

Philippine-China Relations: Some Observations and Reactions

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(This discussion was a reaction to the previous paper, "Issues in Philippine-China Relations" by Theresa Cariño.)

Of the four issues mentioned by Theresa Cariño, I think I will forego the issues of the "overstaying Chinese" and the Spratlys problem, since it was so amply discussed. Please bear with my two cents' worth of discussion on the RP-China balance of trade issue and on the question of Philippine-Taiwan relations.

First, let me talk about the balance of trade. For the year 1988, China enjoyed a US\$175-million surplus in its trade with the Philippines. For the first semester of 1989, Philippine sources cite China's surplus as US\$121-million (China's estimate was US\$95-million) with the year-end total expected to be higher than that of last year.

Based on our estimated total deficit figure of US\$1 billion, China's surplus last year was therefore 17.5% of the total. With our deficit this year projected to run up to US\$2 billion, China's surplus, contrary to popular belief, will come down to 12% more or less.

To remedy this imbalance, the Philippine International Trading Corporation (PITC) issued Adm. Order # SOCPEC-89-08-01, requiring particular importers of Chinese goods to export the same value of goods to China. China was singled out among our trading partners. However, according to figures of the Central Bank and the National Statistics Office, of the twenty major trading partners of the Philippines, the Philippines incurred deficits with 16 of them for the first semester of this year. Moreover, China occupied only the fifth place in the ranking of surplus countries.

Why is special treatment accorded the other surplus countries, particularly Taiwan which occupied the No. 1 position with a surplus of US\$226-M, almost double that of China?

And why should the government nitpick on China's 17.5% and 12% share of the deficit, yet totally ignore the remaining 80 plus percent?

Admittedly, restriction or prohibition of trade with China will perforce improve our balance of trade with that country. From the viewpoint of over-all deficit, however, the implementation of the Administrative Order will make the situation worse. This is because our imports from China are mostly, if not entirely, in non-luxurious and therefore price-inelastic items of which 65 % are imports of coal, oil and bean meals. Without China, we would have to source these from other countries with a higher price, which will result in bigger dollar outlays.

Not only is the administrative order not justifiable in economic terms, it is likewise indefensible on legal grounds, as it is a classical case of *ex-post-facto* law; of class legislation and of confiscation of property without due process of law.

The question worth pondering then is why—with all the infirmities, defects, and absurdities of the order—did the PITC nevertheless go ahead with it? The answer I think, could only be found in the realm of politics. The fact that we are so spell-bound by Taiwan capital; the fact that our government officials are so attracted to Taipei and the fact that we have to go out of our way to put up a Board of Investment underground liaison office in Taipei, indicate that the government has indeed politicized our bilateral trade with China. It appears that we have chosen to sacrifice that trade to serve the political interests of Taiwan.

With regards to Philippine-Taiwan relations, let us start by reviewing the evolution of the positions taken by both China and Taiwan on the question of unification.

In 1979, the Standing Committee of China's People's Congress issued the "An Open Letter to Taiwan Compatriots", as an opening gambit for unification. This was followed by the Nine Proposals forwarded by the late Ye Jianying, President of the Congress, which included negotiations between the Chinese Communist Party and the Kuomintang; exchanges of mail, travel and trade, among others. In 1982, Deng Xiaoping came up with his famous "One Country, Two Systems" model to be made applicable to Hongkong, Macao and Taiwan.

To these, Taiwan initially responded with "three No's", i. e. "no contact, no negotiation, and no surrender". This was later toned down

by the slogan of "Let the Three People's Principles Unite China", in lieu of the earlier strident slogan of "Bury the Communists and Save China". In 1987, Taiwan lifted Martial law and in July 1988, the Kuomintang held its 13th plenary session that adopted the resolution of "Our Present Policy Towards the Mainland". In sum, the resolution dictates that while there shall be peace, there shall be no negotiations; while there shall be exchanges, there shall be no unification; while there shall be competition, there shall be no war; while there shall be separation, there shall be no severance. In short, the relationship of the mainland and Taiwan was and still is placed in a situation of no war, no peace, no unification and no independence.

It was based on this all-important resolution that the so-called "elastic diplomacy" was drawn up by Taiwan's Foreign Ministry. This came particularly when its relations with South Korea and Saudi Arabia, two of the three remaining more respectable countries which recognized it, were wavering. South Korea had upgraded its trade relations with China from indirect to direct trade and Saudi Arabia and China agreed to establish commercial liaison offices in their respective capitals.

As applied, 'elastic diplomacy' connotes the substitution of the rigid stand of 'Han and Traitors cannot co-exist' by a more pragmatic concept of "double recognition", with Taiwan hoping that China will accept as *fait accompli* Taiwan's being recognized by a third country which has diplomatic ties with China.

In countries where political conditions are not ripe for 'double recognition', the upgrading of Taiwan's quasi-official organ becomes the second-best objective. And such was the case in the Philippines.

While the Philippines is not as easy a prey as Grenada, Liberia and Belize (countries which have recently shifted recognition to Taiwan) we are nevertheless vulnerable. First of all, we are faced with economic difficulties and are therefore an easy target for economic blackmail. Moreover, The Philippines has a well-entrenched local Kuomintang network. Thus the Philippines was selected as the test-case for elastic diplomacy in this part of the world, through which Taiwan will attempt to break out of its isolation.

Make no mistake, the Philippine Kuomintang is one of the two strongest overseas branches of the party, the other being the Kuomintang in the United States. Make no mistake, too, that our local nationwide, Chinese or Filipino-Chinese federations of trade, schools,

family associations are fronts of the Kuomintang. No president of the omnipotent Federation of Filipino-Chinese Chambers of Commerce and Industry can possibly be elected without the sanction and approval of Taipei.

Whether a third country opts for outright or *de-facto* recognition of Taiwan, China has repeatedly said it will not tolerate either as this will lead to a situation of "two-Chinas" or "one-China, one-Taiwan." China has drawn its bottom-line.

In response, Taiwan reconciles 'double recognition' with its lip-service pledge of adhering to the 'one-China policy', in this manner: to Taiwan leaders' subjective mind, the PROC does not exist as a nation or a government. Neither does it exist as a belligerent community or a seditious organization. It is at most a 'band of brigands' which has no international personality to speak of. Ergo, the diplomatic ties of PROC with other countries have no legitimacy and there exists no question of 'double recognition'.

What a distortion of logic! How could Taiwan possibly deny the fact that for the past 40 years, its countless political acts are constitutive of recognition of the existence of PROC and its government? Or, as the lawyers would say, how could Taiwan possibly exculpate itself from being held to be in estoppel on the question of recognition?

But of course, Taiwan and its mercenaries in our midst would not be foolish enough to come out in defense of 'double recognition'. Rather, they would prefer to camouflage it with derivable economic interests. They would correlate Philippine economic benefits with Taiwan political demands. With tongue in cheek, they would say that the Taiwan Relations Act will enhance Taiwanese investments here and that the proposed legislation is not in violation of one-China policy.

Both allegations are far from the truth. As per Taiwan's statistics, at the end of 1988, Taiwan's investment in Thailand amounted to US\$842 million; in Indonesia US\$910 million; in Malaysia US\$141 million and in the Philippines US\$109 million. The same source said that at the 1989 year-end, Taiwan's investment in Malaysia is expected to reach US\$700 million; Thailand US\$900 million; Indonesia US\$350 million and the Philippines US\$300 million.

In China, up to June this year Taiwan's investments in Xiamen alone amounted to US\$270 million. Its total investments in China, for the same period, amounted to US\$810 million.

In the Philippines, in the twelve months ending in August 1989, Taiwan, along with Japan, Hongkong, Australia and Singapore have bolstered their investments as a percentage of their total investments over the past 20 years by more than 10%.

Yet Thailand, Indonesia, Malaysia, China and present-day Philippines do not have a "Taiwan Relations Act" nor has Taiwan demanded one except in the case of the Philippines. The investment figures speak for themselves. They need no elaboration, being as clear as crystal.

Yes, the Taiwan Relations Act is not the major determinant of Taiwanese investments. Other factors such as infrastructure, the peace and order situation, the labor situation or even the U.S. bases question are more likely to constitute the decisive variables. Resolution No. 046 adopted by Board of Investments embodying guidelines for prospective Taiwan investors is an appropriate and adequate concession, granted by the Philippine government to Taiwan.

As to the question of whether the proposed Taiwan Relations Act is violative of our 'one-China policy' or not, a perusal of both House Bill Nos. 16421 and 22183 will readily yield the answer that while both similarly purport to uphold the 'one-China policy' both will elevate the Pacific Economic and Cultural Center (PECC) in the Philippines and Asian Exchange Center in Taiwan to veritable diplomatic legations, authorized to handle consular, cultural, and other economic affairs (except political), of both sides. Do they violate the 'one-China' policy? The answer, I think, is obvious.

It is to be expected that our relations with Taiwan will continue to be a destabilizing factor in our relations with China. Although much has been said about China's influence in international politics and although we have been repeatedly reminded that it is to our interest to have a friendly China, I am afraid that, nevertheless, our government will succumb to temptations and take the low road, as did the legendary Faustus.