "new attitude."

There will be local elections in January, and it will be instructive to watch those results. The Presidential election is in March, but it is an election by the Legislature and hence the outcome is already determined. Interest will soon focus on the Vice Presidential running mate of Li Teng-hui; most people I spoke with suggested a "middle-aged" candidate, but there has also been some talk in favor of General Chian Wei-kuo, brother of the later President Chiang Ching-kuo.

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While I was in Taipei there was a fairly significant Cabinet change: General Hau Pei-tsun, for eight years the Chief of the General Staff, was named Minister of Defense, and was succeeded by an Air Force General, Chen Hsing-ling. General Hau is a strong man, and has done a lot for the country. His continuing presence at the leadership level is reassurance to the people that Taiwan's defenses will remain strong, and is probably also intended as a gesture to Mainland China.

Business and professional people with whom I met were unconcerned about the KMT's loss of strength. Their outlook is positive, and they seem to expect continued growth and the further development of the country's international economic standing. In fact, business is more concerned about possible protectionism on the part of the United States than it is about the domestic economic situation.

I left Taiwan with the feeling that most of what I heard from a wide variety of people accurately reflects the real situation. I would add that Taiwan's leaders are also quite confident that they are "winning" in the image struggle with the PRC, and believe that the Tiananmin Massacre has dealt Peking a very severe blow. Taiwan's ability, by contrast, to conduct an open, democratic election is something of which Taiwan's leaders can be justifiably proud, and they are happy that some twenty-five international teams of election observers unanimously confirmed that the elections were both free and fair.

Despite some scattered reports of irregularities and claims of voting fraud, nothing has been discovered to substantiate such charges. A recount in Tainan Hsien showed no difference in the figure originally reported, and I, for one, cannot conceive of a situation in which the Kuomintang, if determined to rig the elections, would ever have allowed the crucial post of Taipei County magistrate to fall to the DPP!!

In my meeting with one of the leading Taiwanese dissidents (who had been jailed for five years for making a "seditious" Speech), I was told that vote-buying was widespread. While I wouldn't for a moment condone that practice, I asked that person if she had ever head of Chicago and Boston, both citadels of democracy where machine politics included vote-buying as a way of life.

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There was one element that seems, at least on the surface, to have appeared unfair: The government's dominance of the television networks. But that's not limited to Taiwan; most of the rest of the world has the same problem of state-owned television systems.

I'm not sure you wanted to have this much information concerning my observations, but I sent it along with my best wishes to you.

Sincerely,

/s/

Richard V. Allen