

PRC-TAIWAN RELATIONS: CURRENT TRENDS AND FUTURE DIRECTION

Willy L. Laohoo

In this paper, I will argue that the same wind of transformation that eventually brought about the disintegration of the Soviet Union and the collapse of socialism in Eastern Europe has blown across the Chinese nation a decade earlier. This has resulted in pragmatism never seen before from the leaderships of both the People's Republic of China and Taiwan. Such pragmatism— particularly ideological pragmatism—has brought about qualitative changes in the relationship between the PRC and Taiwan, and opened avenues for contact which broadens the possibility for reunification.

Introduction

For those unfamiliar with contemporary Chinese history, allow me to give a brief background which will explain why the Chinese nation needs to be reunited.

In December 1949, following its defeat at the hands of the Chinese Communists, Chiang Kai-shek's Kuomintang (KMT or Nationalist Party) moved its seat of power to Taipei in the southeastern island province of Taiwan. Since then, both the Chinese Communist Party (CCP) and the KMT have claimed to be the sole legitimate government of all China. Beijing, for its part, considers Taiwan a breakaway province, while Taipei, still under the delusion that it is the heir of Dr. Sun Yat-sen's Nationalist Revolution, claims that the mainland is an integral part of the so-called "Republic of China" under the occupation of the "Communist bandits". Because the issue under dispute is that of sovereignty over a constituency and territory, both protagonists found it of mutual interest to recognize only one China—a China that must eventually be reunified. Hence, the need for reunification.

New Pragmatism in Taiwan and Its Effects on Cross-Straits Ties

Thirty-eight years after fleeing the mainland, the KMT—under the leadership of then president Chiang Ching-kuo—opened the floodgates for reforms in Taiwan. Chiang, hard-pressed by the growing demand from an increasingly influential middle class to democratize the island's authoritarian polity, and unable to continue his father's tactic of suppressing political dissent through the instrument of martial law, personally orchestrated Taipei's political reforms and lifted military rule on July 14, 1987. His death in 1988 and the ascension of Lee Teng-hui, a Taiwan-born party stalwart, to the presidency marked the beginning of the end for "old guard" rule in Taipei. One by one, Chiang Kai-shek holdovers were replaced by their sons and sons of native Taiwanese.

The end of the "Chiang dynasty" and the subsequent democratization of the island's polity made the Taiwan authorities more sensitive to popular opinion. And more cross-Straits contacts happened to be among the popular demands during the "China fever" years of the late 1980s and the present.

A survey¹ conducted by the Gallup Poll in Taiwan (refer to Table 1) revealed the following:

1. 49.6 percent of Taiwanese are in favor of party-to-party talks between the Communists and Nationalists, while 22.7 percent are against;
2. 56.7 percent are for China-Taiwan government-to-government talks, while 15.5 percent are against;
3. 65.3 percent are in favor of direct China-Taiwan trade, while 19.4 percent are against;
4. 66.4 percent are for direct air-sea links between the mainland and Taiwan, while 19.8 percent are against;
5. 53.2 percent are in favor of allowing CCP members to visit relatives in Taiwan, while 27.7 percent are against; and
6. 64.2 percent are for visits by Taipei officials to the mainland for fact-finding purposes, while 13.9 percent are against.

Another poll², also conducted by the Gallup Organization, confirmed the findings of the earlier survey (refer to Table 2). According to the results:

1. 56.8 percent of Taiwanese are in favor of the establishment of direct trade links, while 22.4 percent are against;

TABLE 1
TAIWAN GALLUP POLL RESULTS

Question	Opinion Ratio					Total
	Strongly For	For	Against	Strongly Against	No Answer	
Party-to-party talks between KMT and CPC?	8.4%	41.2%	18.1%	4.6%	25.3%	1013
Taipei-Peking government-to-government talks?	10.1%	46.7%	12.3%	3.2%	25.0%	1013
Direct trade with mainland?	17.3%	48.0%	16.6%	2.8%	15.2%	1013
Direct sea-air links with mainland?	15.7%	50.7%	16.3%	3.5%	13.8%	1013
Taiwan family visits by Chinese Communist Party members?	8.7%	44.5%	21.8%	5.9%	18.7%	1013
Fact-finding mainland trips by ROC officials?	13.9%	50.3%	11.5%	2.4%	20.8%	1013
Taiwan independence?	3.0%	13.2%	37.6%	25.1%	19.6%	1013
Should ROC give up mainland China?	1.0%	8.7%	39.4%	21.0%	28.5%	1013
Will iwan be attacked if it becomes independent?	14.4%	35.0%	18.0%	2.1%	29.9%	1013

Source: Across the Strait Research Fund.

TABLE 2
TAIWAN RESIDENTS' VIEWS ON CROSS-STRAITS EXCHANGES

Subject Response	Direct trade	Direct transport	Party-to-party contact	Gov.-to-gov. contact	Gov.-to-gov. negotiation
Strongly support	13.5%	12.9%	7.1%	9.8%	8.4%
Support	43.3%	44.8%	30.1%	43.1%	38.9%
Oppose	18.6%	17.7%	23.4%	12.8%	15.2%
Strongly nion	17.9%	17.3%	30.2%	27.6%	30.4%
No comment	3.0%	3.0%	4.4%	4.6%	4.8%

Source: Gallup Organization, Inc.

Respondents: 1,515

2. 57.7 percent are for the establishment of direct transport links, while 22 percent are against;
3. 37.2 percent are in favor of party-to-party contact, while 28.2 percent are against; and
4. 52.9 percent are for government-to-government contact, while 14.9 percent are against.

Bowing to popular sentiments, Taipei softened its official policies of "Three Nos" (no compromise, no contact, and no negotiation) and "Three Refusals" (refusal to exchange mail, trade, and maintain transport links) toward the People's Republic. Since then, the Taiwan regime has: (1) allowed party as well as government officials—ostensibly under private capacities—to visit the mainland; (2) given several Taiwanese firms permission to invest in the PRC; (3) allowed a number of card-bearing Chinese Communist Party members to visit relatives in Taiwan; (4) condoned direct sea links for the repatriation of fugitives and illegal immigrants; and (5) opened postal as well as telecommunication links with the People's Republic.³

Current Trends in Cross-Straits Trade and Investments

Although ties across the Taiwan Straits have improved tremendously over the past few years, it is still illegal for Taiwanese entrepreneurs to trade directly with the mainland. This, however, does not prevent enterprising Taiwan businessmen from cashing in on this lucrative activity. Statistics showed that the value of two-way trade—conducted via Hong Kong—surged from \$66.76 million in

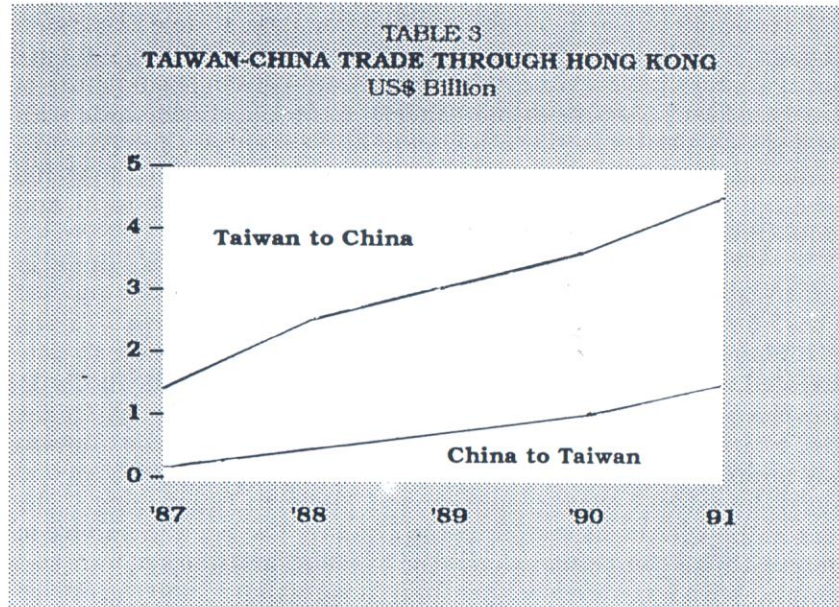
1979 to \$3.48 billion in 1989. That is a fantastic 45-fold expansion in a span of 10 years (unfortunately figures from 1980 to 1984 are not available; Tables 3 and 4, however, would give a good picture of the dynamism of cross-Straits trade). In fact, indirect trade with Beijing has proven to be so lucrative and essential that Taiwan's economic minister, Vincent Siew, announced in 1991 that his ministry was approving the direct importation of 158 farm and industrial raw materials from the mainland.⁴

The restrictions in the trade front, however, do not apply in the investment front. On April 1, 1991, Taiwan authorities enacted a law allowing Taiwanese to invest in the People's Republic. Taking advantage of this opening, Taiwanese entrepreneurs have to date invested around \$1.5 billion in China,⁵ covering 20 of the PRC's 31 provinces (refer to Table 5). According to statistics released by the PRC's Ministry of Foreign Economic Relations and Trade, Taiwan has now dislodged the United States and Japan as China's second major investor—playing only second fiddle to Hong Kong. The reason for Taiwanese investment in China? The need to survive in the cut-throat competition that is the international market, pure and simple. With wage levels higher than those of Japan and the United States (at approximately \$475 a month) and skyrocketing real estate prices, the KMT-controlled island is fast turning into a veritable nightmare for Taiwanese investors.⁶ Under such circumstances, the People's Republic—with a wage level of \$50 a month,⁷ abundant raw materials, and cheap real estate—becomes a virtual magnet, especially for "sunset" industries (i.e. textile, toy industries) which must relocate to be able to effectively compete with other "dragon" economies.

The flow of Taiwan capital into China may, however, slow down substantially in the years to come as the Taiwan regime, apprehensive that heavy investment in the PRC would make it vulnerable to "economic blackmail" from Beijing, is now actively blocking the major infusion of Taiwanese capital in strategic sectors of China's economy. Taiwan plastic magnate Y.C. Wang's much-celebrated plan to invest \$7 billion in the Xiamen Special Economic Zone (see map), for instance, was scuttled by Taipei under the pretext that it would take away one-third of Taiwan's industrial base.⁸

Beijing's Formula for Reunification and Taipei's Response

In the PRC, the rehabilitation of senior leader Deng Xiaoping in 1978 saw the junking of Mao Zedong's inward-looking economic

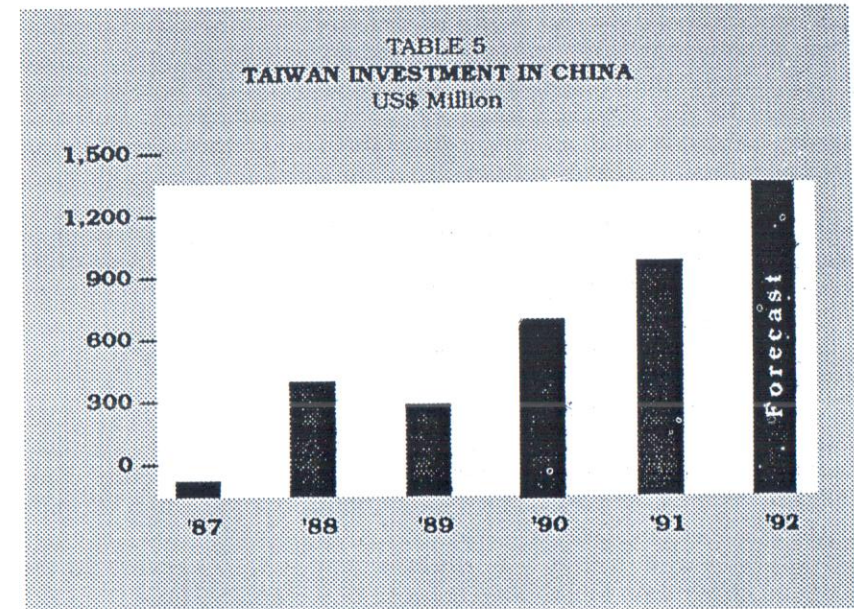


Source: Hongkong Government Statistics

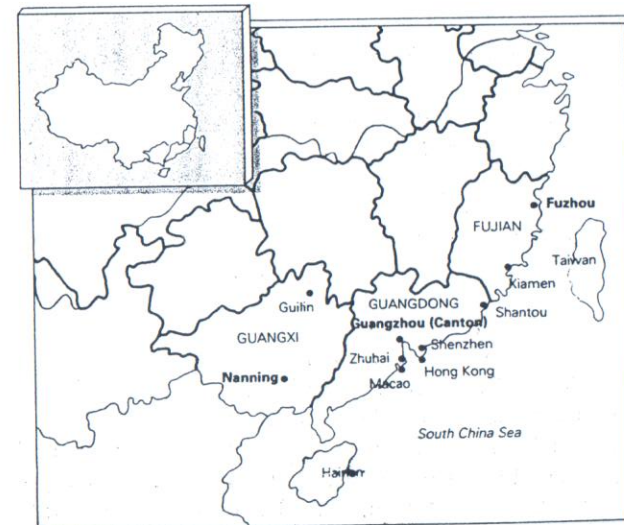
**TABLE 4
BIG BUSINESS
Taiwan's Indirect Trade with China, via Hong Kong
US\$ Million**

	Exports	Imports
1985	1,104.0	116.0
1986	925.2	114.2
1987	1,515.9	289.0
1988	2,717.4	478.1
1989	3,483.4	586.9
1990	4,043.0	762.9
1991 (Jan. - May)	1,668.0	408.0

Source: James Capel Taiwan Ltd.



Source: Chung-Hua Institution for Economic Research



Map of southern China

policy in favor of the former's export-oriented, reform-based formula. This "open-door" policy ushered in an era of unprecedented pragmatism in the mainland. Reforms not only resulted in astounding changes in the standard of living of the mainlanders, but also brought about flexibility never seen before in the Chinese Communist Party's attitude towards reunification. Beijing's latest reunification initiative involved its 1991 proposal which stressed that negotiations for unification could start at relatively low levels (referring to ways to expedite interchanges across the Taiwan Straits so that direct links could be established) and could involve non-CCP and non-KMT representatives. This is in addition to the mainland's already generous reunification policy of "peaceful reunification; one country, two systems".⁹

However, hoping to force the PRC into a state-to-state negotiation under its so-called "one country, two governments" formula,¹⁰ Taiwan's response to Beijing's initiative was quite cold. Alleging that Beijing's proposal dates back to 1983 when China's senior leader Deng Xiaoping unveiled his "one country, two systems" formula—and therefore was nothing new—Taipei reiterated its original conditions for improvement of ties, namely: that the PRC should promise not to use military force against Taiwan, abandon socialism, and stop blocking Taiwan's activities in the international arena.¹¹

New Developments in Cross-Straits Ties

Despite the apparent stalemate, both sides are continuing efforts to work towards better relations.

China, on its part, established the Association for Relations Across the Taiwan Straits (ARATS) to further promote cross-Straits ties. It also merged the government's Taiwan Affairs Office with that of the CCP to promote efficiency and consolidate reunification efforts.¹²

Taipei, on the other hand, created the Foundation for Exchanges Across the Taiwan Straits (FEATS).¹³ It also established the National Reunification Council¹⁴ and Mainland Affairs Council¹⁵ to oversee and implement its mainland policy respectively. The very fact that the latter is chaired by no other than President Lee Teng-hui is indicative of the seriousness with which Taipei is pursuing its unification goal. And stealing the thunder from Beijing, the KMT authorities came out with three landmark reunification initiatives in less than two years' time: the release of the Guidelines for National Unification on March 5, 1991,¹⁶ the abrogation of Taipei's 43-year old

"Temporary Provisions Effective during the Period of Communist Rebellion" on April 22, 1991,¹⁷ and the passage of a law regulating formal contacts between the two sides of the Taiwan Straits on July 16, 1992.¹⁸

China's acceptance of FEATS and Taiwan's acceptance of ARATS set the stage for further contacts between the two erstwhile protagonists.

Future Direction

I have thus far argued that the post-1980 de-ideologization of both Beijing and Taipei have opened the floodgates for contact between the two sides, and increasing contacts and cooperation have opened the channel for dialogue which broadens the possibility for reunification. Now, I would like to raise two questions: (1) Would reunification ever be achieved? and (2) if so, who among the two protagonists will reunify the whole of China?

My answer to the first question is yes, reunification will be achieved. While it is true that a clear consensus on the resolution of the reunification problem has yet to be reached, it cannot be denied that prospects for reunification are now far brighter than is generally perceived. The trend of increasing contacts and exchanges between Beijing and Taipei betrays their growing mutuality of interest. Both the PRC and Taiwan, for instance, are conscious of their growing economic interdependence. To this consciousness is added their common abhorrence for Taiwan independence as espoused by Taiwan's opposition, the Democratic Progressive Party. It is also quite clear to both sides that if unity is not achieved at the end of this century, the chance of achieving unification may be doomed forever as the mantle of leadership in both Beijing and Taipei would gradually be assumed by the second and third generation Chinese who, owing to their lack of experience of the 1947-49 civil war, may not have the same sentiments for reunification as their elders.

To the question of who will ultimately reunify China, my vote is with the Beijing government. To be sure, the Nationalists have long forfeited their right to reunify China after Chiang Kai-shek's 1938-49 corrupt and decadent governance of the mainland (this is to say nothing of the fact that Taipei does not have the military clout to "recapture" the People's Republic). The CCP, on the other hand, was not only able to feed and cloth its constituents of more than one billion, but it was also able to bring about prosperity and stability unprecedented in modern Chinese history. That the United Kingdom

decided to hand over Hong Kong and Portugal chose to return Macau to Beijing in 1977 and 1999, respectively, are further indications that the CCP alone has the legitimacy as well as the political clout to carry out the aspiration of the Chinese people for a reunited country.

After saying all these, let me end by saying that the task ahead for the CCP will be to demonstrate to the authorities in Taipei and the island's populace that it is capable of handling the transition leading to the incorporation of Hong Kong and Macau under its "one country, two systems" formula. Any arbitrary decisions that would be taken to reflect China's insensitivity to the concerns and aspirations of the people of the two soon-to-be Chinese special administrative regions would destroy the prospect for Taiwan's reunification with the mainland forever.

ENDNOTES

¹"Poll Favors Talks Against Independence," *The Free China Journal*, October 18, 1990, p. 1.

²"Gallup Poll Reflects Hope, Fear: Majority Wants Government Links," *The Free China Journal*, August 11, 1992, p. 2.

³Willy Laohoo, "PRC-Taiwan Relations: Towards the Path of Reunification," *PDRC Currents*, vol. 2 no. 2, March-April 1991, p. 11.

⁴Taiwan to Liberalize Imports from China," *South China Morning Post*, September 14, 1991, p. 4 (B).

⁵The figure of \$1.5 billion which I gave is a conservative estimate. Some Taipei economists claimed that the amount of Taiwan investment in the PRC could be as high as \$3 billion. For more details, refer to Florencio T. Mallare's "An Anatomy of Taiwanese Investments in China," *China Currents*, vol. 3, no. 3, July-September 1992, pp. 7-9 & 29.

⁶Mallare, p. 9.

⁷"The Strait Narrows," *Asiaweek*, September 16, 1992, p. 30.

⁸"The Bottom Line," *Far Eastern Economic Review*, September 17, 1992, p. 23.

⁹The "one country, two systems" arrangement is similar to the reunification package offered by Beijing to Hong Kong when it reverts back to Chinese sovereignty in 1997. This arrangement stipulates that after reunification, Hong Kong will be allowed to keep its capitalist system for another 50 years.

¹⁰The "one country, two governments" formula—also variously referred as the "one country, two areas" or "one country, two regions"—if implemented, would endow Taiwan with independent sovereignty

and international characteristics. This formula is unacceptable to Beijing as it tends to promote a "two Chinas" or a "one China and one Taiwan" policy.

¹¹"Nothing New in Communist Party-to-Party Talk Proposal," *The Free China Journal*, December 17, 1990, p. 1.

¹²Laohoo, p. 12.

¹³"Further Talks Planned on Reunification," *South China Morning Post*, December 8, 1990, p. 5 (R).

¹⁴"Taipei Sets Up Unity Council," *South China Morning Post*, October 3, 1990, p. 12.

¹⁵"Taiwan-Mainland Door Will Never be Shut," *The Free China Journal*, October 22, 1990, p.

¹⁶"Guidelines for National Reunification," *The Free China Journal*, March 11, 1991, p. 1.

¹⁷"Taiwan Parliament Scraps Emergency Wartime Rules," *Manila Bulletin*, April 23, 1991, p. 5.

¹⁸"The Strait Narrows," p. 32.