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DIRECTORATE OF INTELLIGENCE

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TAIWAN: Maneuvering for the Succession [redacted]

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Summary

Since last summer Taipei has been rocked by a series of domestic and foreign scandals and is now awash with rumors of an impending government reorganization, and of a sharp decline in President Chiang Ching-kuo's health. This highly charged atmosphere has generated uncertainty over Chiang's succession plans as well as the stability of a successor regime--particularly if Chiang were to die in the next several months. [redacted]

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We expect Chiang [redacted] to make several key personnel changes soon to restore confidence in the party and government as well as the traditional balance between moderates and conservative leaders, who have accrued increasing power over the last year. If current speculation proves accurate, Premier Yu Kuo-hua will step down in favor of the more moderate Li Huan, 68. [redacted]

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If Chiang dies soon, however, we believe the conservative old guard would dominate any successor regime. Unlike moderates such as Li Huan, the conservatives, in our opinion, would be inclined to press the United States for more open support, designed in part to undercut the growing US-China relationship. In our judgment, the younger generation of more liberal mainlanders and Taiwanese politicians, whom Li Huan and former Premier Sun have helped advance, would be unlikely to challenge the

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conservatives for power unless the conservatives tried to undo the political reforms set in place since 1972 with Chiang's blessing. Instead, these younger leaders probably would be content to wait for time to catch up with senior party mandarins. [redacted]

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### Sun's Stroke and the Succession

Former Premier Sun Yun-hsuan's stroke in February 1984 threw President Chiang Ching-kuo's carefully crafted succession plans into disarray. Sun--whom the President had clearly chosen as his heir apparent--commanded the respect and support of both the mainlander old guard and the younger generation of mainlanders and Taiwanese. A capable administrator, Sun was widely regarded as someone who could give Taiwan the stability it needed after Chiang's death. Moreover, Sun had surrounded himself with several young advisers, both mainlander and Taiwanese, whom he was grooming to assume increasing authority as the old guard began to pass from the scene. [redacted]

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In our judgment, Chiang appointed Yu Kuo-hua to the premiership last June to buy time while he worked out new arrangements for the succession. Yu's mandate has been limited to handling the day-to-day operation of the government, promoting steady economic development, and training the younger generation. As Premier, he has adhered to conservative economic and foreign policies and has done little to reach out beyond his own peer group or small circle of conservative cabinet members for support. [redacted]

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### Stimulus for Change

The Yu government has not fared well over the past year. It has been rocked by a series of foreign and domestic scandals that have tarnished its image, both at home and abroad, and have raised serious questions about Yu's leadership. The murder of Chinese-American writer Henry Liu has been particularly embarrassing to the Taiwan authorities and has led to calls in the Legislative Yuan for Yu's resignation. Yu's authority has also been weakened by his government's inability to cope effectively with China's efforts to isolate Taiwan and by growing factional infighting between conservatives and moderates, who are critical of his unimaginative economic policies and hardline foreign policy views--such as insisting on "Republic of China" nomenclature in international organizations. [redacted]

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In our judgment, the odds are increasing that President Chiang will take steps later this summer to deal with these problems. The President, in fact, indicated last year that he would make important personnel changes this year, suggesting that

even then he regarded the Yu government as only transitional. Recent lower level personnel moves in the party and rumors that both the Premier and Minister of National Defense would step down have fueled speculation in Taipei that a major shakeup is imminent. [redacted]

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#### A Li Huan Government

According to the American Institute in Taiwan [redacted] [redacted] the leading candidate for the premiership is Minister of Education Li Huan, now 68. A close associate of the President's for a number of years, Li has held several key positions, allowing him to develop a more extensive network of influence than most other mainlander politicians. Although he is not now a member of the Kuomintang (KMT) Central Standing Committee, Li has established political associations with a large number of younger politicians, both mainlander and Taiwanese, including Minister of Interior Wu Po-hsiung and Justice Minister Shih Chi-yang. These contacts were formed during his 20-year association with the China Youth Corps--a body that, like Communist youth leagues, recruits and develops party officials--and the KMT Organizational Affairs Department (1972-1978). We believe these credentials, which Li alone among the senior mainlanders in the cabinet possesses, place him in a position to act as a bridge between native Taiwanese politicians and the more conservative mainlander elite--ideal qualifications if Chiang intends to restore the conservative-moderate balance. [redacted]

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If Li were to assume the premiership, we would expect him to press the following policies:

- A return to the low-key diplomacy of the Sun era, placing more emphasis on promoting economic relations abroad and less on protecting Taiwan's official "Republic of China" nomenclature.
- The appointment of more Taiwanese and younger mainlanders to senior government and party positions--particularly those whose careers Li has sponsored.
- Implementation of moderate economic reforms, designed to move Taiwan further away from a labor-intensive to a technology-intensive economy. [redacted]

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Li would have to move cautiously to avoid antagonizing the

old guard, who were responsible for his four-year "exile"<sup>1</sup> in Kaohsiung. Indeed, for Li to consolidate his position and successfully redirect existing policies, he would need the full backing of the President. Otherwise, senior party mandarins who will, in all likelihood, continue to dominate the Central Standing Committee probably would be able to cripple his effectiveness. [REDACTED]

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#### If Conservatives Retain Control

In our judgment, if Chiang's health were to fail or if he were to die before implementing any significant personnel changes, power would fall by default to conservative party elders, such as Premier Yu and Shen Chang-huan, secretary-general of the presidential office. Yu, however, has no broad network of supporters--so important in Chinese politics--and might step aside in favor of Shen or another senior mainlander. In our view, such a government would be based largely on the support of other members of the KMT old guard, who are already in their mid-to-late seventies. [REDACTED]

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The leaders of the military and security services would also play a key behind-the-scenes role, with the power to veto certain appointments and policies. Above all, they would be interested in maintaining order and would, in our judgment, be able to do so. If pressed hard enough, they would certainly crack down on the Taiwanese opposition and might press the government to slow the Taiwanization of the KMT and government structure to ensure continued mainlander control of the policymaking apparatus. [REDACTED]

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We doubt that the President is grooming his second son, Chiang Hsiao-wu, as his successor. A target of much speculation in the opposition press who has been portrayed as a "sinister figure," the younger Chiang does not have an independent power base, nor does he hold any official party position that would allow him to accrue the power needed to succeed his father. Even if his father threw his support behind his son, we doubt that any of the old guard would do more than pay lipservice to the President's wishes while he was still alive. On the basis of AIT

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<sup>1</sup> Li was forced to accept "ministerial responsibility" for 1977 election rioting and resigned his party posts. His resignation may, in fact, have been engineered by party conservatives, who feared Li had developed too large a political following. From 1981 until his return to Taipei last May, Li was President of Chung Shan University in Kaohsiung. [REDACTED]

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reporting, we believe that there is no enthusiasm for the younger Chiang among either conservatives or moderates [redacted]

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We believe that a continuation of conservative control of the policymaking apparatus would result in a continuation, in the short term, of current domestic and foreign policies. Inherently cautious, a collective leadership of conservatives is unlikely to deviate from policies previously approved by the President--particularly Chiang's policy of "no contact, no negotiations" with Beijing. [redacted]

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#### Possible Reaction From the Younger Generation

Because the younger, more moderate politicians have no strong leader--with the possible exception of Li Huan--to support them at a senior level, they are unlikely to mount a challenge to the old guard for control of the party and government. In any event, most of them believe that time is on their side, and probably would resign themselves to waiting. [redacted]

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There have already been substantial changes at the middle level of the KMT, and these changes probably will gain momentum over the next five years as more senior mainlanders who came to Taiwan with Chiang Kai-shek die. For example, Yu Kuo-hua is 71 and Shen Chang-huan is 72, and neither one is likely to play a key role for more than a few years beyond Chiang's death. In the meantime, we believe the younger generation probably would continue to snipe at the conservatives' policies and press for further economic and political reforms. [redacted]

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Probably the greatest threat to the stability of a conservative regime would be an attempt by senior party mandarins to block the Taiwanization of both the party and government--a policy that has had the President's backing since 1972. We believe that such an attempt would provoke sharp political infighting that could lead to the defection of some Taiwanese politicians to the opposition--which is weak and divided--and broader disaffection among the Taiwanese majority. We believe that the conservatives are well aware of this danger and probably would continue to promote some Taiwanese to senior positions as long as they did not threaten mainland control. [redacted]

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#### Implications for the US

Regardless of any personnel changes the President may or not make, his death would have little immediate effect on the basic thrust of Taiwan's foreign policy. Taipei will continue to rely

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on Washington for support in order to fend off reunification overtures from Beijing. Taipei will continue to regard US arms sales in particular as a key ingredient in that support. A Li Huan government would be less likely than a conservative one to take a dogmatic approach to foreign policy and to try to disrupt the US-China relationship. We doubt, however, that Li--a mainlander--would be any more willing than the conservatives to initiate talks with Beijing for fear of arousing latent Taiwanese fears of a "sellout" designed to perpetuate mainland dominance of the island. [redacted]

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On the basis of US Embassy [redacted] we believe that Beijing will regard Chiang's death, as the beginning of the end of mainlander rule of the island. [redacted]

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[redacted] Beijing believes that his successors would be even less inclined than Chiang to hold reunification talks. Even so, we believe Beijing would try to entice Chiang's successors to negotiate. At the same time, Beijing probably would place renewed pressure on Washington to speed up a reduction in arms sales to Taiwan and to play a more active role in promoting direct, but probably secret, talks between Taipei and Beijing. [redacted]

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