

## Taiwan Insight

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14 July 1999

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# Independence day?

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Taiwan President Lee Teng-hui has repudiated the "One China" policy and stated that Taiwan's relations with China are "nation-to-nation" or "special state-to-state." He said that a declaration of independence was no longer necessary. This statement goes right to the edge of a formal declaration of independence, which China has said would mean war.

President Lee has done this at a time when Taiwan-mainland relations have been improving. The potential reasons for this timing are:

- 1) his last chance to impose his policy before election of a successor next March;
- 2) a crisis might help unify the badly split Kuomintang (KMT) and drive voters to support the long-governing KMT; and
- 3) the timing may look good to drive a permanent wedge between Beijing and Washington.

Political pressures on Chinese leaders make it difficult for them not to overreact, but if they do overreact it will bring US support to Taiwan. Political pressures on President Clinton make it difficult for him to insist that Taiwan follow the previously agreed "One China" policy. If both sides cave in to these pressures, then the situation could head towards war.

On the other hand, Washington's initial reaction has been that Lee is provoking China unnecessarily and breaking the conditions of the Taiwan Relations Act, the legislative basis for any US decision to defend Taiwan. If this continues, and if Beijing takes a similarly statesmanlike position, then this crisis could restore Sino-US dialogue.

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## Shift in position

On 12 July, Taiwan's President Lee Teng-hui, in an interview with German radio Deutsche Welle, redefined the relationship between Taiwan and mainland China in a way that would move Taiwan sharply in the direction of political independence. This came at a time when Taiwan-mainland relations seemed to be improving and when China's top negotiator on Taiwan was making preparations for a potentially historic negotiating trip to Taipei. In the past, Taiwan has stuck to a "One China" policy. It had maintained that within the one nation and one state of China there were two competing governments which deserved to be treated equally. On that basis, Taipei had insisted that Beijing respect it and allow it equal access to membership in international organisations and other international roles, but the president stayed within the bounds of "One China" and pointed to eventual unification with the mainland, albeit on the strong condition that the mainland first become a democracy. In the 12 July interview, he changed this formula to assert that Taiwan and China are separate states or even separate nations. He said that, "Since we conducted our constitutional reforms in 1991, we have redefined cross-strait relations as nation-to-nation, or at least as special state-to-state relations. Under such special state-to-state relations, there is no longer any need to declare Taiwanese independence." The line between this and a forthright declaration of independence is thin, and Beijing has always made clear that any declaration of independence by Taiwan would be met by a decisive reaction including, if necessary, the use of force.

Su Chi, chairman of Taiwan's Mainland Affairs Committee, followed this by saying Lee's statement "marked a disappointment of the alleged 'One China policy,'" thereby highlighting that Lee's assertion is a dramatic repudiation of the "One China" policy and not something that has been policy since 1991.<sup>1</sup>

Beijing, on the other hand, has consistently held to a policy of "One Country, Two Systems" towards Taiwan. The concept was invented by Beijing in September 1981 and offered to Taiwan. The offer included that Taiwan could maintain its completely separate economic system, its free social system, its current form of government including all institutions and personnel, and even its autonomous armed forces. When Taiwan refused this offer, China offered it to Hong Kong 13 months later and indicated that over the 50 years (1997 to 2047) of Hong Kong's status as an autonomous region, Taiwan would see that China is sincere about the concept. Meanwhile, Beijing believed, China's own rapidly developing economy, social system, and politics would evolve into a form much more compatible with Taiwan's and therefore the people of Taiwan would be more willing to accept a higher degree of unity with the mainland.

In the meantime, Beijing has pursued a policy of gradual seduction of Taiwan, allowing huge amounts of foreign direct investment from Taiwan, an influx of tourists from the mainland, and extensive trade between Taiwan and the mainland. This in many ways is similar to South Korea's policy towards North Korea: building a relationship step by step and slowly seducing. The policy has from Beijing's point of view been quite successful. Taiwan has gradually abandoned some of its prohibitions on contact with the mainland, and Taiwan business leaders have generally resisted and circumvented the president's efforts to impose severe restrictions on business with the mainland.

Notwithstanding occasional alarmist reports from Taiwan's overseas friends, Beijing has taken no steps over the past two decades to build a force capable of attacking Taiwan. China simply does not have the sea transport, air transport, and other capabilities necessary to mount a successful invasion, though it has been perfectly capable of acquiring them. Taiwan has better air capability, better sea capability, and much higher military technology; in fact, Taiwan has bought so much, primarily from the US, that it cannot digest what it already has in less than five years. The Chinese military, on the other hand, recently launched a vast reorganisation that will cut the number of soldiers by 500,000, eliminate much division-level organisation, completely revamp the educational background of its officers, shift the balance between political officers and professional soldiers, transform the procurement process, and much else. In seven or eight years, this will produce a much more capable and professional army, but no organisation engages in such an overhaul if it thinks there is a risk of conflict in the immediate future.

The recent publicity about a Chinese missile buildup is mostly exaggeration, in our view. As China develops, its military does too, but the military budget is expanding at less than half the rate of GDP growth and much of the additional expenditure is going to personnel expenses and getting the military out of business rather than to weapons. The missile force has expanded along with the rest, but leading US military officers concur there has been no special buildup and no acceleration of the missile programme in recent years. The missiles have just reinforced a capability the mainland has always possessed: the ability to disrupt Taiwan's trade and its economy. It has always been within China's ability, for instance, to sink a few ships and bring Taiwan's trade to a halt; Taiwan's annual trade is about the same size as its GNP.

Above all, China is engaged in a painful and risky economic reform which will lay off around 35,000,000 employees from state enterprises, the government, and the military. Failure of the reform would likely mean the end of China's liberalising regime, and the costs of any substantial military conflict would probably mean failure of the reform.

<sup>1</sup> The quotations of Lee and Su are from AFP, datelined Taipei, 12 July, 1999

## Why now?

What is Taiwan President Lee Teng-hui up to? There are three potential reasons for taking this step.

**First, time is running out for Lee Teng-hui and his approach to China.** He will leave office next March, and his four aspiring successors have a different approach to China. While Taiwan used to be highly polarised between a KMT that stood for eventual unity with the mainland and a Democratic Progressive Party (DPP) that stood for independence, in recent years the island has moved towards a moderate consensus. The KMT position has been that there is only one China but that unity can come when China is a perfect democracy — meaning the status quo will be the reality for a very long time. As the DPP has come closer to power, its leading candidates have moved away from advocating independence, because the majority of people on Taiwan have always, according to all opinion polls ever taken, opposed a bid for independence. Thus the DPP could not hope to take over the top of the government as long as it advocated independence. (The independence line is still in the platform, but top candidates have moved away from it and have been debating an alteration of the old platform.) Instead, the DPP has become primarily a “clean government” party, a platform that is popular because the exceptional spread of corruption and crime under KMT rule in recent years has become a very high-priority issue with the voters. The DPP line towards China has been, we already have all the substance of independence, so let’s not rock the boat.

Lee Teng-hui has always been willing to take a much more provocative line towards China than his counterparts and competitors. Moreover, this has helped his career. He pushed the edge of the envelope in 1995-96. Instead of being blamed for rocking the boat, he precipitated a huge crisis and near-military confrontation between China and the US, and, with the help of intemperate behaviour on Beijing’s part, created a much more negative attitude towards Beijing in domestic Taiwan opinion. This year represents Lee’s last opportunity to turn things irreversibly in the direction he likes.

In doing so, he has achieved a preliminary success. The DPP candidate, Chen Shui-bian, felt he had to top President Lee’s patriotism by suggesting the conditions for unity be dropped altogether. Why say that Taiwan will unify with the mainland when China is a democracy? Why not drop the idea of unification altogether? If this political dynamic continues, then Lee will have created a new benchmark for patriotism.

**The second potential motivation is domestic politics.** For the first time since 1949, the KMT is at risk of losing its role in the governance of Taiwan. Despite the huge business income of the KMT, its control of important

parts of the banking system, its control of all the ground-based television in Taiwan, and, above all, its historic role in creating Taiwan’s current freedom, prosperity, autonomy, and democracy, the party is at risk of losing. This is not because of the strength of the DPP, which still is not an entirely credible governing force; eg, it has no economic platform and no capability to create one. But the KMT is at risk of splitting. Lee Teng-hui is determined to install his vice-president, Lien Chan, as his successor. Lien Chan is seen as very capable and has served his country well but comes across as a colourless official in the shadow of his boss. The more popular candidate is James Soong, a younger, more charismatic figure, who is likely to run independently if Lee exercises his presidential authority to impose Lien Chan. (The Taiwan president has sufficient tools to impose his will regardless of the state of opinion in the public or the rest of the party.)

Soong is known for taking a more moderate line towards the mainland. If there is a great crisis with the mainland and the people of Taiwan become frightened as they did in 1996, the last time President Lee was running for office, then their support for a softer line might well wane. On previous experience, Beijing might be expected to “cooperate” by doing things that alienate Taiwan public opinion and therefore support Lee’s tougher stance. Lee has every reason to hope that his change of policy will help unify the KMT behind his candidate and persuade Taiwan voters that the only safe recourse next March is the comfortable old KMT that in the past has always saved them from China.

**Third, this would appear to be the perfect time to drive a permanent wedge between the US and China.** When Jiang Zemin and Bill Clinton visited each other and declared a strategic partnership, Lee Teng-hui saw his vision of an independent or effectively independent Taiwan slipping away forever. Now the US is in the midst of one of its periodic anti-China eruptions, furious over a spy scandal, and with the Republicans giving Clinton the same kind of China-related bashing that Clinton gave Bush in 1992. The US presidency, Republican or Democrat, always seeks to preserve long-term peace and stability with China, while preserving Taiwan’s freedom and prosperity, but much of the US Congress has been more willing to take risks in the relationship with China in order to enhance Taiwan’s international stature. At the moment, the president is in a relatively weak position, the Congress is in a relatively strong one, and the public has been fired up with suspicion of China, so it is potentially difficult for the administration to put a lid on Taiwan initiatives that threaten stability.

Beijing’s leaders are in the same difficult position. President Jiang Zemin stands accused of having been too pro-American and as having sold out China’s national interests to a US which has, according to China’s hardliners, been shown by recent events to be irretrievably hostile. Premier Zhu Rongji is accused of

having exposed China to unacceptable humiliation when he journeyed to Washington, made previously unimaginable concessions to obtain World Trade Organization membership, and was still rebuffed by President Clinton. In the wake of the US bombing of the Chinese Embassy in Belgrade, both are on the defensive as having kowtowed to an implacable foe. Ironically, this is the same accusation that Clinton faces: trading with the enemy.

In these circumstances, there is huge pressure on the Chinese leaders to show that they are decisive, that they are patriots who will defend the national interest at any cost. Doing so would consolidate their position at home, just as strongly backing Taiwan and sending in a carrier might get the anti-communist Republicans and the human-rights Democrats off Clinton's back. If China overreacts, that will play into the hands of Lee Teng-hui, as it did in 1996. If there appears to be a threat to the livelihoods or democracy of the people of Taiwan, the Congress and people of the US will be inclined to react strongly in Taiwan's favour regardless of who started the problem. (President Clinton earlier made explicit a policy that the US would not provide any military guarantee if Taiwan were to declare independence.)

The next moves are from Washington and Beijing. The US is seeking "clarification" from Taipei. The sternness with which Washington demands those clarifications, and the spin it puts on whatever explanations it gets will likely drive Beijing's next move. Beijing has already warned that Taipei is playing with fire. This should be taken at face value; China is united on the subject of Taiwan, and no Chinese leader can survive in office if he allows Taiwan to move towards independence. Lee Teng-hui's statement that a declaration of independence is no longer necessary is close to the most provocative language one can imagine.

The preliminary word out of Washington is that the US will not back Lee Teng-hui if he is provoking China without any excuse. Lee is challenging the core of a China policy that has been supported by presidents Nixon, Ford, Carter, Reagan, Bush, and Clinton. In a crunch, the policy has been accepted even by pro-Taiwan legislative leaders such as Newt Gingrich. Republican and Democratic experts are saying that Lee Teng-hui has gone against the requirements of the

Taiwan Relations Act, the legislative basis for any US decision to defend Taiwan. Moreover, Japan and Europe have supported the same basic approach.

If Washington sticks to this line, and if Beijing avoids overreacting, then this crisis could become the basis for restoration of Sino-US dialogue. Earlier, we made the point that both the Chinese and American leaderships find it difficult to do "soft" things towards the other, because both are being challenged by their respective hardliners. But there is another side of the coin that is equally true. If Jiang and Zhu can maintain a workable relationships with the US, then their liberal reforms have a decent chance of succeeding and they will go down in Chinese history as the fathers of a prosperous and strong China. If Clinton avoids a new Cold War with China, then he will leave a legacy more important than the combined value of everything else he has done in foreign affairs. If these leaders see a politically viable way to deal with their problems relatively amicably, they will take it. Thus there is an upside to this conflict, but it is far too early to bet on it.

The upside is enhanced by the fact that President Lee does not have unified support within Taiwan. The most popular candidate to succeed him opposes a provocative line. Two leading Taipei newspapers, the *United Daily News* and *China Daily*, both denounced the move in harsh language.

On the downside, even if Washington provides no backing, Lee Teng-hui is capable of pushing harder and further. He is going against the consensus of the big powers and of his own society, but this will not necessarily bother him too much. Internationally, he has gambled on provocation before and won, most recently in 1996. At home, his career languished for many, many years before his rise to the top finally began, and as a result he carries a huge burden of resentment towards much of the elite of his own party. He has the strength of an old man who doesn't have to worry about his future, and also of an energetic and intelligent man who is absolutely determined to have his way. He is willing to impose his own man on the KMT even at the risk of fatally splitting a party that otherwise cannot lose. And, it would seem, he is willing to gamble his people's future on an abstraction, the difference between two governments and two states.

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