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TAIWAN AFTER THE NEW CHINESE PROPOSAL

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This is a supplementary paper on the central negotiating issue between China and Taiwan.

TAIWAN AFTER THE NEW CHINESE PROPOSAL

On 30 September 1981, China sent greetings to "compatriots" in Taiwan, Hong Kong, Macao, and Chinese in foreign countries, on the day before the 32nd anniversary of the founding of the PRC. The proposed negotiations to return Taiwan to the Chinese "motherland". These negotiations would lead to immediate agreements on postal service, travel between the two areas, and academic, cultural and sports exchanges. Taiwan would become a special administrative area of China, using China's flag but maintaining a high degree of autonomy; it would retain its socio-economic system, its foreign relationships, its ownership of assets and inheritance of them, and even its own armed forces. Taiwan's officials would be simultaneously appointed to national leadership positions on the mainland.

China anticipated, and received, a negative reply from Taiwan. Nonetheless, the Chinese take their proposal seriously. They will not take military action against Taiwan for the negative response. However, they will press their proposal, and they expect that pressure will build within Taiwan to normalize and expand the growing trade relationship; to permit profitable joint ventures; to legalize tourism and other travel between Taiwan and the mainland; and to facilitate humanitarian exchange, especially between families. Presumably, although they do not say this, they also expect to put a gradual squeeze on arms sales to Taiwan, on diplomatic dealings with Taiwan, and on PRC purchases from Taiwan via third parties.

The Chinese have offered similar deals to other provinces and social groups, particularly before the Communists' accession to power in 1949. Competing political groups (especially the "bourgeois democratic parties") were offered positions in the regime and some leaders were offered ministerships if they would accept a vague declaration of Communist leadership. The general who defended Peking against the Communists was offered a high position for surrendering without a fight. Businessmen were offered continued ownership in returning for cooperation. Regions such as Tibet and Sinkiang were offered autonomy under central leadership.

The Chinese Communist leadership has an excellent record in honoring the letter of such agreements. Some Shanghai millionaires who accepted such deals still exist, although the Cultural Revolution did severe damage to such people (along with similar damage to high-ranking Communists). Non-communists offered ministries held ministerial titles decades later, along with good salaries and impressive desks.

On the other hand, the ministerial posts do not confer power, and the businessmen did not until recently have operating control of their businesses. For the autonomous regions, as the balance of economic and military power shifted in Peking's favor, "autonomy under central leadership" shifted from a very strong emphasis on "autonomy" to a very strong emphasis on "under central leadership."

What are the implications of all this for Taiwan and for business in Taiwan?

First, China's record in honoring its deal with Washington is excellent, China's global record in honoring such deals is excellent, and the Chinese interests behind the deal have strengthened rather than weakened. All of this supports Taiwan's security.

Second, the willingness of a new administration in Washington to reconsider lightly an obligation undertaken by its predecessor has set in motion political forces which alter the shape of the deal at some cost to Taiwan's security -- even though the new administration quickly backed off.

Third, the current Chinese strategy, which is still conciliatory and long-run (although now insisting on China's ultimate right to military solution), the deterioration of Taiwan's security is of no consequence to foreign business interests. Taiwan has gone from being perhaps the most militarily secure nation in the third world during 1979-80 to being one of the half dozen most secure in 1983.

Fourth, if the Chinese stragegy does eventually make inroads, the effects would in all probability not be prejudicial to foreign business interests at all, or else affect them only in a very gradual and predictable fashion. Moreover, if the formula of "autonomy under central leadership" were ever accepted, Taiwan would likely remain for the foreseeablle future in an excellent position to keep the emphasis on "autonomy," rather than on central guidance. Unlike Tibet, Taiwan is more modern than Peking, more linked to the foreign world than Peking, and separatee by a very helpful stretch of water from the forces of Peking. Increased contact with the society of mainland China is likely to strengthen the interest of Taiwanese in cohesion rather than to weaken it. But Peking would gradually gain leverage in two critically important ways. China would gain wide acceptance of its legal right to regulate Taiwanese commerce. And, in particular, it would move gradually toward an ability to enforce the principle that Taiwan could only purchase arms from Peking. Further erosion of Washington's willingness to sell arms to Taiwan is unlikely under Reagan (or under a possible future President John Glenn), but is conceivable in some potential future U.S. administrations (e.g., Walter Mondale). This would be dangerous.

The principal problem for the future security of Taiwan lies, as it has in the past, in the possibility that the mainlander Kuomintang forces will find their political position eroding in the face of the numbers and economic power of the indigenous Taiwanese. They might then be tempted to make a deal with Peking, or the indigenous Taiwanese might simply fear such a deal, and the result could be dissension on Taiwan. Knowing this, the Kuomintang leadership of Taiwan will fear negotiations with China on the ground that such negotiations between Peking mainlanders and Kuomintang mainlanders might trigger indigenous Taiwanese fears of a sellout and thereby create instability.