

## U. S. Claims - PRC Assets

Q. What is the status of claims of United States citizens against the PRC and PRC assets blocked by the United States? When can we expect a settlement of this issue?

A. U. S. private citizens and corporations have claims amounting to approximately \$196 million (plus interest) against the PRC certified by the Foreign Claims Settlement Commission of the United States. Chinese assets blocked by the United States are valued at approximately \$80 million. The governments of the U. S. and the PRC began in 1973 to discuss settlement of these related matters, and have held discussions from time to time, but important issues remain to be resolved.

The U. S. government considers an equitable settlement of claims against the PRC to be a priority matter for discussion with the PRC. Treasury Secretary Blumenthal has stated that he hopes his trip to Peking at the end of February will lead to substantial progress on the issue. The matter is obviously a complicated one and I would not propose to go into further detail here; however, you can be assured that we are doing all we can to obtain an equitable settlement at the earliest date.

- Q. In addition to the claims of U. S. private citizens and corporations against the PRC, does the U. S. government also have any claims against the PRC? What are these claims and what are we doing about them?
- A. The matter of potential U. S. government claims against the PRC is currently under study by appropriate agencies of the government. It is my understanding that the U. S. Postal Service has provided services to the PRC since 1949 and has been paid for only a small portion of these services (approximately \$600,000 is involved). In 1949 and 1950, the PRC seized U. S. embassy and consular property in China which in 1952 was valued by the State Department at approximately \$11 million. Beyond this, there are a number of obligations undertaken by previous Chinese governments which we are currently evaluating. (FYI: These include approximately \$26 million (principal amount) in pre-1949 Exim Bank loans, which the Bank now considers obligations of the PRC and which we are currently studying; approximately \$300 million in pre-1949 lend lease and surplus property debt for which a U. S. claim against the PRC would be much weaker; and a 1942 \$500 million Treasury credit which appears to have been intended as a grant. End FYI)

Question: How can we believe in human rights and abandon a traditional ally like Taiwan?

Answer:

-- We are not abandoning Taiwan. International law does not require that treaties and agreements lapse when diplomatic relations end or when recognition is withdrawn. Although the Mutual Defense Treaty will be terminated in accordance with its provisions, commercial, cultural and other relationships with Taiwan will continue under existing agreements.

-- In addition to the various relations which the American people will maintain with Taiwan, I want to stress that the United States continues to have an interest in the peaceful resolution of the Taiwan issue and that we are confident that the people of Taiwan can look forward to a peaceful and prosperous future.

Question: Isn't China much more of a human rights transgressor than Taiwan?

Answer:

-- The Chinese Government has itself acknowledged that there have been violations of human rights in China. This acknowledgment is, in itself, a positive development reflecting what we hope represents an intention to seek further improvement.

-- During the Secretary's visit to Peking, he described the importance we attach to human rights. The subject has also been raised in the conversations held by our Liaison Offices.

-- In Taiwan, a quarter century of peace, political stability, economic growth and extensive contact with the West has brought about significant advances in the observance of internationally-recognized human rights. At the same time, Taiwan remains essentially a one-party state operating under martial law provisions. Human rights violations continue to occur, but their frequency has diminished as the authorities have shown increasing sensitivity to human rights concerns in recent years.

Question: After our Embassy closes, how do you plan to continue providing visas and passports to people who want to travel from Taiwan to the U.S.?

Answer:

-- U. S. law requires the decisions in these matters to be made by U. S. consular officials. Although there will be no U. S. consular officials in Taiwan after February 28, the American Institute in Taiwan will be able to accept visa and passport applications and in other ways facilitate travel. We are now working out procedures with our consular posts near Taiwan to ensure that travel documentation for entry into the U. S. will be available to people in Taiwan.

If Asked:

-- The American Institute in Taiwan will have officers empowered to accept passport and visa applications, and to take oaths on such applications. The applications will be processed in much the same manner as is now done, and then be referred to a nearby consular post, probably the Consulate General in Hong Kong, for decision. The approved travel document will then be returned to the applicant through the American Institute.

Question: Mr. Christopher, how do you plan to continue providing protection to American citizens and their property on Taiwan after the Embassy closes?

Answer:

-- We expect that with the agreement of the authorities on Taiwan, officers of the American Institute in Taiwan will be able to continue providing welfare, protection and similar services for American citizens. I might mention in this respect that Japan and other countries with no diplomatic or consular officers in Taiwan have had excellent cooperation from the Taiwan authorities.

QUESTION: Mr. Christopher, does not the President's memorandum of December 30 and the legislation about which you are testifying today require that Taiwan be treated as a separate country for the purpose of the 20,000 per country limitation on immigration?

ANSWER : I do not believe that either the President's memorandum or the proposed legislation requires any change in the position I have stated. Both the President's memorandum and the proposed legislation have as their express purpose the preservation of economic, trade, cultural and other relations between the people of the United States and the people on Taiwan. In essence, the purpose is to preserve the status quo ante in these areas.

Since Japan relinquished control of Taiwan after World War II, natives of Taiwan have been processed for immigration on the same basis as other natives of China, under the formerly applicable national origins quota until 1965, and since 1965 under the current foreign state limitation of 20,000 for China. Preserving this situation unchanged is entirely consistent with the purpose of our proposed legislation.

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QUESTION: What is the situation with respect to Chinese membership in the International Monetary Fund, World Bank, and Asian Development Bank? What is the U.S. Government's attitude toward this issue?

ANSWER:

The Chinese seat in the IMF, the World Bank Group, and the Asian Development Bank since the establishment of these institutions has been held by the government presently on Taiwan.

We are aware of reports that China is considering the question of participation in the IMF and World Bank. We do not have information, however, on Chinese intentions. There are a number of complex financial and legal questions involved in this issue and we are studying them as we review our policy in light of recent developments. Secretary Blumenthal will be prepared to discuss this issue with appropriate Chinese authorities should it arise during his visit in Peking.

BACKGROUND NOTE:

Confidential FYI. There is considerable concern about potential Congressional reactions to a PRC move to participate in the international financial institutions. In particular, Taiwan supporters may push for assurances that Taiwan would not be forced to withdraw from the institutions. We cannot provide such assurances. End Confidential FYI.

CONFIDENTIAL  
(GDS - 1/26/85)

Q's and A's

Question: Do you believe the Administration fulfilled the requirements of law and its own public commitments to consult in advance with Congress on the termination of our defense treaty with Taiwan?

Answer:

-- From the beginning of his Administration, President Carter clearly indicated his acceptance of the Shanghai Communiqué and his desire to move ahead with normalization of relations with the PRC at an appropriate time, and hopefully within his Administration.

-- Secretary Vance and other members of his Administration also reiterated on numerous occasions that it was the policy of the United States to establish relations with the PRC at some future point.

-- Under instruction from the President, the State Department consulted widely over the last two years with Members of Congress regarding the main issues involved in establishing relations with the PRC and in insuring the future security of the people of Taiwan.

-- All major issues, including the continuation of arms sales, the maintenance of commercial, cultural and other relations, and the likely termination of the Mutual Defense Treaty, were discussed in considerable detail with Members. It was clear in these discussions that Members' views were being sought and would be taken into account in the conduct of U.S. policy.

-- While it is true that we did not involve Members of Congress directly in the negotiation process, their views on key issues were sought and became an important part of the U.S. negotiating position.

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Aviation (PRC)

Q. What is the status of US-PRC civil aviation relations?

A. There is no air transport agreement between the U. S. and the PRC. (If asked, the US - Republic of China Air Transport Agreement of 1946 is applicable only to Taiwan.)

The U. S. government approached the Chinese in January regarding the initiation of negotiations for a US-PRC air transport agreement. As a first step we are exchanging statements of aviation policy and texts of agreements already reached with other countries. We are prepared to pursue formal negotiations whenever the Chinese wish to start.

Although both Northwest and Pan American have mounted sizeable tourist programs to China through Japan and Hong Kong, they do not operate directly to the mainland. In recent years there have been a few cargo charters to China by U. S. airlines.

More than a dozen U. S. airlines have expressed interest in serving China.

Aviation (PRC)

Q. Is an aviation agreement with the PRC necessary in order for U. S. airlines to fly to the PRC or for PRC airlines to fly to the United States?

A. As a general matter, the most satisfactory vehicle for establishing civil aviation relations is a civil aviation agreement. As stated above, we are prepared to begin formal negotiations with the PRC whenever they wish and are already exchanging preliminary material. It would be possible for there to be flights by U. S. carriers to the PRC prior to the conclusion of such an agreement pursuant to ad hoc arrangements with the PRC. Similarly, it would be possible for PRC aircraft to fly to the U. S. without a civil aviation agreement.

SHIPPING (TAIWAN )

Q. What is the status of our shipping agreement with Taiwan?

A. Our treaty of Friendship, Commerce, and Navigation remains in force as do other agreements affecting our relationship with Taiwan. It is a cornerstone of our policy toward Taiwan that there be no interruption of economic ties with the U. S., and we expect the level of shipping activity to continue to expand at its present rate. While no official U. S. personnel will be present, a broad range of shipping services will continue to be provided to the American business community and American shippers and seamen through the American Institute in Taiwan.

Aviation (Taiwan)

Q. How has recognition of the PRC affected air traffic to Taiwan?

A. There has been no appreciable effect. The U. S. airlines (Northwest and Flying Tiger Airlines) and China Airlines have continued to operate between the U. S. and Taipei.

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Q. Is the US-ROC Air Transport Agreement of 1946 still in force with Taiwan?

A. Yes.

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Q. What does that agreement provide?

A. The US-ROC Air Transport Agreement of 1946 established Atlantic and Pacific routes to mainland China and beyond. It was amended in 1950, following suspension of the mainland routes, in part to provide U. S. airlines traffic rights to Taipei. Since 1949 the Agreement has operated only with respect to Taiwan.

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IF PRESSED:

Q. But doesn't the 1946 Air Transport Agreement also contain mainland routes? Isn't there a 1969 Amendment to the

Agreement which would give Taiwan a veto of U. S. air traffic to the mainland?

- A. No. The Agreement, including the 1969 Amendment, can no longer be regarded as applying in any way to the mainland.

(FYI: A 1969 Amendment to the 1946 Air Transport Agreement provided that mainland routes, which were originally specified in the agreement, and which had been suspended, would not be operated without prior consultation and agreement between the parties. The provision is no longer applicable in light of U. S. recognition of the PRC as the sole government of China.)

Question: What are the terms of the pre-January 1  
US/Taiwan trade agreements?

Answer:

-- The basic trading relationships between Taiwan and the US were established by the Treaty of Friendship, Commerce and Navigation which entered into force in November, 1948. By the terms of that treaty, the US and Taiwan extended most-favored-nation (MFN) treatment to each other's products. That treaty continues in force.

-- The Omnibus Bill before this Committee will preserve our current commercial, trade and other relations with Taiwan through non-official means. Taiwan will continue to benefit from MFN and to enjoy the advantages of the Generalized System of Preferences (GSP).

-- Because Taiwan is not a member of the GATT and did not participate in the Tokyo Round of the Multilateral Trade Negotiations (MTN), the US and Taiwan negotiated bilaterally outside the MTN. Those negotiations resulted in a bilateral agreement concluded December 29, 1978.

-- The bilateral agreement provides for the mutual exchange of concessions covering a substantial portion of US/Taiwan trade. The concessions granted by Taiwan consist of tariff reductions on industrial and agricultural products of interest to the United States, the liberalization of several non-tariff measures, and the assumption of the obligations set forth in the non-tariff agreements (codes) being negotiated in the MTN (including agreements on subsidies, government procurement, and other barriers to trade). United States concessions consist of tariff reductions benefitting Taiwan's exports which the US expects to grant as part of its global concessions in the MTN. The US also expects to extend to Taiwan the benefits of the various codes to be negotiated in the MTN.

If Asked:

Because the US offer to Taiwan was made in the context of the global MTN negotiations and may be affected by last minute adjustments with our other negotiating partners, the exact volume of trade affected by the bilateral agreement remains a confidential figure.

OTHER COUNTRY ARRANGEMENTS WITH TAIWAN --

I.E. JAPAN

18  
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Question: What sort of arrangements have other countries made for continuing unofficial contacts with Taiwan? I am particularly interested in Japan.

Answer:

-- Many countries have various forms of unofficial representation which work well. These include trade offices, cultural centers and other forms of private organizations.

-- A private Japanese organization, the Japan Interchange Association (JIA), and its Taiwan counterpart, the Association for East Asian Relations (AEAR), maintain unofficial relations between the people of Japan and those of Taiwan. The services provided include facilitation in the commercial, cultural and travel fields. France, West Germany, the Philippines and many other countries maintain unofficial offices on Taiwan as well.

If Asked:

-- The Japanese Government is sensitive about publicly airing the details of its relationship with Taiwan. You should, therefore, attempt to provide as little information as possible on that subject. If pressed, however, you can provide the following additional information:

-- JIA has two offices in Taiwan, one in Taipei and one in Kaohsiung. AEAR has three office in Japan.

-- JIA does not actually issue visas.

Applications are transferred to a nearby Japanese diplomatic post for servicing, with JIA performing only a "post office" function.

TAIWAN'S INTERNAL POLITICS

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Question: What about postponement of the elections that were scheduled for December? Won't this cause internal dissent?

Answer:

-- In the immediate aftermath of normalization, the authorities cancelled the elections for the 40 or so seats allotted to Taiwan in the Legislature of approximately 400 living members. Most of the political leaders on the island agreed at the time that suspension was a necessary move, including the political opposition which had expected to make significant gains. Taiwan is essentially a one-party state, by the way, and opponents of the ruling Nationalist Party cannot organize as a party and must run as independents.

-- In the weeks since normalization, the authorities and the ruling party have moved to further limit opposition political activity, interfering with political meetings, increasing censorship, etc. There have also been arrests of opposition political figures. These actions by the authorities have led to public protest.

Question: Has normalization had an adverse affect on Taiwan's internal stability?

Answer:

-- Except for anti-U.S. riots in Taipei at the end of December, the authorities have no problem with public order.

-- The Taiwan authorities moved quickly to reassure the population and this was bolstered by prompt pledges by major foreign corporations and banks that they will continue their operations on Taiwan.

-- Economic indicators to date show no signs of alarm. After some initial fluctuations, the stock market and currency have stabilized. No serious capital flight has occurred.

-- On the other hand, there are signs of increased police interference with political activity, particularly activity opposed to the ruling Nationalist Party. Censorship of newspapers and magazines coming in from Japan and elsewhere has become more rigorous.

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PROSPECTS FOR AMERICAN BUSINESS AND BANKING  
COMMUNITY IN TAIWAN

Question: Should American companies continue to make investments in Taiwan, and will commercial services be provided?

Answer:

-- We see no reason why American investment should not continue to grow on Taiwan. The Taiwan authorities maintain an open attitude toward foreign investment proposals. Taiwan's economy is sound. We expect the investment climate to remain favorable. Current Overseas Private Investment Corporation (OPIC) programs remain in effect.

-- While no official U.S. personnel will be present after March 1, commercial services will be available through the American Institute on Taiwan. The American Trade Center, as part of the Institute, is expected to remain in operation.

Question: What has been the reaction to U.S. companies and financial institutions with interests in Taiwan to normalization of relations with the PRC?

Answer:

-- American companies, which currently have more than \$550 million invested in the island, have indicated their intention of proceeding with business as usual. A number have announced plans to go ahead with sizable investments which were under consideration at the time normalization was announced. The 13 U.S. banks represented on the island and numerous others with correspondent relationships with local banks also are functioning as previously. Several new loans to Taiwan companies have been agreed upon in recent weeks. The American Chamber of Commerce in Taiwan has publicly reaffirmed its faith in the future of the economy.

Question: What are the prospects for US/Taiwan trade? Will ExIm Bank financing still be available?

Answer:

-- U.S. trade with Taiwan increased more than 18% in 1977 over the previous year and by an estimated 33% in 1978 over 1977 to almost \$7.5 billion. Taiwan is our second most important trading partner in East Asia after Japan, and is among our top 10 trading partners worldwide. We expect a large increase in trade between the U.S. and Taiwan again this year. Taiwan remains eligible for most favored nation status and for the generalized system of preferences.

-- Arrangements are being made to continue to make Export-Import Bank financing available to U.S. exporters of goods and services.

Question: Will business travel between the U.S. and Taiwan be affected by normalization?

Answer:

-- An unofficial Taiwan organization to be established with offices in this country is expected to facilitate travel for U.S. citizens wishing to go to the island as is done in other countries where Taiwan has no diplomatic representation. The American Institute in Taiwan will have available all necessary services formerly performed by the Embassy to facilitate private travel of business visitors to the U.S.



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