

## Taiwan, Voting for Trouble?

The long-hoped-for seismic political change in China, that should have softened Taiwan's opposition to dealmaking with the mainland, has failed to materialize. Beijing remains adamant that Taiwan must be reunified under a "one country, two systems" formula, preferably by peaceful means (even the peaceful means are coercive: pressure, diplomatic isolation, and so forth) and if necessary by coercion or military means. Meanwhile, as Taiwan's second democratic presidential election approaches, mainland and island China are keeping a wary eye on each other. The very divergent political systems on both sides of the Taiwan Strait are groping for ways to influence each other, but the goals on each side are so dissimilar that the outcome of the election remains highly unpredictable.

Nevertheless, it appears that Beijing is now pursuing its aims with greater sophistication than in 1996, when it staged missile tests and large-scale military maneuvers in the waters around Taiwan to intimidate the electorate. Despite some threats and leaks about military maneuvers, nothing similar to 1996 has happened during this electoral cycle. Circumstantial evidence suggests that the Chinese military still favors a hardline approach towards Taiwan and considers war inevitable in the mid to long term. For the time being, the civilian leadership has the final say. President Jiang Zemin's flexible rhetoric seeks to entice the United States in further weakening Taiwan, while offering new inducements to the Taiwan business community. Local governments in the coastal provinces across the Taiwan Strait and the local and Taiwanese business sectors stand to lose most if war would break out and are therefore lobbying against the hardline gaining control.

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In Taiwan, the dynamics of multiparty democracy have fractured the political spectrum. There is a much broader range of views now on how to define Taiwan's future status; how to respond to China's escalating campaign of pressure, military threats, and diplomatic isolation; and how much to bank on intervention by the United States if the People's Republic of China (PRC) decides to use force against the island. The incumbent President Lee Teng-hui and two of the three major presidential candidates, Vice President Lien Chan of the Kuomintang (KMT) and Chen Shui-bian of the Democratic Progressive Party (DPP), show by their words and actions varying degrees of willingness to risk military confrontation in the hope that this confrontation will be brief and limited and that the United States would bail Taiwan out. The other major candidate, independent James Soong, and two minor ones, Lee Ao of the New Party and Hsu Hsin-liang, a defector from the DPP, are prepared to seek accommodation with China so as to avoid military conflict and rebuild constructive relations between both sides.

### **The 'Two States' Controversy and the Issue of Sovereignty**

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Despite U.S. and Taiwanese military intelligence reports in February 1999 about a new missile buildup on the southeastern China coast facing Taiwan, cross-strait relations experienced a fragile recovery during the first half of 1999. Both sides were gearing up for a historic visit to Taiwan in the fall by China's senior quasi-official envoy Wang Daohan, Jiang's personal confidant and chairman of the Association for Relations across the Taiwan Strait (an official nongovernmental organization that in the absence of intergovernmental relations with Taipei negotiates with Taiwan's equivalent, the Strait Exchange Foundation).

Then, Lee suddenly upped the ante. With his surprise announcement on July 9, 1999, Lee asserted that cross-strait relations should be redefined as "special state-to-state relations" rather than relations between a central government in Beijing and a local government in Taipei. Lee's move outraged Beijing and strengthened the hands of the hardliners, culminating in a new round of military threats and rumors of preparations for war.

For several weeks, tension was so high that a repeat of the sabre rattling of 1996 seemed imminent. U.S. critics of the Clinton administration's ineffectual China policy interpreted Lee's "two states" announcement as Taiwan's rebuttal to President Bill Clinton's endorsement of the "three noes" during his China visit in summer 1998: "The [United States] does not support Taiwan independence or two Chinas or one China-one Taiwan, nor does it support Taiwan membership of organizations for which sovereign

statehood is a requirement.” In due course, however, it became obvious that Lee’s attempted reversal of the “one China policy” was aimed as much at Beijing as at the two main challengers of his heir apparent, the lackluster Lien, who was trailing in the polls by 10 percentage points. Beefing up Taiwan’s wounded international status is very popular with the electorate. By moving the KMT view on independence a bit closer to that of the DPP, the KMT could siphon votes from the opposition party and at the same time force Soong to show his true colors. Soong announced his candidacy as an independent—in violation of the party charter—on July 16, one week after Lee proclaimed his “two states” theory. He blasted Lee, saying, “Taiwan needs a courageous, not a reckless leader” but refrained from criticizing the “two states” theory by name.<sup>1</sup> As a mainlander favoring cross-strait links, Soong had to be very cautious. If he supported the “two states” theory, he would alienate his mainlander New Party supporters, who in 1996 represented 15 percent of the vote; but if he attacked it, he would expose himself to charges that he is a tool of Beijing.<sup>2</sup>

Beijing apparently understood fully what was needed to enhance the chances of a victory by Soong: silence, moderation, and no sabre rattling. In the immediate aftermath of the “two states” uproar, there were reports, mostly in the Hong Kong media, that China was preparing military action, by reshuffling commanders, stepping up overflights of the Taiwan Strait, and perhaps planning an assault on a tiny strait islet. There was nothing, however, like the missile tests and large scale military maneuvers of 1995-1996. The assumption is that Jiang, after the death of Deng Xiaoping in 1997, had consolidated his authority over the military and has persuaded the generals to refrain from any military intimidation—at least until after the election.

## Election Politics and Posturing

The KMT and the DPP have long-held policies toward the mainland, but depending on the mood of cross-strait relations and of U.S.-China-Taiwan relations, there are regular shifts in emphasis and innovations, most recently the “two states” theory. As the election campaign unfolded and more candidates entered the fray, there were at least five different approaches:

- Lee’s policy of maintaining the status quo of de facto independence, while paying lip service to eventual reunification with a future, more democratic, more prosperous mainland, pending which Taiwan should strengthen its international diplomatic position, security, and separate identity. This policy is supported by the native Taiwanese majority within the KMT and is expected to be continued by the KMT’s candidate for the presidency, Vice President Lien.

- Former Taipei mayor Chen Shui-bian's policy of preparation for eventual formal independence through constitutional amendment and referendum, assuming that this will not lead to military confrontation with China. This policy is supported—with varying degrees of skepticism—by the main opposition party, the DPP, and some splinter groups.
- Former Taiwan governor Soong's policy of phased accommodation with China by abandoning Taiwan's abortive campaign to reenter the United Nations (UN) and its "dollar diplomacy" of buying shaky diplomatic recognitions from impoverished Third World ministates. He favors establishing direct trade, shipping, and air links across the Taiwan Strait with the eventual goal of reunification, once it becomes acceptable to the people of Taiwan. Soong, a mainland-born, fast-rising apparatchik in the KMT's

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repressive final decade (under the late President Chiang Ching-kuo), turned against Lee's Taiwanese mainstream within the KMT to run as an independent. His policy is supported by much of the "New Party," a 1993 crumbling, breakaway group of the KMT made up mostly of reunification-minded mainlanders, part of the remaining mainlander-minority within the KMT, the business community that stands to benefit from direct links with the mainland, and Soong's newly acquired native Taiwanese powerbase among the former provincial govern-

ment establishment in central Taiwan (where he was governor from 1994 until Lee disbanded the provincial government in 1998). Most importantly for the world at large, Soong's policies converge with those of the PRC and the United States, who both favor a peaceful settlement on the basis of a "one China" formula—sooner or later.

- Author, commentator, and talk show host Lee Ao, the mainland-born candidate of the New Party is prepared to accept the "one country, two systems" formula, simply because its essence is "50 years, no change," (i.e., maintenance of Taiwan's internal status quo, including multiparty democracy, capitalist social system, international economic and cultural relations, currency, armed forces, and so forth). Lee is betting that time is on Taiwan's side, that China will change radically within the next 50 years (most likely in a liberal-democratic direction), and that Taiwan stands to gain from that.
- Former DPP chairman Hsu Hsin-liang, who left his party to protest its high-risk policy of seeking independence and is running as an independent, advocates shelving all disputes about sovereignty, because they are a no-win situation and eventually only weaken Taiwan's position.

## Soong: A Foil for the KMT?

Soong initially had a commanding lead in the polls over his two main rivals, despite his expulsion from the KMT on November 17. Lee has proved increasingly willing to use draconian means to damage Soong's presidential bid and went as far as to compare Soong's ambitions to Adolf Hitler's and his tactics to the Nazis. In early December, Lee warned the electorate that a Soong victory would destabilize the Asia-Pacific region, adding that the United States, Japan, and other countries shared this concern. Lee also branded Soong a traitor and a liar, because on the one hand he pretended to love Taiwan, yet on the other, he wanted to abandon Taiwan's doomed bid to rejoin the UN and its efforts to join the U.S.-sponsored, regional missile-defense shield and advocated establishing direct trade, shipping, and air links with the mainland—all, in Lee's view, tantamount to high treason.<sup>3</sup>

The first real blow to Soong's campaign came a week later, when a KMT legislator disclosed that Soong, while secretary-general of the party (1989-1994), had misappropriated up to \$35 million in party funds, putting these in bank and investment accounts of his relatives.

Whatever the exact facts are behind these huge money transfers, the disclosures were in violation of privacy laws and are undoubtedly part of Lee's multipronged strategy to destroy Soong's presidential ambitions. The KMT is, notoriously, not just a political party but also a highly profitable \$3.8 billion business empire and huge patronage syndicate, of which Lee is the chief patron. Large political donations by businessmen with criminal records seeking elected office, extensive links with organized crime, insider trading, rigged contract bidding, and vote buying are still part and parcel of Taiwan's politico-social culture even after the democratic transformation. Soong's explanations that the president himself had ordered the transfers were met with disbelief. The apparent origin of the embezzled funds, unspent vote-buying cash (possibly for his gubernatorial election in 1994) and kickbacks from arms deals, did little credit to the KMT as a whole. A series of investigations will perhaps establish that Soong went further out of step in allocating funds to himself than his peers, but these may also lead to the embarrassing conclusion that Soong is just one of Ali Baba's 40 thieves and that he has been singled out not for corruption but for his defiance of the will of the leader.

Although Soong's electoral appeal had plummeted by early January 2000, it is premature to write off his candidacy. The ugly scandal may well be the prelude to a new round of internecine KMT warfare, which may end up damaging the KMT more than Soong. Soong's repressive past as director general of the Government Information Office between 1979-1984, the last bout of KMT persecution, political assassinations, and censorship before the

democratic transition has been largely forgotten, if not forgiven, by the masses. He is a deft politician who has changed with the times, but what compounds his current problem is that he had cultivated an image of a born-again “Mr. Clean” who would reform the KMT’s money politics. The popular backlash now is that he seems no better, perhaps worse, than the others do. Ultimately, his main problem is that he is mainlander, and native-born Taiwanese simply do not trust mainlanders.

The great paradox of Soong’s troubles is that they handed a golden opportunity to his trailing rival, Lien, who at 63 is a multimillionaire scion of one of Taiwan’s richest land-owning families. Lien was also born on the mainland like Soong, but of Taiwanese parents, and he has been an obedient follower of Lee’s “Taiwanization” of the political system. Lien seized on the Soong disclosures as the best timing to announce the KMT’s withdrawal from its business interests.

Little had been heard from Lien during the first few months of the campaign except that he was going to be the big loser. During November, Lee tried to drum up support for Lien, portraying him as “a man keeping his nose to the grindstone rather than pursuing the limelight.”

Now Lien suddenly acquired a new appeal as the man who will cut the business links of the KMT and create a new, level playing field for all political forces. Another Lien theme, popular with part of the electorate, was his dramatic call that Taiwan should develop offensive long-range missiles that could hit targets as far as Xinjiang in China’s far west and would deter a mainland missile attack on Taiwan.<sup>4</sup> The public greeted this as a belated willingness to pay China back with its own medicine. Whether this was prudent policy or only campaign humbug remains to be seen; it would almost certainly trigger a new missile arms race that China is bound to win. Lien’s rhetorical shift from upgrading defensive capabilities to developing offensive weaponry was widely criticized by the New Party, the DPP’s candidate Chen Shui-bian, and even the Clinton administration.

### **Chen Shui-bian: Mr. Clean, But...**

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When the DPP nominated the 49-year-old Chen as its candidate in July last year, it denounced the corrupt legacy of the KMT and expressed the hope that the schism in the ruling party would pave the way for its replacement by a DPP-run government after the March election. Chen had started his career in the late 1970s as a young, courageous defense lawyer for Taiwan’s top political prisoners (now all senior officials or opposition leaders) and as such he is an admirable man.

If his tenure as mayor for Taipei is any indication, his platform of clean

government will be good for Taiwan domestically. But Chen's policies toward the mainland could very well lead to disaster. Many DPP politicians, particularly those of the so-called "independence faction," have an ideological, idealistic view of the world in which they accord the highest value to principles such as self-determination and interdependence of democratic "countries," thinking that the Western democracies have a moral duty to "save" Taiwan, regardless of historical complexities and realpolitik. Chen exhibits a naive belief that he will have more room for maneuver in dealing with China than Lee, claiming that he is the only man trusted by the Taiwanese people. He expects China to become the "gentle giant" of Asia and that a DPP government can reconcile the irreconcilable: moving Taiwan toward independence while at the same time developing comprehensive cross-strait relations, including trade, air, and even defense links.<sup>5</sup>

During the last few months, he has shown a willingness to take greater risks than Lee Teng-hui himself. On the day of Portugal's handover of Macau to China, Chen presented a White Paper on the issue as part of his presidential agenda, that "the status quo of Taiwan as an independent sovereign state has to be stipulated in the constitution ... to be administered through a referendum." Chen added that China's formula "one country, two systems" was suitable for colonies like Hong Kong and Macau, but "since Taiwan is a sovereign state, it is impossible for us to accept it." According to the Taiwan media, Chen's own supporters had differing views about the "headlong" opening remarks in the White Paper on constitutional policy and Chen's own uncontrolled cry of "Long Live Taiwan Independence" in front of the pro-independence faction.

Questioned about constitutional policy by businessmen a week later, Chen backtracked and said that other constitutional issues, such as adopting a political system based on the three government powers (executive, legislative, and judicial) instead of the existing five powers (executive, legislative, judicial, examination, and control) had priority and that the "two states" theory was not very important.<sup>6</sup>

The episode again highlights the inconsistency within the DPP: recklessness followed by moderation when contradicted. DPP leaders underestimate and play down the risk of war in the belief that any war would be limited and brief, that the United States would reflexively intervene on Taiwan's behalf, and that the status quo ante in cross-strait relations would ultimately

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change in Taiwan's favor. Lee and Lien seem to share this belief to a lesser extent. The perception that the world is doing grave injustice to Taiwan, traditional anticommunism, Taiwan's isolated island mentality (and in Lee's case his Presbyterian biblical convictions) all color and reduce their appreciation of the risks of Taiwan's "politics of independence."

Lee's "two states" theory was something new in the equation of cross-strait relations that not only China but also the United States were unwilling to accept. Speculation focused subsequently on Lee's possible next move: anchoring the "two states" theory in the constitution, thereby ending the last theoretical fiction that still links Taiwan to China. Beijing added to its previous warnings that any move by Taiwan to change its flag, name, or constitution

or to call for a referendum on independence would lead to immediate military action. The Taipei government took heed. The KMT in late August did enshrine the "two states" theory in its party charter but the party's secretary general, John Chang, explained that a draft constitutional amendment was scrapped to "avoid speculation by the outside world."<sup>7</sup>

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President Clinton has since the start of the "two states" controversy reiterated his support for a "one China" policy and dispatched several missions to both Beijing and Taipei to cool the situation. On the subject of possible U.S. intervention, the deputy assistant secretary of state for East Asian and Pacific Affairs, Susan Shirk, has spoken most frankly, saying that "any military action, no matter how small, is likely to trigger a United States reaction." But she also stressed that America's long-held policy is one of strategic ambiguity (i.e., that Beijing should seriously consider that the United States will intervene or in the case of Taipei that it will not).<sup>8</sup> Specifying in any detail the circumstances under which the United States would intervene or not would embolden either Beijing or Taipei to move the goal posts in their favor and limit U.S. options. Chen and even Lee but also the People's Liberation Army (PLA) hardliners could therefore be in for a cold surprise.

In plain language, strategic ambiguity means that the United States will probably intervene if PLA hardliners prevail over civilian moderates and launch an unprovoked attack on Taiwan, but that the United States will not intervene if Taiwan provokes a crisis itself—for example, by enshrining the "two states" theory in the constitution and/or holding a referendum, to be followed by an explicit unilateral declaration of independence. Chen told me once that he would definitely hold the referendum, to show the world that the future of Taiwan should be decided by the people of Taiwan, not by Beijing or



Washington. When I reminded him that he could then be held responsible for provoking a war of unknown dimensions, he characteristically backtracked again and said, "Whether we implement the outcome of the referendum will be determined by the international situation of the moment."

## Hardliners on the Mainland

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On the mainland, foremost among the PLA but also among Chinese of all walks of life, there are plenty of cavalier assumptions that "big China" can easily defeat "tiny Taiwan," that the United States will not intervene, or that the PLA can preempt U.S. intervention through new types of "unrestricted, nontraditional, multidimensional, financial, and dirty" warfare.<sup>9</sup> It is difficult to assess to what extent this is mere propaganda or actually reflects serious military analysis. The fundamental factor is a deep belief in the uniqueness of Chinese history as one continuous, indivisible empire where modern universalist criteria such as pluralism, diversity, federalism, or the right to self-determination are alien. Nine in ten Chinese—from hotel waitresses to university professors—support the use of force if the temporary separation of Taiwan province would become permanent.

In late July, there was an outburst of militarist jingoism. Under the headline "Beat them until the separatists admit total defeat," the *National Defense News* on July 26 published three options that the PLA could use: it could strike Taiwan with missiles and fighter planes, blockade it, or, as a last option, invade. Referring to the crash of four recently supplied U.S. F-16s and two French Mirage 2000-5s, the article stressed that Taiwan's foreign weapons, weak fighting morale, and U.S. support were all unreliable to save Taiwan from PLA conquest.

The *China Business Times News Weekly* bragged on August 11 with a two-page spread that war could break out any day and that Taiwan's resistance would not last longer than five days. Street sales of the paper quadrupled to 400,000 because this kind of drumbeating is genuinely popular in the upsurge of post-Kosovo, anti-Western nationalism that prevails in China. One week later, the *Liberation Army Daily*, mouthpiece of the PLA, chimed in with martial rhetoric, stating that it would rather see a thousand soldiers die than give up one inch of China's sacred territory.<sup>10</sup> Chinese military and diplomatic sources, quoted by the *South China Morning Post* dismissed the prospect of U.S. intervention, given China's missile capability and expressed confidence that the PLA, by 2010 at the latest, could not only establish overwhelming superiority over Taiwan forces but repel "foreign intervention" altogether.<sup>11</sup> Military publications further cited Western inaction in the face of Russian "successes" in Chechnya as

further evidence that the United States would not dare intervene in case of PLA action against Taiwan.<sup>12</sup>

China, like the United States, practices a degree of ambiguity regarding the use of force. Chinese leaders and documents have tirelessly warned that a Taiwanese declaration of independence will trigger military retaliation by the PLA, but it is not clear whether preparations for a constitutional amendment and referendum, the penultimate steps towards independence, would also provoke armed conflict. Veteran commentator Willy Wo-lap Lam quoted military sources' disapproval of the moderate line that tension across the Taiwan Strait should be scaled down if the winner of the Taiwan elec-

tion chooses not to enshrine the "two states" theory in the constitution. The general quoted pointed out that the reunification process should be expedited even if the new Taiwan president decided to mothball the theory.<sup>13</sup>

The use of force is also held to be inevitable if the United States decides to extend theater missile defense (TMD), the U.S. anti-missile umbrella, to Taiwan, because it would be tantamount to a return of the pre-1979 days of Taiwan as a U.S. protectorate. Chi-

nese foreign minister Tang Jiaxuan told the National People's Congress in March last year that such a move would block China's hope of reuniting "peacefully" with Taiwan, thus giving a green light to a military solution. Other officials had said earlier that including Taiwan in TMD would be the "last straw" in U.S.-China relations, the same language they used in their 1995 warnings not to allow Lee to visit the United States.<sup>14</sup>

During the celebrations of the fiftieth anniversary of the PRC, Premier Zhu Rongji revived an old theme of the Deng era, that force would also be used if Taiwan refused negotiations indefinitely. Zhu warned an audience of foreign businessmen that the U.S. commitment to defend Taiwan would "sooner or later lead to an armed resolution of the question, because the Chinese people will become impatient."<sup>15</sup>

After all the sticks brandished by the hardliners, without really hitting, President Jiang Zemin himself held out a small carrot at the outset of 2000. In his millennial address, Jiang said that Taiwan would be given plenty of flexibility to realize the peaceful reunification of China under the "one country" premise. Jiang's relatively accommodative posture was obviously intended to woo public opinion on Taiwan ahead of the island's presidential election in March.<sup>16</sup>

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## Business Community Still Bullish

The most hopeful signals that there is not going to be a new crisis are coming from local governments in Chinese coastal cities (which have been eager recipients of Taiwanese investments) and the Taiwanese business community on both sides of the strait. Governors and mayors in the three provinces of Fujian, Zhejiang, and Guangdong have for years been anxiously awaiting the establishment of direct transportation links with Taiwan, which would give a tremendous boost to trade and investment. Ninety percent of mainland-Taiwan trade (valued at \$22 billion in 1998) still transits through Hong Kong. Visitors back and forth still must fly to Hong Kong, Japan, or Macau and transfer to mainland flights. Five years ago, it was widely expected that direct flights and shipping links would be operative by 2000, but to date this shows no sign of happening.

Taiwanese investment in the mainland actually declined by 31 percent to \$479 million during the first half of 1999. This is partly due to the effects of the Asian crisis, but chiefly due to political factors, namely the “be patient, go slow” policy of the Taiwanese government. This policy reflects the anxiety that allowing unlimited trade and investment with and on the mainland would make Taiwan’s economy hostage to the vagaries of communist politics, and thus restricts infrastructure and high-tech investments in China, encouraging investors to put cash elsewhere.<sup>17</sup>

Trade, however, grew by 13 percent, to \$20.8 billion, during the first ten months of 1999 and is (as always) massively in Taiwan’s favor. Taiwanese exports grew by 15 percent to \$17.2 billion and imports by 6.4 percent to \$3.6 billion.<sup>18</sup> A minor, experimental, direct shipping link between the Fujian port of Xiamen and the Taiwanese port of Kaohsiung was launched just before the Hong Kong handover in 1997. During the first 11 months of 1999, it handled only 300,000 TEUs, and for political and security reasons it is not allowed to expand further.

The mood among Taiwan’s business leaders is far from downhearted. “It’s not going to be worse than in 1995-1996,” said Simon Lin, president and chief executive officer at giant computer maker Acer Inc. “Mutual interest will keep business going. Businessmen aren’t nervous.”<sup>19</sup>

Foodmaker President Enterprises Corp., with \$280 million in investments in 26 production bases as far as Xinjiang, announced a new \$10 million investment, weeks after Lee’s “two states” announcement. But a top delegation of the National Federation of Industries, led by Kao Ching-yuen, the chairman and chief executive officer of President Enterprises, that would meet with Jiang in August was canceled by China.<sup>20</sup> Taiwan’s largest industrial conglomerate, the Formosa Plastics Group (FPG), is, after an aborted

multibillion dollar investment in a complete petro-city in Xiamen in the early 1990s, now investing in a \$3.2 billion power plant in Zhangzhou near Xiamen. The project has been delayed owing to the Taiwanese government's "be patient, go slow" policy. Wang Yung-ch'ing, the chairman of FPG is now steering funds from his U.S. subsidiaries and part of his own assets to enable the project to go ahead.<sup>21</sup>

Taiwanese businessmen residing in Fujian have been visited by top provincial officials providing assurances that their interests would not be harmed in any way by a potential fallout from Lee's statehood claim and asking them not to "flee." One businessman was quoted as saying that the provincial officials were more nervous than the Taiwanese themselves, not about imminent war but about the Taiwanese abandoning their investment projects.<sup>22</sup>

In August the Fujian government was still working on how to make up for the loss of revenue resulting from the expected further fall in Taiwan investment; by year's end, however, most of these worries had abated. In December, a new national law protecting Taiwanese investments was issued that harmonized previous local and regional regulations. The new legislation—endorsed by Rongji—became effective December 5. It allows Taiwanese investors to borrow from mainland banks and also ensures their right to have Taiwanese arbitrators present in cases of dispute. Taiwanese investors, employees, and their relatives can enter and stay on the mainland, and special schools can be set up for their children. For the first time, Beijing has specified that Taiwanese firms may buy small state enterprises and take part in the development of state-controlled natural resources.<sup>23</sup>

## Rapprochement through WTO

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A good scenario for a new era in cross-strait relations would be for the two sides to seize on their expected joint accession to the World Trade Organization (WTO) some time in May or June of this year as the occasion to make a fresh start in their relationship. This is within reach unless the U.S. Congress creates new hurdles by rejecting, for political and nontrade reasons, the granting of permanent "normal trading relations" status to China. Failure to do so would not block China from WTO entry but would nullify the gains that the long-delayed bilateral U.S.-China agreement, signed in November last year, would bring to both countries. Even if there were no new obstacles on Capitol Hill, it cannot be taken for granted that things will proceed smoothly thereafter, because election rhetoric, both in Taiwan and in the United States, is likely to test Beijing's nerves to the limit. It is conceivable that new rounds of bickering between China and Taiwan will erupt as

soon as details of the WTO accession have to be agreed upon.

Since the outset of the “two states” controversy, China has tried to trip up Taiwan’s WTO bid, notably by inducing China-friendly countries such as Pakistan, Bangladesh, Sri Lanka, and Cuba to block a review of Taiwan’s application before the Seattle meeting. During the Seattle meeting, Chinese ambassador to the United States Li Zhaoxing repeated an earlier warning that Taiwan had to drop its statehood claim or risk its chance of joining. Until then, the only condition that China had stipulated, according to the so-called 1992 General Agreement on Tariffs and Trade (GATT) Consensus on China, was that Taiwan could not join as long as China itself was not a member.

The exquisite intricacy of the problem can be sensed by the ongoing dispute over something as elemental as what to call Taiwan, when it does indeed join the WTO. Taiwan applied in 1990 for membership in the GATT not as a state but as the separate or independent “Customs Territory of Taiwan, Penghu, Kinmen, and Matsu” (TPKM). China did not object to that designation, since neither the GATT nor its successor organization, the WTO, require sovereign statehood as a condition for membership. More recently though, as a result of the acrimony over the “two states” controversy, Chinese media have insisted that Taiwan be known as “The customs region of Taiwan, China” and, for daily use on name-plates and badges, “Chinese Taipei,” the formula in use since the mid-1980s to enable Taiwan to join the Asian Development Bank and the Olympic Games. Taiwan has always vehemently opposed any juxtaposition of “Taiwan comma China.” There is also growing fatigue in using the term “Chinese Taipei” which is considered demeaning and confusing.

Election rhetoric, both in Taiwan and in the United States, is likely to test Beijing’s nerves .

A much bigger problem is how joint membership would affect the indirect trade between China and Taiwan through Hong Kong. Taiwan has signed accession pacts with 26 contracting parties, including the United States and the European Union (EU), but not with Hong Kong, its key trade transit point to the mainland, which is now under Chinese sovereignty.

Senior Taiwan officials have stated that the accession of both China and Taiwan to the WTO will not necessarily lead to the opening of the three direct links: air, shipping, and trade. Su Chi, chairman of the Mainland Affairs Council (MAC), told the Legislative Yuan on November 17 that the WTO is a trade regulatory body, focusing mainly on economics and finance, and

that it does not deal with transport link issues, which involve political and economic interests. Su, who is Taiwan's chief mainland policy planner, pointed to the United States and Cuba, who are both WTO members but have not yet forged direct transport links. To the contrary, Cuba is under U.S. embargo. Su added that Taiwan does not rule out the possibility of starting "three links" negotiations with the mainland China, "but only on an equal footing and based on the premise that the ROC's national security and dignity should not be undermined."<sup>24</sup>

That, in a nutshell, is what the whole "two states" theory is about. It is a classic "Catch-22" situation. Taiwan tells the mainland that it wants direct links on the basis of equality, but since the mainland does not treat Taiwan as an equal, there cannot be direct links.

Taiwan will most probably invoke the "exclusion, safeguard and security clauses" in the WTO charter to continue restrictions on cross-strait trade. These clauses allow WTO members to cite national security concerns to exclude other countries from the multilateral obligations entered into by WTO accession. So, it is still very dubious whether joint WTO membership will contribute to the relaxation of cross-strait tensions.

## **China-Taiwan Relations "Quasi-International"?**

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By early January, it was clear that the "black-money scandal" had not irreparably damaged the candidacy of Soong. Although his support had declined from a peak of 36 percent before the scandal broke, he was still leading with 22.7 percent, with Chen scoring 20.9 percent and Lien, the standard-bearer of the ruling party, trailing with a paltry 15.7 percent.<sup>25</sup> What this probably reflects is that the Taiwan electorate cares more about improved relations with the mainland than about corruption.

After keeping details of his cross-strait views close to his chest for several months, Soong was the first of the three major candidates to present a detailed program for the development of cross-strait relations. "When China and Taiwan both enter into the WTO this year, it will become obvious that the cross-strait relationship is neither a domestic nor entirely an international affair," Soong said on CNN on January 3. He rejected Lee's "two states" theory and proposed instead to put cross-strait relations on a "quasi-international basis with mutually exclusive sovereignty." Soong further proposed that the two sides sign a 30-year nonaggression peace pact, to be witnessed by the United States, Japan, and the Association of South-East Asian Nations (ASEAN). After these 30 years, the two sides should continue their relations as independent sovereign states modeled after the EU (i.e., a union of two sovereign states). Eventual integration should be a de-

cision to be made by the Taiwan people. In the economic field, Soong suggested that the government's "go slow, be patient" policy be replaced by a "go straight ahead, be positive" posture. This would entail comprehensive, long-term structural cooperation and integration that would take into account the new circumstances to be faced after entering WTO. Interestingly, Soong stressed that the crucial point in cross-strait relations is not the dispute over sovereignty but that over human rights. "The mainland's recognition of the human rights concerns of our government and the masses will be the most solid foundation for cross-strait peace."<sup>26</sup>

Beijing will definitely welcome Soong's slap in the face of Lee, but it is expected to reject categorically Soong's insistence on sovereignty and his proposal of an internationally supervised nonaggression treaty, because only sovereign states conclude treaties. The human rights issue is not likely to run into opposition from Beijing. There is now a Hong Kong precedent, and even though there have been some problems in Hong Kong with interpretation of the Basic Law for the Special Administrative Region, China has so far scrupulously refrained from curbing civil rights, including press freedom, in Hong Kong. Even the Buddhist exercise movement Falun Gong, persecuted on the mainland, is free in Hong Kong.

The advantage of a package like Soong's is that it would facilitate the resumption of a constructive dialogue. But a Soong victory cannot be taken for granted. The results of several ongoing investigations in his financial dealings may very well damage him further. Even if he wins, it will be with a plurality of votes, at most 35 percent, which will mean that the great majority of the Taiwan people (85 percent of whom are native Taiwanese) will be very suspicious of any deal that Soong as a mainlander will make with his "ethnic brethren" in Beijing. Twelve years of free-wheeling democracy have led to a situation in Taiwan where an affluent middle-class society considers sovereignty and independence natural rights than cannot be tinkered with. In the words of a recent editorial in the *Taipei Times*, this civil society "does not want to reunify with a regime that runs over its students with tanks, jails people for performing qigong calisthenics, and starves orphans to death."<sup>27</sup> This is the reality of Taiwan today and it is unthinkable to reverse this.

Time and change would seem to be working in Taiwan's favor. The Taiwanese do not need to give up their claims to sovereignty and independence. They should, however, deemphasize or calibrate them, talking less and provoking Beijing less, in keeping with the venerable diplomatic dictum

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to “stress common points, reserve differences.” Put another way, Taiwan should focus on developing direct economic relations, while postponing sovereignty disputes, as the only way to gain trust and time. Perhaps enough time can be gained to enable the Chinese leadership to come around to new ideas on liberalization, political reform, and a new formula for dealing with Taiwan. It is too much to expect this to happen in 2003 when Jiang will probably hand over the presidency to Hu Jintao; but perhaps Hu’s successor in 2008 will be in a position to introduce new thinking on China and Taiwan that will accept the will of the people as the ultimate factor. If Taiwan’s independence-obsessed politicians cannot wait for this and yield to their passions, Beijing may well decide on military action. The United States should not then be blamed if it chooses not to save Taiwan.

## Notes

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1. Mure Dickie, “Election Bid Widens KMT Rift,” *Financial Times*, July 17, 1999.
2. There is deep-seated suspicion among the Taiwanese towards mainlanders’ positions vis-à-vis Beijing. During the 1996 election campaign, a senior aide to President Lee Teng-hui told me that the mainlander rival of Lee, former prime minister Hau Pei-tsun, who was running on the New Party ticket, was a paid agent of Beijing. The presidential aide had no evidence but was absolutely convinced of this.
3. Jason Blatt, “Leader Brands Soong ‘Liar,’” *South China Morning Post* (Hong Kong), December 9, 1999; Oliver Lin, “Lee Accuses Soong of Nazi Tactics,” *Taipei Times*, December 9, 1999.
4. Brian Hsu, “Lien Says Taiwan Needs New Long-Range Missile,” *Taipei Times*, December 9, 1999; Agence France Presse, “Taiwan Long Range Missile Plans Raise Arms Race Fears,” *South China Morning Post*, December 14, 1999.
5. Lin Chieh-yu, “DPP Reveals Cornerstone China Policy,” *Taipei Times*, November 16, 1999. The Chinese ambassador to the United States, Li Zhaoxing, told a delegation of Taiwan’s “Peaceful Reunification Society” that an election victory by Chen Shui-bian would not be acceptable to China. “Chung Kuo Shih Pao,” *China Times*, Taipei, December 13, 1999, p. 1, in *Summary of World Broadcasts*, FE/D3721/CNS 18-12-99.
6. Mure Dickie, “Taiwan: Presidential Challenger Targets China Link,” *Financial Times*, December 22, 1999.
7. Josephine Ma and agencies, “KMT Enshrines Two-States Policy,” *South China Morning Post*, August 30, 1999.
8. Russel Flannery, “U.S. Issues Warning to China Not to Launch Taiwan Attack,” *Asian Wall Street Journal*, September 7, 1999.
9. Since the intervention of the North Atlantic Treaty Organization (NATO) in Yugoslavia, Chinese military strategists have realized that China will never have a chance to oppose U.S. military power effectively by traditional, conventional means. Therefore, they show an increasing willingness to embark on new methods of warfare, including financial sabotage, internet warfare, terrorism, and so forth. This approach is epitomized in a book by two Chinese Air Force colonels, *Unre-*



- stricted War*. See John Pomfret, "China Looks Beyond Old Rules," *International Herald Tribune*, August 9, 1999.
10. Reuters, "Beijing Keeps Up War of Words Against Taipei," *South China Morning Post*, August 18, 1999; Reuters, "Newspapers Cash In by Launching War of Words," *South China Morning Post*, September 14, 1999.
  11. Willy Wo-lap Lam, "Speed Up Taiwan Effort, Urges Jiang," *South China Morning Post*, December 21, 1999.
  12. Willy Wo-lap Lam and agencies, "West 'Won't Intervene over Taiwan,'" *South China Morning Post*, December 29, 1999.
  13. Willy Wo-lap Lam, "PLA Hawks Urge Hard Line on Taiwan," *South China Morning Post*, October 19, 1999.
  14. John Pomfret, Washington Post Service, "Beijing Hardens on Missile Shield," *International Herald Tribune*, March 8, 1999.
  15. James Harding, "Beijing Warns over Taiwan's Future," *Financial Times*, October 1, 1999.
  16. Xinhua News Agency, "Jiang: Taiwan Issue Has Plenty of Flexibility," January 3, 2000.
  17. Agence France Presse, "Taiwan Investment Inflows Fall 31 pc," *South China Morning Post*, July 24, 1999.
  18. Associated Press, "Taiwan 10-Month Trade with China US\$20.84B, Up 13% on Yr," *South China Morning Post*, December 27, 1999.
  19. Russel Flannery, "Taiwan Companies Play Down Growing Concerns over China," *Asian Wall Street Journal*, July 15, 1999.
  20. Agence France Presse, "Taiwanese Business Delegates Cancel Trip," *South China Morning Post*, August 11, 1999.
  21. Agence France Presse, "Energy: Cross-Strait Power Deal," *South China Morning Post*, February 27, 1999.
  22. Michelle Chak, "Business as Usual for Optimistic Investors from Island," *South China Morning Post*, August 28, 1999.
  23. Xinhua news agency, "China Details Rules for Law on Protection of Taiwanese Investors," December 12, 1999.
  24. Central News Agency, "China's WTO Entry Will Not Lead to Cross-Strait 'Three Links' Opening," November 17, 1999.
  25. Russell Flannery, "Lien Strives to Counter Taiwanese Restlessness," *Asian Wall Street Journal*, January 10, 2000.
  26. Chung Kuo Shih Pao, "Presidential Candidate Soong Announces Platform of 'Mutually Exclusive Sovereignty,'" *China Times*, Internet version, January 6, 2000.
  27. "Soong Loses to Chinese Academic," *Taipei Times*, January 3, 2000.