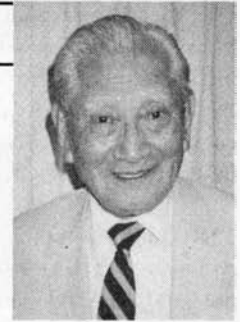

Interview: Dr. Yao-Tung Chao



If you want democracy, press for economic development

Dr. Chao has been one of the pillars of the economic development of Taiwan. He was born in Shanghai in 1916 and educated as an engineer. He founded China Steel in 1972, was Minister of Economic Affairs during 1981-83, and chairman of the Economic Development and Planning Board during 1983-87. Leni Rubinstein interviewed Dr. Chao in Taipei on June 8, 1994.

EIR: Please tell us a little about yourself.

Chao: I have been in industrial circles for more than 40 years and in the government only about seven years.

EIR: When was that?

Chao: From 1981-83 I was the minister of economic affairs and, thereafter, for three and a half years, I was the chairman of the Economic Development and Planning Board.

EIR: What was your involvement in industry?

Chao: I was the founder of China Steel. We began that in 1972. Before that I built up (I always liked to try new work) different textile mills and some other industries, at least about 10, in Korea, Singapore, Vietnam, Mainland China, and Taiwan. Therefore, I have a long history in industrial circles. I went from light industry to heavy industry, and from overseas to Mainland China and back to Taiwan.

EIR: In the United States, several companies, such as Boeing, were started by engineers and scientists, as is the case with you and K.T. Li [see accompanying interview].

Chao: When I started we had various handicaps. First of all, at that time we lacked foreign exchange. Second, we did not have any experience with integrated steel mills. When I started, I wanted to build up my own steel mill, not an American- or Japanese- or European-style mill; I wanted to build up my own, Chinese-style steel mill. Before I started I spent two years and \$2.5 million for on-the-job training. My staff was drawn from freshly graduated college and university students—all green hands. U.S. Steel was a general consultant. We said, "Just sit here, and when we have problems we will call you." But we did not necessarily follow their instructions.

When we started the integrated steel mills, all the equipment came from 12 different countries, but we adopted a

different engineering standard. In Germany, you have a German standard; in Japan, a Japanese standard, etc. We engineers had to put one together ourselves. We sent our graduate students to different steel mills for training. After basic training in a small circle, we expanded to a broader circle. One day, a man from U.S. Steel made a joke to me, saying, "Mr. Chao, you are a small baby to drive a big car, you are in danger." But we made a breakthrough. We were very successful. In 1972, within half a year of operation, we made a profit. At that time we produced one and a half million tons, and three years ago we produced eight and a half million tons of steel a year.

Although I am an engineer, I never worked on the technical side. I concentrated on the management side. I was the first one to start so-called cooperative culture. That is very important. That is software. Hardware is easy. If you have money, you can buy it. You can invite foreign technicians and engineers to help you out. But for the culture, nobody can help you. Why could China Steel make such good progress and show such efficiency and good profit from the very beginning in 1972 till now—20 years—why? We are one of the best profit-making steel mills in the world. The reason for China Steel's success is that we developed our own culture.

EIR: Could you describe that?

Chao: It is very hard to do that. You see, Americans and Europeans do not understand Oriental people.

EIR: In one of his latest works, "History as Science," Lyndon LaRouche says that the precondition for any European's study of a culture foreign to him is to study in depth the history and culture of western civilization.

Chao: That is very critical. Once I discussed this with Ambassador [Henry Cabot] Lodge, and I told him that Oriental people are different from Americans. I told him that you define democracy in an American way. You cannot send people to fight in this area, because they do not understand Oriental people. In the United States a peanut merchant could become President, or an actor could become President. That is very difficult for Orientals to understand. Take Singapore as an example. Everybody says that Lee Kuan Yew is a dictator, that Singapore is not a real democracy by western standards. Lee banned the *Wall Street Journal*, for example.

The difference is that in Europe and in the United States, individual rights are stressed more. Eastern people pay much more attention to the country's rights instead of the rights of the individual. Individualism in the East is sacrificed a lot compared to in the United States. For our safety, we must first secure the nation, and second, the individual.

EIR: In the West the question of individual rights has been completely turned upside down. An example is AIDS. It is not legal to test the general population for AIDS in any country because of individual rights. And we are talking about a disease that is 100% deadly. We are today in a moral and cultural decay in Europe and in the United States, and the idea focused on during the Italian Renaissance, that man is born in the living image of God and therefore as an individual has an obligation to use his capabilities for the sake of the society, is not alive today.

Chao: That is right. Therefore, when we are talking about mutual development we must not disregard this point; otherwise, we will not get anywhere. A typical example is Taiwan right now: I am of the first generation to come to Taiwan in 1948 and work for economic development. At that time, everybody said that we had a strong dictatorship. That is true. At the beginning Taiwan was under dictatorship. It was politically very stable, very efficient. That is why Taiwan was successful at all. When we started we worked hard day and night. After 40 years everyone said this was a miracle. I say it was not a miracle but an opportunity combined with Chinese culture. Chinese culture is more flexible. We work hard, we are diligent, and we struggle for the whole big family, for the individual family as well as for all of Taiwan. It is very simple. That is the main reason for the so-called economic miracle.

EIR: People here work very hard, but unless very specific economic principles had been introduced it would not have functioned.

Chao: That's right, that's right. Now we are in the most dangerous period. Why? Because we are introducing American-style democracy. You see, everybody talks about human rights. I do not agree with President Dr. Lee [Tung-hui].

EIR: And now Taiwan is about to introduce "new financial products."

Chao: Crazy. It seems to me crazy. All economic foundation is built on the industry. No industry, no economic strength. I call these financial products soap-bubbles. We must understand such things to be wrong, and then we can solve the problem.

Three years ago I went to Mainland China. I met their chairman, their premier, and some ministers. I had discussions with them, and I said, "If you say you want to update human rights, right now, the whole country will become a mess. You must get into democratic society gradually be-

cause you are dealing with a country that has had 1,000 years of dictatorship. We must first build up the industry, the economy."

Another problem is that, during such a long time, people there have been so poor and have suffered so much. Everybody wants joy. Everybody wants to spend money—and then the whole effort for economic development will be destroyed.

EIR: We stress building up the infrastructure.

Chao: To build the infrastructure—what is very important is the political structure. You can pave the way for democracy gradually, and you must get into the Chinese way of democracy, not the European way, not the American way. You must gradually educate people and then let the people participate in a democratic society. I say you must become an industrial country first, and then, second, a democratic system.

EIR: There are people in Beijing that want to have infrastructure development.

Chao: That's right.

EIR: And we are seeing serious problems developing in Russia.

Chao: Russia has much more serious problems than Mainland China. Mainland China is still under dictatorship. Russia just suddenly was opened up. Nobody knows what is going on. They opened up and said, "We now go for the American- or European-style," and now there are internal conflicts destroying the whole country. Taiwan is facing the same problem.

Political instability is the main obstacle to any reconstruction. The most important thing is to maintain political stability in Taiwan, in Mainland China, in Europe. If you have political instability, you cannot get anywhere. Second, if you want to get democracy you should press to get economic development first. If you have economic development and an industrial economy, the dictatorship will die out because most merchants produce a lot of goods and become more productive and more powerful, through wealth, than the government. Therefore, democracy should follow after industrialization.

EIR: In Mainland China, in the so-called free trade economic zones, dirt-cheap labor is being used to produce mostly useless products, such as toys, which are being exported to the United States and elsewhere.

Chao: That is against European interests.

EIR: It is against everybody's interests.

Chao: That's right. That is why I have proposed to European countries that, if they want to make a joint effort, the most important right now is to help with mutual investment for infrastructure.

It seems to me that for Mainland China's economic devel-

opment, the most important thing is infrastructure. Second, how to improve the farmer's income, and to improve the farming. That is very important. Industrial development seems to me to take third place.

If you improve the infrastructure you can help a lot of farmers through the improvement of transportation and power. Therefore, when you make recommendations to governments and institutions, the most important thing is to get them to develop infrastructure.

EIR: What are your thoughts about *EIR*'s great infrastructure development proposals for the Eurasian heartland and for the Pacific Basin?

Chao: If we have economic development from Asia to Europe, the whole world will become peaceful. Everybody will enjoy it. After all, we do not want war. If Mainland China is unstable, it increases the danger of war, not just for the Mainland itself, but it will spill over. If you help the Mainland, you help the whole world, because—my goodness—you are talking about 2 billion people. That is a big amount!

EIR: LaRouche pointed out that we must do this so that Asia becomes the center for industrial and economic growth in the next century.

Chao: I agree. Some years ago, in 1986, before I resigned I proposed to the [Taiwan] government to give a \$20 billion loan through the World Bank to Mainland China, earmarked for the development of infrastructure. I am sorry to say, it was not accepted by our government. You see, the future of Taiwan's economy depends on the Mainland market.

EIR: Two billion people being able to get an education and a proper living standard using their skills means a tremendous increase in wealth will be unleashed for the world. The way I see it is that this whole great project for Eurasian infrastructure development would be the way in which we could develop Africa, which could become very rich. But we need some free energy.

Chao: That's right. Most important right now, I told the European countries, is for you to make investments in Europe, in the world, in Mainland China—invest in infrastructure. Of primary importance, more important than anything else to solve for Mainland China, is to build infrastructure. If you have no infrastructure, you have no future, both concerning agriculture, industry, and concerning mutual understanding. The country is big, the differences are huge. There is a different culture from the seacoast to the mountains. We must build infrastructure for greater understanding for the farmers, for the city-dwellers, for the country people. Everybody will enjoy the benefit. That is most fundamental.

EIR: Also, in developing the Eurasian heartland, we can lay the foundation for a new renaissance.

Chao: I agree 100%.

Interview: K.T. Li

How we built up Taiwan's industry and infrastructure

K.T. Li is known as the father of Taiwan's industrial development. He was born in Nanking in 1910 and received an education as a nuclear physicist and engineer. He was responsible for drafting the first four-year economic development plan of Taiwan (1953-56) and for the overall programming and allocation of U.S. aid as well as for building the



industrial sector of the economy (1958-63). Mr. Li believed that Taiwan's only resource was manpower; he therefore started a manpower development program in 1964, in which he forged close collaboration among industrialists, educators, and government officials. To that end, he also

invited a German expert in vocational training of skilled workers to come to Taiwan to help.

In this period, Mr. Li was also in charge of the shipbuilding industry and served as president of the Shipbuilding Corp. In 1965-69 he was minister of economic affairs, in 1969-76 minister of financial affairs, and in 1976-88 minister of state as well as chairman of the Science and Technology Committee set up to coordinate relevant ministries and departments for the promotion of science and technology. During 1977-88, he served on the Council for Economic Planning and Development.

Leni Rubinstein interviewed Mr. Li in Taipei on June 9, from which we excerpt here.

EIR: What do you think about the idea of the economic development of the Eurasian land mass and the Pacific Basin, with emphasis on the construction of railroads and basic infrastructure?

Li: I think it would be an honor to participate in such a great project. There must be some kind of arrangement by the international agencies to think and work on such a cross-