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SELECTED DOCUMENTS

DOCUMENT 1**An Amendment to the International Security Assistance Act of 1978 Concerning the Mutual Defense Treaty with the ROC****United States Republic of China Mutual Defense Treaty**

Sec. 26. (a) The Congress finds that—

(1) the continued security and stability of East Asia is a matter of major strategic interest to the United States;

(2) the United States and the Republic of China have for a period of twenty-four years been linked together by the Mutual Defense Treaty of 1954;

(3) the Republic of China has during that twenty-four-year period faithfully and continually carried out its duties and obligations under that treaty; and

(4) it is the responsibility of the Senate to give its advice and consent to treaties entered into by the United States.

(b) It is the sense of the Congress that there should be prior consultation between the Congress and the executive branch on any proposed policy changes affecting the continuation in force of the Mutual Defense Treaty of 1954.

Congressional Record, 95th Cong., 2d sess., No. 138 (September 7, 1978), p. H9229.
The amendment was adopted by the Congress on September 12, 1978.

DOCUMENT 2**Joint Communiqué on the Establishment of Diplomatic Relations between the United States of America and the People's Republic of China, January 1, 1979**

(The communiqué was released on December 15, 1978 in Washington and Peking).

The United States of America and the People's Republic of China have agreed to recognize each other and to establish diplomatic relations as of January 1, 1979.

The United States of America recognizes the Government of the People's Republic of China as the sole legal Government of China. Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan.

The United States of America and the People's Republic of China reaffirm the principles agreed on by the two sides in the Shanghai Communiqué and emphasize once again that:

- Both wish to reduce the danger of international military conflict.
- Neither should seek hegemony in the Asia-Pacific region or in any other region of the world and each is opposed to efforts by any other country or group of countries to establish such hegemony.
- Neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.
- The Government of the United States of America acknowledges* the Chinese position that there is but one China and Taiwan is part of China.
- Both believe that normalization of Sino-American relations is not only in the interest of the Chinese and American peoples but also contributes to the cause of peace in Asia and the world.

The United States of America and the People's Republic of China will exchange Ambassadors and establish Embassies on March 1, 1979.

*The Chinese text translated the word "acknowledges" into *Cheng-jen*, which, if retranslated into English, would mean "recognize."

Department of State Bulletin 79, no. 2022 (January 1979): 25.

DOCUMENT 3**United States Statement Accompanying the Joint Communiqué on the Establishment of Diplomatic Relations between the United States and the People's Republic of China, December 15, 1978**

As of January 1, 1979, the United States of America recognizes the People's Republic of China as the sole legal government of China. On the same date, the People's Republic of China accords similar recognition to the United States of America. The United States thereby establishes diplomatic relations with the People's Republic of China.

On that same date, January 1, 1979, the United States of America will notify Taiwan that it is terminating diplomatic relations and that the Mutual Defense Treaty between the United States and the Republic of China is being terminated in accordance with the provisions of the Treaty. The United States also states that it will be withdrawing its remaining military personnel from Taiwan within four months.

In the future, the American people and the people of Taiwan will maintain commercial, cultural, and other relations without official government representation and without diplomatic relations.

The Administration will seek adjustments to our laws and regulations to permit the maintenance of commercial, cultural, and other nongovernmental relationships in the new circumstances that will exist after normalization.

The United States is confident that the people of Taiwan face a peaceful and prosperous future. The United States continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves.

The United States believes that the establishment of diplomatic relations with the People's Republic will contribute to the welfare of the American people, to the stability of Asia where the United States has major security and economic interest, and to the peace of the entire world.

DOCUMENT 4**People's Republic of China Statement Accompanying the Joint Communiqué on the Establishment of Diplomatic Relations between the United States and the PRC, December 15, 1978**

As of January 1, 1979, the People's Republic of China and the United States of America recognize each other and establish diplomatic relations, thereby ending the prolonged abnormal relationship between them. This is a historic event in Sino-U.S. relations.

As is known to all, the Government of the People's Republic of China is the sole legal Government of China and Taiwan is a part of China. The question of Taiwan was the crucial issue obstructing the normalization of relations between China and the United States. It has now been resolved between the two countries in the spirit of the Shanghai Communiqué and through their joint efforts, thus enabling the normalization of relations so ardently desired by the people of the two countries. As for the way of bringing Taiwan back to the embrace of the motherland and reunifying the country, it is entirely China's internal affair.

At the invitation of the U.S. Government, Teng Hsiao-ping, Vice-Premier of the State Council of the People's Republic of China, will pay an official visit to the United States in January 1979, with a view to further promoting the friendship between the two peoples and good relations between the two countries.

DOCUMENT 5**Chairman Hua's Press Conference on Establishing Diplomatic Relations with the United States, Peking, December 16, 1978**

Hua Kuo-feng, Chairman of the Central Committee of the Communist Party of China and Premier of the State Council, gave a press conference in Peking's Great Hall of the People on the morning of December 16 in connection with the establishment of diplomatic relations between the People's Republic of China and the United States of America.

Chairman Hua started the press conference by reading out the joint communique on the establishment of diplomatic relations between China and the United States and the statement of the Government of the People's Republic of China. He then answered questions from newsmen.

Question: Chairman Hua, will you please speak about the significance of the normalization of Sino-U.S. relations?

Answer: The normalization of Sino-U.S. relations has long been a wish of the Chinese and American peoples. Our great leader the late Chairman Mao Tse-tung and our esteemed Premier Chou En-lai paved the way for opening Sino-U.S. relations. During the visit of President Nixon and Dr. Kissinger to China in 1972, the Chinese and U.S. sides issued the Shanghai Communique, which started the process of normalizing Sino-U.S. relations. Thanks to the joint efforts of the leaders, governments and peoples of the two countries in the past few years, Sino-U.S. relations have now been normalized. Former U.S. President Ford, many of the senators and congressmen and other friends from all walks of life have all played their part towards this end. Now, President Carter, Dr. Brzezinski and Secretary of State Vance have all made valuable contributions to the eventual normalization of our relations.

The establishment of diplomatic relations between China and the United States is a historic event. It opens up broad vistas for enhancing understanding and friendship between the two peoples and promoting bilateral exchanges in all fields. It will also contribute to peace and stability in Asia and the world as a whole. The Chinese and American peoples are happy about it and I believe the people all over the world will be happy at the news too.

Q: Chairman Hua, my question is: What policy will the Chinese Government adopt towards Taiwan in the new circumstances when relations between China and the United States have been normalized?

A: Taiwan is part of China's sacred territory and the people in Taiwan are our kith and kin. It is the common aspiration of all the Chinese people including our compatriots in Taiwan to accomplish the great cause of reunifying the coun-

try with Taiwan returning to the embrace of the motherland. It has been our consistent policy that all patriots belong to one big family whether they come forward early or late. We hope that our compatriots in Taiwan will join all the other Chinese people including our compatriots in Hongkong and Macao and overseas Chinese in making further contributions to the cause of reunifying China.

Q: Can you say that after normalization China will object to a visit to Taiwan by an American official?

A: The relations between China and the United States have been normalized after the joint efforts of both sides which have reached an agreement and have now issued the joint communique. And the answer to your question is clearly stated in the joint communique which I quote: "The United States of America recognizes the Government of the People's Republic of China as the sole legal Government of China. Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan." So the answer is very clear in this paragraph. There will only be unofficial relations.

Q: Will the United States be permitted to continue providing Taiwan with access to military equipment for defensive purposes?

A: Paragraph two of the joint communique which I announced just now says: "The United States of America recognizes the Government of the People's Republic of China as the sole legal Government of China. Within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan." In our discussions on the question of the commercial relations, the two sides had differing views. During the negotiations the U.S. side mentioned that after normalization it would continue to sell limited amount of arms to Taiwan for defensive purposes. We made it clear that we absolutely would not agree to this. In all discussions the Chinese side repeatedly made clear its position on this question. We held that after the normalization continued sales of arms to Taiwan by the United States would not conform to the principles of the normalization, would be detrimental to the peaceful liberation of Taiwan and would exercise an unfavourable influence on the peace and stability of the Asia-Pacific region. So our two sides had differences on this point. Nevertheless, we reached an agreement on the joint communique.

Q: Mr. Chairman, may I ask you please about the possibility of a worsening of relations with Russia as a result of what you have announced today, since the Russians may be very suspicious of your joining more closely with the Americans. Do you feel that it may lead to a worsening of relations with Moscow?

A: We think that the normalization of relations between China and the United States and the signing of the Treaty of Peace and Friendship Between China and Japan are conducive to peace and stability in the Asia-Pacific region and the world as a whole. Does this mean the formation of an axis or alliance of China, Japan and the United States? We say that it is neither an alliance nor an axis. China and the United States have now normalized their relations and the relations between the United States and the Soviet Union have also been normalized. Therefore it is out of the question that the normalization of relations is directed at any country.

Here I would like to make an additional explanation. China has now normalized relations with the United States and Japan and signed a treaty of peace and friendship with Japan. This is beneficial to the development of relations between countries in the Asia-Pacific region and to the peace and stability of the Asia-Pacific region and the world as a whole. Undoubtedly, of course, it is also favourable to the struggle of all peoples against hegemonism. We have mentioned our opposition to hegemonism in our joint communique. We oppose both big hegemony and small hegemony, both global hegemony and regional hegemony. This will be conducive to the peace of the whole world.

Q: I would like to ask you if there were any Chinese compatriots from Taiwan involved at any stage in the discussions towards normalization?

A: No.

Huang Hua, Chinese Foreign Minister, and Chang Wen-chin, Vice-Foreign Minister, attended the press conference. More than 100 Chinese and foreign correspondents were present.

DOCUMENT 6**President Chiang Ching-kuo's Five Principles on U.S.-ROC Relations in the Postnormalization Period, December 29, 1978**

[President Chiang Ching-kuo informed Deputy Secretary of State Christopher that future ties between the Republic of China and the United States must rest on five underlying principles—reality, continuity, security, legality, and governmentality. The President's statement is summarized by Dr. James Chu-yul Soong, Deputy-Director of the Government Information Office, as follows:]

The Republic of China is an independent sovereign state with a legitimately established government based on the Constitution of the Republic of China. It is an effective government, which has the wholehearted support of her people. The international status and personality of the Republic of China cannot be changed merely because of the recognition of the Chinese Communist regime by any country of the world. The legal status and international personality of the Republic of China is a simple reality which the United States must recognize and respect.

The United States has expressed its intention that it will continue to maintain cultural, economic, trade, scientific, technological, and travel relations with the Republic of China. The ties that bound our two countries and people together in the past, however, include much more than these. The Republic of China is ready and willing to continue these traditional ties. The United States, on the other hand, must also realize the importance of the continuity of these ties, not only in their present scope, but also on an expanded scale to meet future needs.

The security of the Asian-Pacific region is also of utmost importance to the well-being and livelihood of the 17 million people on Taiwan, as well as American interests in the area.

The Sino-U.S. Mutual Defense Treaty signed in 1954 was designed to be a vital link in the chain of collective defense system of free countries in the West Pacific. The situation in this region has not changed. It is still unstable and insecure. The threat of invasion and subversion by Communist forces to the free nations of Asia, particularly after the fall of Vietnam, is even more serious than before.

Hence, the U.S. unilateral action to terminate the Sino-U.S. Mutual Defense Treaty will further destabilize this region and might create a new crisis of war. Thus, in order to ensure the peace and security of the West Pacific, which includes that of the Republic of China, it is imperative that the United States

take concrete and effective measures to renew its assurances to countries in this region.

Federal Register 44, no. 3 (January 4, 1979): 1075.

DOCUMENT 7**ROC Statement on U.S. Termination of Mutual Defense Treaty,
January 2, 1979**

(On January 1, 1979, the U.S. government notified the ROC government of its decision to terminate the Mutual Defense Treaty as of December 31, 1979.

In response to that notice, the ROC Government issued the following statement.)

The government of the Republic of China has scrupulously observed its obligations under the Mutual Defense Treaty, and has never violated any provisions of that treaty. For the U.S. government to unilaterally give notice of termination for no justifiable ground is wholly unthinkable.

In accordance with the principles of international law, the cause and spirit constitute the basis of the provisions of a treaty. To terminate the Mutual Defense Treaty unilaterally without prior consultations violates the basic spirit of the provisions of that treaty.

There has been no vital change of circumstances since the signing of the Mutual Defense Treaty and the termination of the treaty can never be justified on the ground of *rebus sic stantibus* (the principle of changed circumstances).

The government of the Republic of China deplores the unilateral termination of the Mutual Defense Treaty and has lodged its strong protest with the government of the United States. . . .

News from China, P. 79-0002 (January 2, 1979).

TAIWAN RELATIONS ACT

93 STAT. 14

PUBLIC LAW 96-8—APR. 10, 1979

Public Law 96-8
96th Congress

An Act

Apr. 10, 1979
[H.R. 2479]

To help maintain peace, security, and stability in the Western Pacific and to promote the foreign policy of the United States by authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan, and for other purposes.

Taiwan Relations Act. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SHORT TITLE

22 USC 3301 note.

SECTION 1. This Act may be cited as the "Taiwan Relations Act"

FINDINGS AND DECLARATION OF POLICY

22 USC 3301.

SEC. 2. (a) The President having terminated governmental relations between the United States and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979, the Congress finds that the enactment of this Act is necessary—

(1) to help maintain peace, security, and stability in the Western Pacific; and

(2) to promote the foreign policy of the United States by authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan.

(b) It is the policy of the United States—

(1) to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan, as well as the people on the China mainland and all other peoples of the Western Pacific area;

(2) to declare that peace and stability in the area are in the political, security, and economic interests of the United States and are matters of international concern;

(3) to make clear that the United States decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means;

(4) to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States;

(5) to provide Taiwan with arms of a defensive character; and

(6) to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.

(c) Nothing contained in this Act shall contravene the interest of the United States in human rights, especially with respect to the

human rights of all the approximately eighteen million inhabitants of Taiwan. The preservation and enhancement of the human rights of the people on Taiwan are hereby reaffirmed as objectives of the United States.

IMPLEMENTATION OF UNITED STATES POLICY WITH REGARD TO TAIWAN

SEC. 3. (a) In furtherance of the policy set forth in section 2 of this Act, the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.

U.S. defense articles and services, availability to Taiwan.
22 USC 3302.

(b) The President and the Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan, in accordance with procedures established by law. Such determination of Taiwan's defense needs shall include review by United States military authorities in connection with recommendations to the President and the Congress.

Defense review.

(c) The President is directed to inform the Congress promptly of any threat to the security or the social or economic system of the people of Taiwan and any danger to the interests of the United States arising therefrom. The President and the Congress shall determine, in accordance with constitutional processes, appropriate action by the United States in response to any such danger.

Security threat to Taiwan, Presidential report to Congress.

APPLICATION OF LAWS; INTERNATIONAL AGREEMENTS

SEC. 4. (a) The absence of diplomatic relations or recognition shall not affect the application of the laws of the United States with respect to Taiwan, and the laws of the United States shall apply with respect to Taiwan in the manner that the laws of the United States applied with respect to Taiwan prior to January 1, 1979.

22 USC 3303.

(b) The application of subsection (a) of this section shall include, but shall not be limited to, the following:

(1) Whenever the laws of the United States refer or relate to foreign countries, nations, states, governments, or similar entities, such terms shall include and such laws shall apply with respect to Taiwan.

(2) Whenever authorized by or pursuant to the laws of the United States to conduct or carry out programs, transactions, or other relations with respect to foreign countries, nations, states, governments, or similar entities, the President or any agency of the United States Government is authorized to conduct and carry out, in accordance with section 6 of this Act, such programs, transactions, and other relations with respect to Taiwan (including, but not limited to, the performance of services for the United States through contracts with commercial entities on Taiwan), in accordance with the applicable laws of the United States.

(3)(A) The absence of diplomatic relations and recognition with respect to Taiwan shall not abrogate, infringe, modify, deny, or otherwise affect in any way any rights or obligations (including but not limited to those involving contracts, debts, or property interests of any kind) under the laws of the United States heretofore or hereafter acquired by or with respect to Taiwan.

(B) For all purposes under the laws of the United States, including actions in any court in the United States, recognition of the People's Republic of China shall not affect in any way the ownership of or other rights or interests in properties, tangible

and intangible, and other things of value, owned or held on or prior to December 31, 1978, or thereafter acquired or earned by the governing authorities on Taiwan.

(4) Whenever the application of the laws of the United States depends upon the law that is or was applicable on Taiwan or compliance therewith, the law applied by the people on Taiwan shall be considered the applicable law for that purpose.

(5) Nothing in this Act, nor the facts of the President's action in extending diplomatic recognition to the People's Republic of China, the absence of diplomatic relations between the people of Taiwan and the United States, or the lack of recognition by the United States, and attendant circumstances thereto, shall be construed in any administrative or judicial proceeding as a basis for any United States Government agency, commission, or department to make a finding of fact or determination of law under the Atomic Energy Act of 1954 and the Nuclear Non-Proliferation Act of 1978, to deny an export license application or to revoke an existing export license for nuclear exports to Taiwan.

(6) For purposes of the Immigration and Nationality Act, Taiwan may be treated in the manner specified in the first sentence of section 202(b) of that Act.

(7) The capacity of Taiwan to sue and be sued in courts in the United States, in accordance with the laws of the United States shall not be abrogated, infringed, modified, denied, or otherwise affected in any way by the absence of diplomatic relations or recognition.

(8) No requirement, whether expressed or implied, under the laws of the United States with respect to maintenance of diplomatic relations or recognition shall be applicable with respect to Taiwan.

(c) For all purposes, including actions in any court in the United States, the Congress approves the continuation in force of all treaties and other international agreements, including multilateral conventions, entered into by the United States and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979, and in force between them on December 31, 1978, unless and until terminated in accordance with law.

(d) Nothing in this Act may be construed as a basis for supporting the exclusion or expulsion of Taiwan from continued membership in any international financial institution or any other international organization.

OVERSEAS PRIVATE INVESTMENT CORPORATION

SEC. 5. (a) During the three-year period beginning on the date of enactment of this Act, the \$1,000 per capita income restriction in clause (2) of the second undesignated paragraph of section 231 of the Foreign Assistance Act of 1961 shall not restrict the activities of the Overseas Private Investment Corporation in determining whether to provide any insurance, reinsurance, loans, or guaranties with respect to investment projects on Taiwan.

(b) Except as provided in subsection (a) of this section, in issuing insurance, reinsurance, loans, or guaranties with respect to investment projects on Taiwan, the Overseas Private Investment Corporation shall apply the same criteria as those applicable in other parts of the world.

42 USC 2011
note.
22 USC 3201
note.

8 USC 1152.

Treaties and
other
international
agreements,
congressional
approval.

Investment
projects,
insurance,
reinsurance,
loans or
guaranties.
22 USC 3304.
22 USC 2191.

THE AMERICAN INSTITUTE OF TAIWAN

SEC. 6. (a) Programs, transactions, and other relations conducted or carried out by the President or any agency of the United States Government with respect to Taiwan shall, in the manner and to the extent directed by the President, be conducted and carried out by or through—

22 USC 3305.

(1) The American Institute in Taiwan, a nonprofit corporation incorporated under the laws of the District of Columbia, or

(2) such comparable successor nongovernmental entity as the President may designate,

hereafter in this Act referred to as the "Institute").

(b) Whenever the President or any agency of the United States Government is authorized or required by or pursuant to the laws of the United States to enter into, perform, enforce, or have in force an agreement or transaction relative to Taiwan, such agreement or transaction shall be entered into, performed, and enforced, in the manner and to the extent directed by the President, by or through the Institute.

(c) To the extent that any law, rule, regulation, or ordinance of the District of Columbia, or of any State or political subdivision thereof in which the Institute is incorporated or doing business, impedes or otherwise interferes with the performance of the functions of the Institute pursuant to this Act, such law, rule, regulation, or ordinance shall be deemed to be preempted by this Act.

SERVICES BY THE INSTITUTE TO UNITED STATES CITIZENS ON TAIWAN

SEC. 7. (a) The Institute may authorize any of its employees on Taiwan—

22 USC 3306.

(1) to administer to or take from any person an oath, affirmation, affidavit, or deposition, and to perform any notarial act which any notary public is required or authorized by law to perform within the United States;

(2) To act as provisional conservator of the personal estates of deceased United States citizens; and

(3) to assist and protect the interests of United States persons by performing other acts such as are authorized to be performed outside the United States for consular purposes by such laws of the United States as the President may specify.

(b) Acts performed by authorized employees of the Institute under this section shall be valid, and of like force and effect within the United States, as if performed by any other person authorized under the laws of the United States to perform such acts.

TAX EXEMPT STATUS OF THE INSTITUTE

SEC. 8. (a) The Institute, its property, and its income are exempt from all taxation now or hereafter imposed by the United States except to the extent that section 11(a)(3) of this Act requires the imposition of taxes imposed under chapter 21 of the Internal Revenue Code of 1954, relating to the Federal Insurance Contributions Act) or by any State or local taxing authority of the United States.

22 USC 3307.

26 USC 401.

(b) For purposes of the Internal Revenue Code of 1954, the Institute shall be treated as an organization described in sections 170(b)(1)(A), 170(c), 2055(a), 2106(a)(2)(A), 2522(a), and 2522(b).

26 USC 170,
2055, 2106,
2522.

**FURNISHING PROPERTY AND SERVICES TO AND OBTAINING SERVICES
FROM THE INSTITUTE**

22 USC 3308.

SEC. 9. (a) Any agency of the United States Government is authorized to sell, loan, or lease property (including interests therein) to and to perform administrative and technical support functions and services for the operations of, the Institute upon such terms and conditions as the President may direct. Reimbursements to agencies under this subsection shall be credited to the current applicable appropriation of the agency concerned.

(b) Any agency of the United States Government is authorized to acquire and accept services from the Institute upon such terms and conditions as the President may direct. Whenever the President determines it to be in furtherance of the purposes of this Act, the procurement of services by such agencies from the Institute may be effected without regard to such laws of the United States normally applicable to the acquisition of services by such agencies as the President may specify by Executive order.

(c) Any agency of the United States Government making funds available to the Institute in accordance with this Act shall make arrangements with the Institute for the Comptroller General of the United States to have access to the books and records of the Institute and the opportunity to audit the operations of the Institute.

TAIWAN INSTRUMENTALITY

22 USC 3309.

SEC. 10. (a) Whenever the President or any agency of the United States Government is authorized or required by or pursuant to the laws of the United States to render or provide to or to receive or accept from Taiwan, any performance, communication, assurance, undertaking, or other action, such action shall, in the manner and to the extent directed by the President, be rendered or provided to, or received or accepted from, an instrumentality established by Taiwan which the President determines has the necessary authority under the laws applied by the people on Taiwan to provide assurances and take other actions on behalf of Taiwan in accordance with this Act.

(b) The President is requested to extend to the instrumentality established by Taiwan the same number of offices and complement of personnel as were previously operated in the United States by the governing authorities on Taiwan recognized as the Republic of China prior to January 1, 1979.

(c) Upon the granting by Taiwan of comparable privileges and immunities with respect to the Institute and its appropriate personnel, the President is authorized to extend with respect to the Taiwan instrumentality and its appropriate personnel, such privileges and immunities (subject to appropriate conditions and obligations) as may be necessary for the effective performance of their functions.

**SEPARATION OF GOVERNMENT PERSONNEL FOR EMPLOYMENT WITH THE
INSTITUTE**

22 USC 3310.

SEC. 11. (a)(1) Under such terms and conditions as the President may direct, any agency of the United States Government may separate from Government service for a specified period any officer or employee of that agency who accepts employment with the Institute.

(2) An officer or employee separated by an agency under paragraph (1) of this subsection for employment with the Institute shall be

stituted upon termination of such employment to reemployment or reinstatement with such agency (or a successor agency) in an appropriate position with the attendant rights, privileges, and benefits which the officer or employee would have had or acquired had he or she not been so separated, subject to such time period and other conditions as the President may prescribe.

(3) An officer or employee entitled to reemployment or reinstatement rights under paragraph (2) of this subsection shall, while continuously employed by the Institute with no break in continuity of service, continue to participate in any benefit program in which such officer or employee was participating prior to employment by the Institute, including programs for compensation for job-related death, injury, or illness; programs for health and life insurance; programs for annual, sick, and other statutory leave; and programs for retirement under any system established by the laws of the United States; except that employment with the Institute shall be the basis for participation in such programs only to the extent that employee deductions and employer contributions, as required, in payment for such participation for the period of employment with the Institute, are currently deposited in the program's or system's fund or depository. Death or retirement of any such officer or employee during approved service with the Institute and prior to reemployment or reinstatement shall be considered a death in or retirement from Government service for purposes of any employee or survivor benefits acquired by reason of service with an agency of the United States Government.

Reemployment or reinstatement rights.

(4) Any officer or employee of an agency of the United States Government who entered into service with the Institute on approved leave of absence without pay prior to the enactment of this Act shall receive the benefits of this section for the period of such service.

Officer or employee previously employed by U.S., benefits. Alien personnel employed by U.S., transfer.

(b) Any agency of the United States Government employing alien personnel on Taiwan may transfer such personnel, with accrued allowances, benefits, and rights, to the Institute without a break in service for purposes of retirement and other benefits, including continued participation in any system established by the laws of the United States for the retirement of employees in which the alien was participating prior to the transfer to the Institute, except that employment with the Institute shall be creditable for retirement purposes only to the extent that employee deductions and employer contributions, as required, in payment for such participation for the period of employment with the Institute, are currently deposited in the system's fund or depository.

(c) Employees of the Institute shall not be employees of the United States and, in representing the Institute, shall be exempt from section 207 of title 18, United States Code.

(d)(1) For purposes of sections 911 and 913 of the Internal Revenue Code of 1954, amounts paid by the Institute to its employees shall not be treated as earned income. Amounts received by employees of the Institute shall not be included in gross income, and shall be exempt from taxation, to the extent that they are equivalent to amounts received by civilian officers and employees of the Government of the United States as allowances and benefits which are exempt from taxation under section 912 of such Code.

26 USC 911, 913.

26 USC 912.

(2) Except to the extent required by subsection (a)(3) of this section, service performed in the employ of the Institute shall not constitute employment for purposes of chapter 21 of such Code and title II of the Social Security Act.

26 USC 3101. 42 USC 401.

REPORTING REQUIREMENT

Agreement,
transmittal to
Congress or
congressional
committees.
22 USC 3311.

SEC. 12. (a) The Secretary of State shall transmit to the Congress the text of any agreement to which the Institute is a party. However any such agreement the immediate public disclosure of which would in the opinion of the President, be prejudicial to the national security of the United States shall not be so transmitted to the Congress but shall be transmitted to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives under an appropriate injunction of secrecy to be removed only upon due notice from the President.

“Agreement.”

(b) For purposes of subsection (a), the term “agreement” includes—
(1) any agreement entered into between the Institute and the governing authorities on Taiwan or the instrumentality established by Taiwan; and
(2) any agreement entered into between the Institute and an agency of the United States Government.

Agreements and
transactions
made by the
Institute.

(c) Agreements and transactions made or to be made by or through the Institute shall be subject to the same congressional notification review, and approval requirements and procedures as if such agreements and transactions were made by or through the agency of the United States Government on behalf of which the Institute is acting

Report to
Speaker of the
House and Senate
Foreign Relations
Committee.

(d) During the two-year period beginning on the effective date of this Act, the Secretary of State shall transmit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate, every six months, a report describing and reviewing economic relations between the United States and Taiwan, noting any interference with normal commercial relations.

RULES AND REGULATIONS

22 USC 3312.

SEC. 13. The President is authorized to prescribe such rules and regulations as he may deem appropriate to carry out the purposes of this Act. During the three-year period beginning on the effective date of this Act, such rules and regulations shall be transmitted promptly to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate. Such action shall not, however, relieve the Institute of the responsibilities placed upon it by this Act

Transmittal to
Speaker of the
House and Senate
Foreign Relations
Committee.

CONGRESSIONAL OVERSIGHT

22 USC 3313.

SEC. 14. (a) The Committee on Foreign Affairs of the House of Representatives, the Committee on Foreign Relations of the Senate, and other appropriate committees of the Congress shall monitor—

- (1) the implementation of the provisions of this Act;
- (2) the operation and procedures of the Institute;
- (3) the legal and technical aspects of the continuing relationship between the United States and Taiwan; and
- (4) the implementation of the policies of the United States concerning security and cooperation in East Asia.

Reports.

(b) Such committees shall report, as appropriate, to their respective Houses on the results of their monitoring.

DEFINITIONS

22 USC 3314.

SEC. 15. For purposes of this Act—

PUBLIC LAW 96-8—APR. 10, 1979

93 STAT. 21

(1) the term "laws of the United States" includes any statute, rule, regulation, ordinance, order, or judicial rule of decision of the United States or any political subdivision thereof; and

"Laws of the United States."

(2) the term "Taiwan" includes, as the context may require, the islands of Taiwan and the Pescadores, the people on those islands, corporations and other entities and associations created or organized under the laws applied on those islands, and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979, and any successor governing authorities (including political subdivisions, agencies, and instrumentalities thereof).

"Taiwan."

AUTHORIZATION OF APPROPRIATIONS

SEC. 16. In addition to funds otherwise available to carry out the provisions of this Act, there are authorized to be appropriated to the Secretary of State for the fiscal year 1980 such funds as may be necessary to carry out such provisions. Such funds are authorized to remain available until expended.

22 USC 3315.

SEVERABILITY OF PROVISIONS

SEC. 17. If any provision of this Act or the application thereof to any person or circumstance is held invalid, the remainder of the Act and the application of such provision to any other person or circumstance shall not be affected thereby.

22 USC 3316.

EFFECTIVE DATE

SEC. 18. This Act shall be effective as of January 1, 1979.

22 USC 3301 note.

Approved April 10, 1979.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 96-26 (Comm. on Foreign Affairs) and No. 96-71 (Comm. of Conference).

SENATE REPORT No. 96-7 (Comm. on Foreign Relations).

CONGRESSIONAL RECORD, Vol. 125 (1979):

Mar. 8, 13, considered and passed House.

Mar. 7, 8, 12, 13, S. 245 considered and passed Senate.

Mar. 14, proceedings vitiated; H.R. 2479, amended, passed in lieu.

Mar. 28, House agreed to conference report.

Mar. 29, Senate agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 15, No. 15:

Apr. 10, Presidential statement.

DOCUMENT 9

**Presidential Executive Order 12143
of June 22, 1979****MAINTAINING UNOFFICIAL RELATIONS WITH
THE PEOPLE ON TAIWAN**

In light of the recognition of the People's Republic of China by the United States of America as the sole legal government of China, and by the authority vested in me as President of the United States of America, by the Taiwan Relations Act (Public Law 96-8, 93 Stat. 14, 22 U.S.C. 3301 *et seq.*, hereinafter referred to as "the Act"), and Section 301 of Title 3 of the United States Code, in order to facilitate the maintenance of commercial, cultural and other relations between the people of the United States and the people on Taiwan without official representation or diplomatic relations, it is hereby ordered as follows:

1-1. *Delegation and Reservation of Functions.*

1-101. Exclusive of the functions otherwise delegated, or reserved to the President, by this Order, there are delegated to the Secretary of State all functions conferred upon the President by the Act. In carrying out these functions, the Secretary of State shall consult with other departments and agencies as appropriate.

1-102. There are delegated to the Director of the Office of Personnel Management the functions conferred upon the President by paragraphs (1) and (2) of Section 11(a) of the Act. These functions shall be exercised in consultation with the Secretary of State.

1-103. There are reserved to the President the functions conferred upon the President by Section 3, Section 7(a)(3), and the second sentence of Section 9(b), and the determination specified in Section 10(a) of the Act.

1-2. *Specification of Laws and Determinations.*

1-201. Pursuant to Section 7(a) of the Act, I specify the following provisions of law:

(a) Section 4082 of the Revised Statutes (22 U.S.C. 1172):

§ 1172. Solemnization of marriages

Marriages in presence of any consular officer of the United States in a foreign country, between persons who

would be authorized to marry if residing in the District of Columbia, shall be valid to all intents and purposes, and shall have the same effect as if solemnized within the United States. And such consular officer shall, in all cases, give to the parties married before them a certificate of such marriage, and shall send another certificate thereof to the Department of State, there to be kept; such certificate shall specify the names of the parties, their ages, places of birth, and residence.

- (b) Section 1707 of the Revised Statutes (22 U.S.C. 1173):

§ 1173. Protests

Consuls and vice consuls shall have the right, in the ports or places to which they are severally appointed, of receiving the protests or declarations which captains, masters, crews, passengers, or merchants, who are citizens of the United States, may respectively choose to make there; and also such as any foreigner may choose to make before them relative to the personal interest of any citizen of the United States.

- (c) Section 1708 of the Revised Statutes (22 U.S.C. 1174):

§ 1174. Lists and returns of seamen and vessels, etc.

Every consular officer shall keep a detailed list of all seamen and mariners shipped and discharged by him, specifying their names and the names of the vessels on which they are shipped and from which they are discharged, and the payments, if any, made on account of each so discharged; also of the number of the vessels arrived and departed, the amounts of their registered tonnage, and the number of their seamen and mariners, and of those who are protected, and whether citizens of the United States or not, and as nearly as possible the nature and value of their cargoes, and where produced, and shall make returns of the same, with their accounts and other returns, to the Secretary of Commerce.

(d) Section 1709 of the Revised Statutes, as amended (22 U.S.C. 1175:

§ 1175. Estates of decedents generally; General Accounting Office as conservator

It shall be the duty of a consular officer, or, if no consular officer is present, a diplomatic officer, under such procedural regulations as the Secretary of State may prescribe—

First. To take possession and to dispose of the personal estate left by any citizen of the United States, except a seaman who is a member of the crew of an American vessel, who shall die within or is domiciled at time of death within his jurisdiction: *Provided*, That such procedure is authorized by treaty provisions or permitted by the laws or authorities of the country wherein the death occurs, or the decedent is domiciled, or that such privilege is accorded by established usage: *Provided further*, That the decedent shall leave in the country where the death occurred or where he was domiciled, no legal representative, partner in trade, or trustee by him appointed to take care of his personal estate. A consular officer or, in his absence, a diplomatic officer shall act as the provisional conservator of the personal property within his jurisdiction of a deceased citizen of the United States but, unless authorized by treaty provisions, local law, or usage, he shall not act as administrator of such personal property. He shall render assistance in guarding, collecting, and transmitting the property to the United States to be disposed of according to the law of the decedent's domicile.

Second. After having taken possession of the personal property, as provisional conservator, to inventory and carefully appraise the effects, article by article, with the assistance of two competent persons who, together with such officer, shall sign the inventory and annex thereto an appropriate certificate as to the accuracy of the appraised value of each article.

Third. To collect the debts due to the decedent in his jurisdiction and pay from the estate the obligations owed there by the decedent.

Fourth. To sell at auction, after reasonable public notice, unless the amount involved does not justify such expenditure, such part of the estate as shall be of a perishable nature, and after reasonable public notice and

notice to next of kin if they can be ascertained by reasonable diligence such further part, if any, as shall be necessary for the payment of the decedent's debts incurred in such country, and funeral expenses, and expenses incident to the disposition of the estate. If, at the expiration of one year from the date of death (or for such additional period as may be required for final settlement of the estate), no claimant shall appear, the residue of the estate, with the exception of investments of bonds, shares of stocks, notes of indebtedness, jewelry or heirlooms, or other articles having a sentimental value, shall be sold.

Fifth. To transmit to the General Accounting Office the proceeds of the sale (and any unsold effects, such as investments of bonds, shares of stocks, notes of indebtedness, jewelry or heirlooms, or other articles having a sentimental value), there to be held in trust for the legal claimant. If, however, at any time prior to such transmission, the decedent's legal representative should appear and demand the proceeds and effects in the officer's hands, he shall deliver them to such representative after having collected the prescribed fee therefor.

The Comptroller General of the United States, or such member of the General Accounting Office as he may duly empower to act as his representative for the purpose, shall act as conservator of such parts of these estates as may be received by the General Accounting Office or are in its possession, and may, when deemed to be in the interest of the estate, sell such effects, including bonds, shares of stock, notes of indebtedness, jewelry, or other articles, which have heretofore or may hereafter be so received, and pay the expenses of such sale out of the proceeds: *Provided*, That application for such effects shall not have been made by the legal claimant within six years after their receipt. The Comptroller General is authorized, for and in behalf of the estate of the deceased, to receive any balances due to such estates, to draw therefor on banks, safe deposits, trust or loan companies; or other like institutions, to endorse all checks, bills of exchange, promissory notes, and other evidences of indebtedness due to such estates, and take such other action as may be deemed necessary for the conservation of such estates. The net proceeds of such sales, together with such other moneys as may be collected by him, shall be deposited into the Treasury to a fund in trust for the legal claimant and reported to the Secretary of State.

If no claim to the effects the proceeds of which have been so deposited shall have been received from a legal claimant of the deceased within six years from the date of the receipt of the effects by the General Accounting Office, the funds so deposited, with any remaining unsold effects, less transmittal charges, shall be transmitted by that office to the proper officer of the State or Territory of the last domicile in the United States of the deceased citizen, if known, or, if not, such funds shall be covered into the general fund of the Treasury as miscellaneous receipts on account of proceeds of deceased citizens, and any such remaining unsold effects shall be disposed of by the General Accounting Office in such manner as, in the judgment of the Comptroller General, is deemed appropriate, or they may be destroyed if considered no longer possessed of any value: *Provided*, That when the estate shall be valued in excess of \$500, and no claim therefor has been presented to the General Accounting Office by a legal claimant within the period specified in this paragraph or the legal claimant is unknown, before disposition of the estate as provided herein, notice shall be given by publishing once a week for four consecutive weeks in a newspaper published in the county of the last known domicile of the deceased, in the United States, the expense thereof to be deducted from the proceeds of such estate, and any lawful claim received as the result of such advertisement shall be adjusted and settled as provided for herein.

(e) Section 1710 of the Revised Statutes, as amended (22 U.S.C. 1176):

§ 1176. Notification of death of decedent; transmission of inventory of effects

For the information of the representative of the deceased, the consular officer, or, if no consular officer is present, a diplomatic officer, in the settlement of his estate shall immediately notify his death in one of the gazettes published in the consular district, and also to the Secretary of State, that the same may be notified in the State to which the deceased belonged; and he shall, as soon as may be, transmit to the Secretary of State an inventory of the effects of the deceased taken as before directed.

(f) Section 1711 of the Revised Statutes, as amended (22 U.S.C. 1177):

§ 1177. Following testamentary directions; assistance to testamentary appointee

When a citizen of the United States dies in a foreign country and leaves, by any lawful testamentary disposition, special directions for the custody and management, by the consular officer, or in his absence a diplomatic officer, within whose jurisdiction the death occurred, of the personal property in the foreign country which he possessed at the time of death, such officer shall, so far as the laws of the foreign country permit, strictly observe such directions if not contrary to the laws of the United States. If such citizen has named, by any lawful testamentary disposition, any other person than a consular officer or diplomatic officer to take charge of and manage such property, it shall be the duty of the officer, whenever required by the person so named, to give his official aid in whatever way may be practicable to facilitate the proceedings of such person in the lawful execution of his trust, and, so far as the laws of the country or treaty provisions permit, to protect the property of the deceased from any interference by the authorities of the country where such citizen died. To this end it shall be the duty of the consular officer, or if no consular officer is present a diplomatic officer, to safeguard the decedent's property by placing thereon his official seal and to break and remove such seal only upon the request of the person designated by the deceased to take charge of and manage his property.

(g) Section 1718 of the Revised Statutes (22 U.S.C. 1185); and

§ 1185. Retention of papers of American vessels until payment of demands and wages

All consular officers are authorized and required to retain in their possession all the papers of vessels of the United States, which shall be deposited with them as directed by law, till payment shall be made of all demands and wages on account of such vessels.

(h) Section 7 of the Act of April 5, 1906 (22 U.S.C. 1195).

§ 1195. Notarial acts, oaths, affirmations, affidavits, and depositions; fees

Every consular officer of the United States is required, whenever application is made to him therefor, within the limits of his consulate, to administer to or take from any person any oath, affirmation, affidavit, or deposition, and to perform any other notarial act which any notary public is required or authorized by law to do within the United States; and for every such notarial act performed he shall charge in each instance the appropriate fee prescribed by the President under section 1201 of this title.

1-202. Pursuant to Section 9(b) of the Act, and in furtherance of the purposes of the Act, the procurement of services may be effected without regard to the following provisions of law and limitations of authority:

(a) Section 3648 of the Revised Statutes, as amended (31 U.S.C. 529);

(b) Section 9 of the Act of June 30, 1906 (31 U.S.C. 627), and Section 3679 and 3732 of the Revised Statutes (31 U.S.C. 665; 41 U.S.C. 11), to the extent necessary to permit the indemnification of contractors against unusually hazardous risks, as defined in Institute contracts, consistent, to the extent practicable, with regulations prescribed by the Department of Defense pursuant to the provisions of the Act of August 28, 1958 (50 U.S.C. 1431 *et seq.*), and Executive Order No. 10789 of November 14, 1958, as amended;

(c) Section 3709 of the Revised Statutes and Section 302 of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 5, 252);

(d) Section 3710 of the Revised Statutes (41 U.S.C. 8);

(e) Section 2 of Title III of the Act of March 3, 1933 (41 U.S.C. 10a);

(f) Section 3735 of the Revised Statutes (41 U.S.C. 13);

(g) Section 304(b) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 254(b)), so as to permit the payment of fees in excess of the prescribed fee limitations, but

nothing herein shall be construed as authorizing the use of the cost-plus-a-percentage-of-cost system of contracting;

(h) Section 305 of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 255);

(i) Sections 2 through 16 of the Contract Disputes Act of 1978 (41 U.S.C. 601-613);

(j) Sections 2304, 2305 and 2306(a) through (f) of Title 10 of the United States Code, but nothing herein shall be construed as authorizing the use of the cost-plus-a-percentage-of-cost system of contracting; and

(k) Section 719 of the Defense Production Act of 1950 (50 U.S.C. App. 2168).

1-203. (a) With respect to cost-type contracts with the American Institute in Taiwan under which no fee is charged or paid, amendments and modifications of such contracts may be made with or without consideration and may be utilized to accomplish the same things as any original contract could have accomplished, irrespective of the time or circumstances of the making, or the form of the contract amended or modified, or of the amending or modifying contract and irrespective of rights which may have accrued under the contract or the amendments or modifications thereof.

(b) With respect to contracts heretofore or hereafter made under the Act, other than those described in subsection (a) of this Section, amendments and modifications of such contracts may be made with or without consideration and may be utilized to accomplish the same things as any original contract could have accomplished, irrespective of the time or circumstances of the making, or the form of the contract amended or modified, or of the amending or modifying contract, and irrespective of rights which may have accrued under the contract or the amendments or modifications thereof, if the Secretary of State determines in each case that such action is necessary to protect the foreign policy interests of the United States.

1-204. Pursuant to Section 10(a) of the Act, the Coordination Council for North American Affairs is determined to be the unofficial instrumentality established by the people on Taiwan having the necessary authority under the laws applied by the people on Taiwan to provide assurances and take other actions on behalf of Taiwan in accordance with the Act.

1-3. *President's Memorandum of December 30, 1978.*

1-301. This Order supersedes my memorandum of December 30, 1978 for all departments and agencies entitled "Relations With the People on Taiwan" (44 FR 1075). Agreements and arrangements referred to in paragraph (B) of that memorandum shall continue in force and shall be performed in accordance with the Act and this Order.

JIMMY CARTER

THE WHITE HOUSE,

June 22, 1979

(Federal Registrar, Vol. 44, No. 124

(June 26, 1979), pp. 37191-37192.)

DOCUMENT 10

**PEOPLE'S REPUBLIC OF CHINA-UNITED STATES:
AGREEMENT ON THE SETTLEMENT OF CLAIMS***

[Done at Beijing, May 11, 1979]

AGREEMENT BETWEEN THE GOVERNMENT
OF
THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF
THE PEOPLE'S REPUBLIC OF CHINA
CONCERNING THE SETTLEMENT OF CLAIMS

In order to develop bilateral economic and trade relations and to complete the process of normalization and in accordance with the spirit of the Joint Communiqué on Establishment of Diplomatic Relations between the United States of America and the People's Republic of China, the Government of the United States of America (hereinafter referred to as the "USA") and the Government of the People's Republic of China (hereinafter referred to as the "PRC") have reached this Agreement:

ARTICLE I

The claims settled pursuant to this Agreement are:

(a) the claims of the USA and its nationals (including natural and juridical persons) against the PRC arising from any nationalization, expropriation, intervention, and other taking of, or special measures directed against, property of nationals of the USA on or after October 1, 1949, and prior to the date of this Agreement; and

(b) the claims of the PRC, its nationals, and natural and juridical persons subject to its jurisdiction or control against the USA arising from actions related to the blocking of assets by the Government of the USA on or after December 17, 1950, and prior to the date of this Agreement.

ARTICLE II

(a) The Government of the USA and the Government of the PRC agree to a settlement of all claims specified in Article 1. The Government of the PRC agrees to pay to the Government of the USA the sum of \$80.5 million as

* Reproduced from the U.S. Department of State Press Release No. 133 (May 16, 1979).

the full and final settlement of the claims specified in Article 1. The Government of the USA agrees to accept this sum in full and final settlement of those claims.

(b) The Government of the USA agrees to unblock by October 1, 1979, all assets which were blocked because of an interest, direct or indirect, in those assets of the PRC, its nationals, or natural and juridical persons subject to its jurisdiction or control, and which remained blocked on the date of the initialing of this Agreement, March 2, 1979. The Government of the USA further agrees, in a spirit of mutual cooperation, that prior to unblocking under this paragraph, it will notify the holders of blocked assets which the records of the Government of the USA indicate are held in the name of residents of the PRC that the Government of the PRC requests that assets of nationals of the PRC to be unblocked not be transferred or withdrawn without its consent.

ARTICLE III

The Government of the PRC shall pay to the Government of the USA \$80.5 million of which \$30 million shall be paid on October 1, 1979, and the remaining \$50.5 million shall be paid in five annual installments of \$10.1 million each on the first day of October with the first installment due on October 1, 1980.

ARTICLE IV

The Government of the USA shall be exclusively responsible for the distribution of all proceeds received by it under this Agreement.

ARTICLE V

After the date of signature of this Agreement, neither government will present to the other, on its behalf or on behalf of another, any claim encompassed by this Agreement. If any such claim is presented directly by a national of one country to the government of the other, that government will refer it to the government of the national who presented the claim.

ARTICLE VI

This Agreement shall enter into force on the date of signature.

The Agreement was signed on May 11, 1979, at Beijing, in duplicate, in the English and Chinese languages, both versions being equally authentic.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

FOR THE GOVERNMENT OF THE
PEOPLE'S REPUBLIC OF CHINA

s/s Juanita M. Kreps

/s/ Zhang Jingfu

DOCUMENT 11

CHINA-UNITED STATES: AGREEMENT ON TRADE RELATIONS*

[Done at Beijing (Peking), July 7, 1979]

AGREEMENT ON TRADE RELATIONS
BETWEEN
THE UNITED STATES OF AMERICA
AND
THE PEOPLE'S REPUBLIC OF CHINA

The Government of the United States of America and the Government of the People's Republic of China;

Acting in the spirit of the Joint Communique on the Establishment of Diplomatic Relations between the United States of America and the People's Republic of China;

Desiring to enhance friendship between both peoples;

Wishing to develop further economic and trade relations between both countries on the basis of the principles of equality and mutual benefit as well as nondiscriminatory treatment;

Have agreed as follows:

ARTICLE I

1. The Contracting Parties undertake to adopt all appropriate measures to create the most favorable conditions for strengthening, in all aspects, economic and trade relations between the two countries so as to promote the continuous, long-term development of trade between the two countries.

2. In order to strive for a balance in their economic interests, the Contracting Parties shall make every effort to foster the mutual expansion of their reciprocal trade and to contribute, each by its own means, to attaining the harmonious development of such trade.

3. Commercial transactions will be effected on the basis of contracts between firms, companies and corporations, and trading organizations of the two countries. They will be concluded on the basis of customary international trade practice and commercial considerations such as price, quality, delivery and terms of payment.

* Reproduced from the text provided by the U.S. Department of State.

ARTICLE II

1. With a view to establishing their trade relations on a nondiscriminatory basis, the Contracting Parties shall accord each other most-favored-nation treatment with respect to products originating in or destined for the other Contracting Party, i.e., any advantage, favor, privilege, or immunity they grant to like products originating in or destined for any other country or region, in all matters regarding:

- (A) Customs duties and charges of all kinds applied to the import, export, re-export or transit of products, including the rules, formalities and procedures for collection of such duties and charges;
- (B) Rules, formalities and procedures concerning customs clearance, transit, warehousing and transshipment of imported and exported products;
- (C) Taxes and other internal charges levied directly or indirectly on imported or exported products or services;
- (D) All laws, regulations and requirements affecting all aspects of internal sale, purchase, transportation, distribution or use of imported products; and
- (E) Administrative formalities for the issuance of import and export licenses.

2. In the event either Contracting Party applies quantitative restrictions to certain products originating in or exported to any third country or region, it shall afford to all like products originating in or exported to the other country treatment which is equitable to that afforded to such third country or region.

3. The Contracting Parties note, and shall take into consideration in the handling of their bilateral trade relations, that, at its current state of economic development, China is a developing country.

4. The principles of Paragraph 1 of this Article will be applied by the Contracting Parties in the same way as they are applied under similar circumstances under any multilateral trade agreement to which either Contracting Party is a party on the date of entry into force of this Agreement.

5. The Contracting Parties agree to reciprocate satisfactorily concessions with regard to trade and services, particularly tariff and non-tariff barriers to trade, during the term of this Agreement.

ARTICLE III

For the purpose of promoting economic and trade relations between their two countries, the Contracting Parties agree to:

A. Accord firms, companies and corporations, and trading organizations of the other Party treatment no less favorable than is afforded to any third country or region;

B. Promote visits by personnel, groups and delegations from economic, trade and industrial circles; encourage commercial exchanges and contacts; and support the holding of fairs, exhibitions and technical seminars in each other's country;

C. Permit and facilitate, subject to their respective laws and regulations and in accordance with physical possibilities, the stationing of representatives, or the establishment of business offices, by firms, companies and corporations, and trading organizations of the other Party in its own territory; and

D. Subject to their respective laws and regulations and physical possibilities, further support trade promotions and improve all conveniences, facilities and related services for the favorable conduct of business activities by firms, companies and corporations, and trading organizations of the two countries, including various facilities in respect of office space and residential housing, telecommunications, visa issuance, internal business travel, customs formalities for entry and re-export of personal effects, office articles and commercial samples, and observance of contracts.

ARTICLE IV

The Contracting Parties affirm that government trade offices contribute importantly to the development of their trade and economic relations. They agree to encourage and support the trade promotion activities of these offices. Each Party undertakes to provide facilities as favorable as possible for the operation of these offices in accordance with their respective physical possibilities.

ARTICLE V

1. Payments for transactions between the United States of America and the People's Republic of China shall either be effected in freely convertible currencies mutually accepted by firms, companies and corporations, and trading organizations of the two countries, or made otherwise in accordance with agreements signed by and between the two parties to the transaction. Neither Contracting Party may impose restrictions on such payments except in time of declared national emergency.

2. The Contracting Parties agree, in accordance with their respective laws, regulations and procedures, to facilitate the availability of official export credits on the most favorable terms appropriate under the circumstances for transactions in support of economic and technological projects and

products between firms, companies and corporations, and trading organizations of the two countries. Such credits will be the subject of separate arrangements by the concerned authorities of the two Contracting Parties.

3. Each Contracting Party shall provide, on the basis of most-favored-nation treatment, and subject to its respective laws and regulations, all necessary facilities for financial, currency and banking transactions by nationals, firms, companies and corporations, and trading organizations of the other Contracting Party on terms as favorable as possible. Such facilities shall include all required authorizations for international payments, remittances and transfers, and uniform application of rates of exchange.

4. Each Contracting Party will look with favor towards participation by financial institutions of the other country in appropriate aspects of banking services related to international trade and financial relations. Each Contracting Party will permit those financial institutions of the other country established in its territory to provide such services on a basis no less favorable than that accorded to financial institutions of other countries.

ARTICLE VI

1. Both Contracting Parties in their trade relations recognize the importance of effective protection of patents, trademarks and copyrights.

2. Both Contracting Parties agree that on the basis of reciprocity legal or natural persons of either Party may apply for registration of trademarks and acquire exclusive rights thereto in the territory of the other Party in accordance with its laws and regulations.

3. Both Contracting Parties agree that each Party shall seek, under its laws and with due regard to international practice, to ensure to legal or natural persons of the other Party protection of patents and trademarks equivalent to the patent and trademark protection correspondingly accorded by the other Party.

4. Both Contracting Parties shall permit and facilitate enforcement of provisions concerning protection of industrial property in contracts between firms, companies and corporations, and trading organizations of their respective countries, and shall provide means, in accordance with their respective laws, to restrict unfair competition involving unauthorized use of such rights.

5. Both Contracting Parties agree that each Party shall take appropriate measures, under its laws and regulations and with due regard to international practice, to ensure to legal or natural persons of the other Party protection of copyrights equivalent to the copyright protection correspondingly accorded by the other Party.

ARTICLE VII

1. The Contracting Parties shall exchange information on any problems that may arise from their bilateral trade, and shall promptly hold friendly consultations to seek mutually satisfactory solutions to such problems. No action shall be taken by either Contracting Party before such consultations are held.

2. However, if consultations do not result in a mutually satisfactory solution within a reasonable period of time, either Contracting Party may take such measures as it deems appropriate. In an exceptional case where a situation does not admit any delay, either Contracting Party may take preventive or remedial action provisionally, on the condition that consultation shall be effected immediately after taking such action.

3. When either Contracting Party takes measures under this Article, it shall ensure that the general objectives of this Agreement are not prejudiced.

ARTICLE VIII

1. The Contracting Parties encourage the prompt and equitable settlement of any disputes arising from or in relation to contracts between their respective firms, companies and corporations, and trading organizations, through friendly consultations, conciliation or other mutually acceptable means.

2. If such disputes cannot be settled promptly by any one of the above-mentioned means, the parties to the dispute may have recourse to arbitration for settlement in accordance with provisions specified in their contracts or other agreements to submit to arbitration. Such arbitration may be conducted by an arbitration institution in the People's Republic of China, the United States of America, or a third country. The arbitration rules of procedure of the relevant arbitration institution are applicable, and the arbitration rules of the United Nations Commission on International Trade Law recommended by the United Nations, or other international arbitration rules, may also be used where acceptable to the parties to the dispute and to the arbitration institution.

3. Each Contracting Party shall seek to ensure that arbitration awards are recognized and enforced by their competent authorities where enforcement is sought, in accordance with applicable laws and regulations.

ARTICLE IX

The provisions of this Agreement shall not limit the right of either Contracting Party to take any action for the protection of its security interests.

ARTICLE X

1. This Agreement shall come into force on the date on which the Contracting Parties have exchanged notifications that each has completed the legal procedures necessary for this purpose, and shall remain in force for three years.

2. This Agreement shall be extended for successive terms of three years if neither Contracting Party notifies the other of its intent to terminate this Agreement at least 30 days before the end of a term.

3. If either Contracting Party does not have domestic legal authority to carry out its obligations under this Agreement, either Contracting Party may suspend application of this Agreement, or, with the agreement of the other Contracting Party, any part of this Agreement. In that event, the Parties will seek, to the fullest extent practicable in accordance with domestic law, to minimize unfavorable effects on existing trade relations between the two countries.

4. The Contracting Parties agree to consult at the request of either Contracting Party to review the operation of this Agreement and other relevant aspects of the relations between the two Parties.

In witness whereof, the authorized representatives of the Contracting Parties have signed this Agreement.

Done at Beijing in two original copies this 7th day of July, 1979, in English and Chinese, both texts being equally authentic.

FOR THE UNITED STATES
OF AMERICA

FOR THE PEOPLE'S REPUBLIC
OF CHINA

Leonard Woodcock

Li Xiang

DOCUMENT 12

TAIWAN: ECONOMIC RELATIONS WITH THE UNITED STATES IN 1979**Introduction*

Taiwan's robust economic performance in 1979 underlines the continuing foreign and domestic confidence in the stability of the island. Economic indicators continue to dispute any implication that the absence or loss of official relations with its major trading partners, most recently the United States, has adversely affected the material well-being of the people of Taiwan. Taiwan's credit worthiness among international bankers at year-end 1979 ranged from "very good" to "excellent." Long-run growth strategy and short-term policies are considered by bankers to be highly effective. In fact, a year-end report by Switzerland's Bank for International Settlements — the "central banker's bank" — rated Taiwan as one of the safest investment/lending markets in Asia. There is no evidence that the severance of official ties between the United States and Taiwan has in any way interfered with commercial relations with Taiwan. On the contrary, U.S.-Taiwan bilateral trade and U.S. investment in Taiwan increased by 23% and 15% respectively in 1979.

The gross national product, which advanced 12.8% in real terms in 1978, grew about 8% in real terms in 1979 to a record \$32 billion. The target range for 1980 is 6 to 8%.

The island's current prosperity and bright prospects — buttressed by perennial budget and foreign trade surpluses — reflect earlier bold and successful policy choices. For example, in 1973 when it had become apparent that 10 years of rapid and successful growth had strained the island's infrastructure to the limit, Taiwan initiated an ambitious \$7 billion program to build nuclear power plants, develop heavy industry and remove transportation bottlenecks. This program, known as the "Ten Major Development Projects," ran headlong into the recession of 1974-75. Totally dependent on imported oil, Taiwan's domestic inflation rate soared 50% in 1974. Real growth — which had averaged 10% in the preceding years — plunged to 0.6% in 1974 from 12% in 1973, and private investment declined 11%. The picture was similar in 1975; 3.1% real growth and a further 12% decline in private investment. But demand and momentum generated by the "Ten Major Projects" program helped cushion the shock, and this factor, buttressed by recovery of demand in export markets, helped the economy rebound to 11.8% real growth in 1976.

Many of the major projects came to fruition in 1978-79 and the remainder will come on stream in 1980-81. They include: the new Chiang

* Report sent to Congress by the Department of State in accordance with the Taiwan Relations Act of 1979 (Document 8).

Kai-shek international airport near Taipei; a north-south freeway; large-scale railway electrification; new harbors near Taichung and Suao; a steel mill, a major shipyard, a petrochemical complex; and the nuclear power program.

Foreign Investment

U.S. and other foreign investment approvals reached a record \$329 million in 1979 as compared with \$213 million in 1978.* New American investment approvals totalled \$80.4 million, most of it by 34 firms, 14 new to Taiwan. A list of those projects is included at Table I.

More than one half of aggregate U.S. investment of \$666 million** since 1952 is concentrated in the electronics industry and about one-fifth in chemicals. The picture for 1979 is as follows:

INVESTMENT BY INDUSTRY — 1979

	<i>U.S. Millions</i>
Electronics	63.2
Chemicals	4.1
Banking	3.7
Metals	2.4
Garments and foot wear	1.0
Plastics	.2
Machinery	1.8
Pulp, paper and products	.75
Services	1.60
Others	1.65
Total	80.40

U.S. firms continue not only to establish branches or subsidiaries in Taiwan, but increasingly are engaging in joint ventures. For example, coincident with the formal inauguration of the first nuclear power plant in Taiwan on November 4, 1973*** EBASCO Services, which designed the \$820

* Foreign investment generally represents less than 5% of total investment; total gross capital formation exceeded \$6.5 billion in 1978 and probably reached \$8 billion in 1979.

** This represents 30% of total foreign investment of \$2.16 billion since 1962. (Other major sources: 16.7% from Japan and 31.7% from Overseas Chinese investors.)

*** Actually, the power plant itself, north of Taipei at Chinshan, has been in use since the first unit went into operation in April 1978; the second was completed in April 1979. General Electric and Westinghouse as well as EBASCO Services were major suppliers. Two other nuclear power stations, each with two units, are under con-

million plant, signed a joint venture agreement with Taiwan's largest engineering firm (CTCI Corp. — staff of 700). The group will seek foreign and domestic construction work, particularly in Saudi Arabia and Kuwait.

Similarly, the Taiwan Power Company (45%), General Electric (45%) and Central Investment Holding Company (10%) in August 1979 agreed on a \$40 million joint venture to produce 13 large steam generators between 1981 and 1987. On the export side, Tang Eng. Co. has recently signed contracts with three American companies in Hartford, Connecticut, to buy a stainless steel plant at a cost of \$US 60,901,922. The three companies are: General Electric Co., Waterbury-Farrell division of Textron, Inc., and Produce Machinery Co.

New foreign investment regulations adopted in July 1979 provide for the establishment of a scientific industrial park offering tax and other incentives to firms which invest in high-technology industries. Other new regulations amended the statute for investment by foreign nationals to provide for simplified investment application procedures and broader investment incentives.

It should be noted that Taiwan entrepreneurs also invest abroad. Monetary authorities do not as a matter of policy encourage overseas investments by Taiwan firms, but apparently are prepared to endorse foreign investment projects aimed at securing access to raw materials or at enhancing marketing opportunities. For example, Taiwan Power Company (Taipower) is assessing an investment role in foreign coal mines, and the Tatung Company assembles TV sets from Taiwan-produced components at plants in Hong Kong, Singapore and Los Angeles. Outward investment totalled \$9.4 million in 1979, \$620,000 of it in the U.S.

Export-Import Bank (EXIM) exposure of \$2.2 billion in Taiwan — \$555 million in 1979 — is the second highest in the world. Much of the bank's exposure is in Taipower's ambitious nuclear power plants. Taipower is the bank's largest single customer.

The Overseas Private Investment Corporation (OPIC) wrote insurance totalling \$33,023,700 for three major projects in Taiwan in 1979 and has under consideration 11 additional applications filed during the year. OPIC did not authorize any finance projects in Taiwan in 1979.

In November, three additional American banks were licensed to open offices in Taipei: Seattle First National Bank, Rainier National Bank of Seattle and the First National Bank of Boston. They will open offices and begin making investments early in 1980. This will bring to 16 the number of foreign banks represented in Taiwan — 11 from the U.S. and one each from

struction by Bechtel Corp. They are scheduled for completion in 1985, with price tags of \$1.5 billion and \$2 billion, respectively. When completed the three stations will generate 30% of Taiwan's electric power. Taipower is planning six additional nuclear plants for completion by 1983 and a further six plants for completion by the year 2000.

Canada, Japan, the Philippines, Singapore and Thailand. Five European banks reportedly plan to open branch offices in Taiwan in 1980.

Foreign bank loans and syndications to Taiwan totalled \$1.7 billion in 1979. To date U.S. banks have extended or syndicated the great majority of such loans, but European banks are becoming increasingly active in this market. A list of major loans in 1979 appears in Table II.

Foreign Trade

Taiwan's commerce with more than 100 trading partners totalled about \$34 billion in 1979, up 42% from the 1978 total.

Trade with the U.S.

U.S.-Taiwan trade totalled \$9.17 billion in 1979, 23% higher than in 1978. Notably, the value of U.S. exports to Taiwan increased 37% over the 1978 total. Composition of this trade is listed in Table III.

Bilateral Trade

	<i>1978</i>	<i>1979</i>	<i>Change</i>
US Imports from Taiwan*	5.012	5.901	+17.7
US Exports to Taiwan	<u>2.388</u>	<u>3.271</u>	<u>+37%</u>
Total	-2.624	-2.630	

Exports of manufactured products, which account for nearly 50% of total U.S. exports to Taiwan, were led by fertilizers and other chemicals (15%), machinery and equipment (12.7%), aircraft and equipment (5.6%) and electronic parts and components (5.1%).

Although the value of exports in 1979 was 37% higher than in 1978, and despite Taiwan's special efforts to buy U.S. products, U.S. exporters face increasingly severe competition in this market. Members of the Joint Economic Committee, led by Senator Lloyd M. Bentsen, addressed the competitiveness issue in talks in Taiwan in January 1980.

Exports of U.S. farm products — nearly one-third of total U.S. exports — reached the \$1 billion mark for the first time in 1979, up from \$825 million in 1978 and only \$476 million in 1976. Taiwan continued to rank globally as the 10th largest foreign market for U.S. farmers.

Soybeans, corn, cotton and wheat were the leading agricultural export items to Taiwan in 1979, in that order, accounting for about 85 percent of such exports. Taiwan is the second largest market for U.S. soybeans in Asia, after Japan.

U.S. sales of soybeans increased to 1.2 million tons in 1979 from 671,000 tons in 1977 and the value doubled, rising from \$148 million to \$320 million. Sales of corn increased to 2.3 million tons in 1979 from 1.8 million tons in 1978. The value of corn sales increased from \$196 million in 1978 to \$300 million in 1979. The U.S. share of Taiwan's growing corn market was only 4.4% in 1970, but as a result of aggressive marketing in a receptive environment reached 57% in 1977 and 85% in 1979. Corn exports probably will level off in 1980 as a result of a sharp decline, beginning in 1979, of Japanese purchases of frozen pork from Taiwan (11,000 tons through August compared with 20,300 tons in that period in 1978). This has resulted in a surplus of hogs and corn on the island.

Cotton shipments in 1979 were nearly the same as in 1978 when 547,000 bales were exported for a value of \$141 million. Exports of wheat increased to about 700,000 tons in 1979 from 595,000 tons in 1978, and the value rose from \$78 million to more than \$100 million.

Taiwan's purchases of U.S. tobacco in 1979 soared to about 15,000 tons valued at about \$76 million — double the 1977 level. Factories in Taiwan are also using more U.S. tallow, cattle hides and furs.

Exports of fruit juices, beer, apples, pulses and canned corn to Taiwan increased in 1979. Exporters sent 6,000 tons of U.S. apples to Taiwan in 1979 — triple the 1978 level. Exports of fruit juices more than tripled in 1979. Taiwan became the leading foreign market for U.S. beer in 1979.

Taiwan will continue to grow in importance as an export market for U.S. firms. One reason lies in the recent adoption of a \$5.2 billion "Twelve New Construction Plans" program for 1979-85 to further expand the transportation and industrial infrastructure already broadened by the "Ten Major Projects" Program. Import of consumer goods will also grow in importance as the island's increasingly prosperous population of 17.3 million reaches an estimated 24 million by the year 2000.

U.S.-Taiwan trade aggregates for the decade of the 1970's look like this:

	<i>U.S. \$Millions</i>							
	<i>1970</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>
Exports to US	567	865	1277	1690	2053	1833	3060	3636
Imports from US	364	408	545	954	1685	1655	1801	1966
Balance with US	+203	+457	+732	+736	+368	+178	+1259	+1672
Total Exports	1469	2047	2979	4479	5593	5304	8035	9361
Total Imports	1363	1755	2332	3744	6424	5560	7258	8511
Balance with world (Exports and Imports F.O.B.)	+106	+292	+647	+735	-831	-256	+777	+856

Source: Export-Import Bank of the U.S.

* (U.S. Department of Commerce Data, F.A.S. Basis. Figures in U.S. \$Billions).

Trade With Other Major Partners

Taiwan's exports to Japan, Europe and other industrialized trading partners also increased sharply in 1979 (details for 20 major trading partners are listed in Table IV):

	<i>US \$Millions —Jan-Nov 1979</i>		
	<u>1978</u>	<u>1979</u>	<u>Change</u>
Japan	1,402	2,086	+ 48.3%
Hong Kong	767	1,011	+ 32%
West Germany	514	671	+ 30.5
Australia	297	377	+ 27%
Canada	292	375	+ 28.4%
Great Britain	293	366	+ 25%
Netherlands	209	304	+ 45%

Trade with Eastern Europe

In November, trade authorities announced sweeping relaxations of restrictions on trade with the communist countries of Eastern Europe. Specifically, with effect from December 1, direct trade has been authorized with five countries — Czechoslovakia, East Germany, Hungary, Poland, and Yugoslavia — with which only indirect trade through third countries had been permitted in the past, and indirect trade is to be permitted with the USSR, Albania, Bulgaria, and Romania, with whom trade on any terms had previously been forbidden. It has been reported that communications links will be established with the five direct trade countries in order to assist interested traders.

Trade with PRC

There are indications that indirect trade between Taiwan and the PRC appear to have increased substantially in 1979. Tourists in Canton report seeing in hotel rooms refrigerators and other items labelled "Made In Taiwan," reflecting the PRC decision in early 1979 to remove import duties on, and to admit, goods made in Taiwan. Hong Kong press sources report the value of shipments of Taiwan goods to the PRC reached \$3 million in the period January-June 1979 as compared with only \$50,000 in that period in 1978. They put the value of PRC goods reaching Taiwan in 1979 — mainly traditional Chinese medicines and foods and condiments — at \$27 million.

Tourism

Tourism also increased in 1979, both to Taiwan and from Taiwan. Tourist arrivals, despite a drop in the number of U.S. visitors, increased to 741,340 in the period January-August (latest data available) as contrasted with 694,428 in the same period in 1978. In February, the authorities in Taiwan relaxed 30-year-old strictures on tourist travel. As a result, in the first six months of 1979 (latest data available) tourists and students carried abroad as expense money nearly \$520 million; foreign tourists spent \$323 million in Taiwan (it is estimated that 15,000 students from Taiwan are enrolled at universities in the United States). Statistically, the tourism picture looks like this:

FOREIGN ARRIVALS BY NATIONALITY

	<i>Jan-Aug 1978</i>	<i>Jan-Aug 1979</i>	<i>Change</i>
TOTAL	694,428	741,340	+ 6.8%
from:			
Japan	423,218	484,484	+ 14.5%
Malaysia	24,824	31,748	+ 27.9%
U.S.	100,771	72,758	-27.8%
U.K.	12,314	13,156	+ 6.8%
ROK	6,857	8,794	+ 28.2%

**OVERSEAS CHINESE ARRIVALS BY
COUNTRY OF RESIDENCE***

	<i>Jan-Aug 1978</i>	<i>Jan-Aug 1979</i>	<i>Change</i>
TOTAL	133,260	141,495	+ 6.2%
from:			
Hong Kong	103,029	103,624	N.C.
USA	7,418	8,134	+ 10%
ROK	5,692	8,367	+ 47%
Japan	3,832	7,202	+ 88%

The sharp reduction in the number of U.S. citizens visiting Taiwan probably results from the facts that: (1) the absence of U.S. military units on Taiwan has eliminated travel to Taiwan by dependents, who are customarily recorded among foreign arrivals, and (2) some tour groups are electing to visit the PRC rather than Taiwan now that China tours have become feasible.

* "Overseas Chinese" arrivals are in addition to "Foreign Arrivals" Source: Taiwan Statistics Department.

Internal Conditions

The gap between rich and poor has steadily narrowed. In terms of income distribution, Taiwan's society was at year-end 1979 one of the most egalitarian in the world. (Taiwan's population density — 1246 per square mile — is among the highest in the world. Illustrative densities elsewhere are: the US-60; the People's Republic of China-235; India-509; Japan-794; the Netherlands-976.)

The ratio of per capita income between the top 20% and the bottom 20% of the population has been reduced from over five to one in 1966 to about four to one in 1979. (The U.S. ratio is about 9:1; Mexico's is 20:1.) The average wage for Taiwan's 2 million industrial workers was \$209 monthly in 1979. The average annual household income of farmers was estimated at \$6,960.

In an economy where unemployment was less than 3% and industrial wages increased an average of 23% in 1979, increasing numbers of people enjoy modern conveniences and luxury items. For instance, in 1968 only about 18% of all households — most of them urban — had TV sets. By 1979 even in rural areas 22% of the households had color sets and 68% had black-white sets. In 1979, 87% of all households had a refrigerator and more than 71% had motorcycles. People in Taiwan also enjoy a good diet. Per capita calorie and protein intakes in 1979 are estimated at 2,800 calories and 78.9 grams of protein per day. These are among the highest in the world. Predictably, these pressures have fueled the inflation ignited by the year's oil price increases; it ran at about 12% in 1979, as contrasted with only 5.7% in 1978. Nonetheless, the year ended with most persons in Taiwan having made substantial economic gains in real terms in 1979.