

US arms sale compounds political tensions in Taiwan

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The Obama administration's approval of a \$US6.4 billion arms sale to Taiwan in January has only deepened the political dilemmas facing the island's ruling elites. Washington's tougher stance toward China since the beginning of the year makes it more difficult for Taipei to manoeuvre between its strategic dependence on the US and its growing economic ties with China.

The arms sale to Taiwan is part of broader US moves that have heightened tensions with China including over Tibet, Internet censorship and trade. China is particularly sensitive on the issue of Taiwan, which it regards as a renegade province, and has threatened to take military action if Taipei were to declare full independence. China responded to the announced arms sale by threatening to impose sanctions on US corporations, such as Boeing, involved in the deal.

The Kuomintang (KMT) government in Taipei officially welcomed the US announcement, but did so cautiously so as not to offend Beijing. President Ma Ying-jeou, who defeated the pro-independence Democratic Progressive Party (DPP) in the 2008 election, has been seeking to establish closer economic links with China. Ma has downsized the army in order to ease tensions with China.

The KMT and Chinese Communist Party (CCP) were mortal enemies for decades after the 1949 revolution overthrew the KMT regime and forced KMT leaders to flee to Taiwan. Washington's full support for Taipei during the Cold War ended in 1972 when the US reached a rapprochement with China and adopted a "One China" policy that recognised Beijing's sovereignty over Taiwan. The US, however, continued

to oppose any forcible Chinese takeover.

In recent decades, as Beijing accelerated its pro-market restructuring, the KMT has sought closer economic relations with Beijing, while remaining wary of any formal political unification. The US arms deal provides Taiwan with more leverage in its dealings with China. As Ma explained, the arms sale gives "Taiwan more confidence and a sense of security to go forward in developing cross-strait relations".

The KMT's main aim is to sign an Economic Cooperation Framework Agreement (ECFA) with Beijing this year. Since the beginning of the year, the world's third largest free trade bloc—between China and the Association of South East Asian Nations (ASEAN)—has come into effect. As a result, Taiwan is at risk of being left out in the cold as goods from ASEAN out-compete Taiwanese products. President Ma insists that the ECFA is essential for Taiwan to remain part of Asia's network supplying components, raw materials and capital goods to the factories of China.

The latest statistics show that Taiwan has become more economically dependent on China amid the global economic crisis. Taiwan's GDP in the last quarter of 2009 recorded an annualised growth of 9.2 percent, even though for 2009 as a whole it contracted by 1.8 percent. The recovery was largely driven by a 45 percent annualised growth in Taiwanese exports to China in the fourth quarter.

While layers of Taiwanese business have benefitted from trade with China, the KMT has continued the economic restructuring policies of the previous DPP

government that have hit the living standards of working people. In the final quarter of 2009, the number of households below the official poverty line hit a record high of 105,000, according to Interior Ministry statistics.

Anti-government sentiment has helped to boost the political fortunes of the DPP and its ally, the more extreme Taiwanese nationalist Taiwan Solidarity Union (TSU). The opposition is running a reactionary protectionist campaign against the ECFA, claiming it will lead to the further relocation of factories to the mainland and a flood of cheap Chinese imports.

In 2008 presidential election, Ma won nearly 60 percent of the votes, but his support is now waning. The DPP made a comeback last December by winning four extra seats in county and city elections. Its share of the vote increased by 7.2 percent—its best electoral performance since 2001. It also won three by-elections for parliamentary seats in January. In a further sign of the KMT's declining public support, the party won just one seat out of four in further parliamentary by-elections last month.

The KMT still holds a comfortable majority of 74 seats in a parliament of 113, but the party faces key elections in five major cities by the end of this year. Ma will also be concerned about his prospects in presidential elections, which are due in 2012.

The Obama administration's arms sale only strengthens the hand of the opposition parties as it signals Washington's continued support for Taiwan. The DPP leadership has called for an aggressive campaign to lobby Washington for support for Taiwanese independence.

After visiting South Korea and the US, former Taiwanese vice president and DPP leader Annette Lu warned that there is a strong impression in both countries that "Taiwan will soon become part of China" due to the KMT's pro-China policy. Lu argued that Taiwan had to take a more independent stance, including building its own fighters and submarines, rather than relying on US arms sales.

Not wanting the DPP to return to power, China is seeking to counteract the KMT's falling public support. To accelerate free trade negotiations, Chinese Premier Wen Jiabao last month offered to make concessions to Taiwanese small and medium businesses and farmers, who form the DPP's traditional base.

Washington's decision to raise tensions with China over Taiwan has broad implications. The US-based *Foreign Policy* magazine warned in February of the "deep strategic mistrust" between the US and China over Taiwan, saying they "could conceivably come into direct conflict". The article noted that as China emerged as an economic and military power, it was less likely to compromise. The magazine concluded that a clash was not inevitable because both countries would "seek to avoid a conflict that would almost certainly be destructive to both sides".

Last year, the Obama administration refused to sell 60 F-16C/D fighters as requested by Taiwan, in order to ensure close relations with China in the midst of the global financial meltdown. The White House also excluded advanced warplanes from the deal announced in January, but there is no guarantee that it will continue to do so. A new Defence Intelligence Agency report to Congress last month argued that Taiwan's combat aircraft had to be upgraded, to counter developing Chinese airpower and advanced missiles.

Any US step in that direction would obviously inflame tensions with China and rebound on the already tense situation in Taipei.

The author recommends:

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[5 February 2010]



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