

Taiwan and China act to open direct contacts and ease tensions

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The governments of both Taiwan and China have made significant political overtures to one another in the past weeks that appear intended to dissipate tensions in the Taiwan Strait.

On December 29, Beijing accepted the proposal by the Taiwanese government to open up “mini-links”. Since 1949, the authorities on Taiwan have prohibited any direct trade, postal services or travel between the island and mainland China. Under the terms of Taiwan's offer, direct links will be permitted but only from the two tiny Taiwanese-held islands of Kinmen, opposite the Chinese Special Economic Zone of Xiamen, and from Matsu, off the coast from the city of Fuzhou, the capital of Fujian province.

Beijing has agitated for direct links in order to draw even greater investment from Taiwan and to bind the two states closely together economically, thereby advancing its goal of reunifying the island politically with the mainland.

While Chinese officials belittled the mini-links as “short of real and full links”, nevertheless, on January 3, three ships left Taiwanese territory and were permitted to sail directly to Chinese ports for the first time in half a century. Taiwan has subsequently announced that full direct links could be established by the end of the year, within the framework of the rules of the World Trade Organisation which both China and Taiwan are awaiting membership of.

In a concession to China, Taiwan's president Chen Shui-bian declared in his New Year address: “The integration of our economies, trade and culture can be the starting point for gradually building faith and confidence in each other. This, in turn, can be the basis for a new framework of permanent peace and political integration.”

Chen's party, the Democratic Progressive Party (DPP), was founded on the repudiation of the “One China” claim, made by both Beijing and the former ruling party on Taiwan, the Kuomintang (KMT), that the island is an inseparable part of China. One analyst, National Taiwan University political science professor Bau Tzong-ho, described Chen's use of the phrase “political integration” as “a big step”. “After all, he is now talking about integration instead of separation”.

The Beijing regime has also displayed a degree of conciliation, seeming to adapt its “One China” policy to meet objections advanced by Chen and others in Taiwan over the last year. The mainland's traditional interpretation of the “One China” policy was that Taiwan was a “renegade” province of the Peoples Republic of China awaiting reunification.

In an interview with *Newsweek*, published last April 17 just before his inauguration as Taiwan's president, Chen Shui-bian answered Beijing: “If ‘One China’ is defined as Taiwan being a province or local government of the Peoples Republic, this is not acceptable to the vast majority of people in Taiwan. How can they [China] expect me, as president of this country, to accept Taiwan's demotion to a province? If the mainland insists that acceptance of ‘One China’ is a precondition, it will be hard to resume dialogue.”

Speaking with the *Washington Post* last week, one of China's foreign policy spokesmen, deputy prime minister Qian Qichen, stated in relation to the Taiwanese government: “In order to ease their doubts we said ‘One China’ not only includes the mainland, but also Taiwan. We think of this China as an integral whole, which can't be separated in sovereignty or territory... They think that Taiwan being part of Chinese territory means Taiwan and China are not equal... To ease this doubt we said the mainland and Taiwan belong to the same one China.”

In the course of the interview, Qian indicated that Beijing would be prepared to negotiate a confederation between China and Taiwan, as opposed to the “one country, two systems” model of unification implemented with Hong Kong and Macau. The redefinition of “One China” appears to have been made so broad and vague that Chen Shui-bian could voice acceptance of it—the demand that Beijing has made since his election—and open the way for talks.

Spurring the overtures across the Taiwan Strait is the economic integration of Taiwan and China, which itself is being accelerated by the growing signs of a downturn in the world economy.

Within Taiwan, fallout from the 1997-98 Asian financial

crisis, last year's crash of the dot.com and high tech stock market bubble and now the general slowdown in the US, is wreaking economic havoc. The stock market is down over 50 percent and being shored up government share purchases. Independent estimates are that Taiwan's financial system is carrying \$US60 billion in bad debts. Bankruptcies, factory closures and unemployment are on the rise.

With companies trying to cut costs and compete in global markets, capital flight from Taiwan to mainland China is reaching massive proportions. Though restricted by government, the official Taiwanese investment into China nearly doubled in 2000 compared to 1999 and cumulatively now exceeds \$US40 billion. Unofficial investment, through Hong Kong, is reckoned to be far higher. According to an estimate given by Taiwan's vice-president Annette Lu, more than \$US180 billion in Taiwanese capital has left the island in the past few years.

In effect, the fortunes of most large Taiwanese companies are becoming entwined with China and with strengthening China's access to US and international markets. Exports from mainland China, much of it by Taiwan-invested firms, increased during 2000 to over \$US248 billion, while imports—much of it from Taiwan—increased 35.8 percent to \$US225.1 billion. Over 250,000 Taiwanese now work on the mainland, directing and managing corporate activity.

With such enormous economic interests at stake, Taiwanese big business is bringing intense pressure to bear on Chen Shui-bian and his government to bring about a rapprochement with Beijing. The opening of “mini-links” is likely to be only the first in a series of steps aimed at removing all restrictions on investment and economic relations between China and Taiwan.

The impact of the growing ties is also having a profound effect on Taiwanese politics and society. An annual survey by the *Common Wealth* magazine, found that support for an immediate or conditional unification with China had significantly increased, from 11.2 percent in December 1999 to 21.9 percent in December 2000. Support for Taiwan independence, on the condition of peaceful relations with China, had fallen from 19.3 percent to 15.6 percent. Independence “at all costs”—meaning war—was supported by only 1.5 percent of poll respondents, down from 3.4 percent the year before. Those desiring the continuation of the status quo fell from 57 percent to 49 percent.

The Kuomintang, which in the 1990s under president Lee Teng-hui adopted an increasingly Taiwanese nationalist program, has swung back toward calling for an ultimate reunification with China. The shift is an attempt to stem the loss of support to the Peoples First Party (PFP), which was formed by a split from the KMT on a thinly veiled pro-unification program. KMT leader Lien Chan has recently

begun advocating a confederation between China and Taiwan. Elections later this year for the Taiwanese parliament will be the first major test of how strong unification sentiment is actually becoming.

The other immediate factor pressuring both China and layers of the political establishment in Taiwan to downplay tensions is the uncertainty in East Asia following the insertion of George Bush as American president.

The Bush administration is expected to be far more aggressive in its foreign policy dealings toward China. A layer of the Republican party openly advocates providing large-scale military hardware to Taiwan and conducting joint military exercises, and opposes any reunification of China and Taiwan as contrary to US interests. One of them, US senator Jesse Helms, wrote in the *Washington Times* on January 9: “Perhaps the most incendiary issue confronting the new administration is America's looming confrontation with China over Taiwan”. Any sign of cross-Strait tensions will be exploited by Helms and others to agitate for provocative policies such as arms sales or even requests to base US troops on Taiwan.

A series of comments in the state Chinese newspapers—the *Peoples Daily* and the *China Daily*—have warned that the US should desist from either proceeding with a National Missile Defence system or providing support to “national splittism”—referring to Taiwan and the separatist movements in Tibet and Xinjiang province.

Concern at the implications of the new American administration extends throughout the region. In an interview with the *International Herald Tribune* on January 8, Singapore's elder statesman Lee Kuan Yew openly warned Bush not to provoke China. Stating that China had “moderated and modulated” its positions, he declared his hope that within 6-12 months, Bush would discover “there are basic factors that cannot be wished away, and that therefore it is best to continue the present position and not precipitate a crisis over Taiwan”.



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