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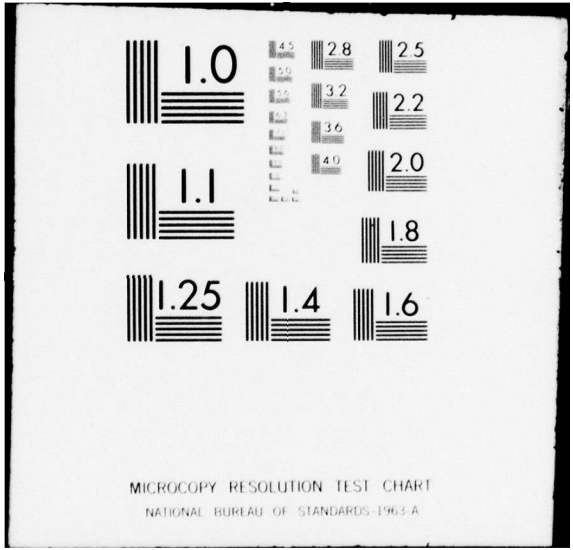
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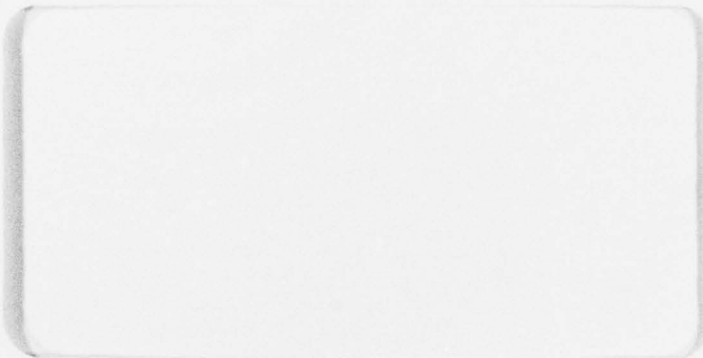
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⑥ TAIWAN -- SOME CURRENT PERSPECTIVES

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## EXECUTIVE SUMMARY

### INTRODUCTION

The Problem. The move toward rapprochement that began in 1971 between the United States and the Communist People's Republic of China (P.R.C.) threatens the existence of the Nationalist Republic of China (R.O.C.). The P.R.C. government demands that all nations with which it has formal diplomatic relations sever formal ties with Taipei, although the P.R.C. government has thus far tolerated informal relationship with Taipei.

Background. The dramatic reversal in Sino-American relations began with simple "table-tennis" diplomacy in early 1971. A quick sequence of events followed: Henry Kissinger's secret visit to Peking in July 1971, P.R.C. admission to and R.O.C. expulsion from the United Nations in the fall of 1971, and President Nixon's visit to mainland China in February 1972. At the end of that visit, the two nations agreed upon the now famous Shanghai Communiqué, which provided the general framework for improving Sino-American relations and identified Taiwan as a problem that needed to be solved. Trade commenced between the United States and the People's Republic of China, and in February 1973, Chou En-lai agreed to establish "liaison offices" in

Peking and Washington. The closer relations between these two ex-enemies is possible in part because of the Russian threat common to both. As rapprochement becomes more complete, the Taiwan dilemma intensifies. Taiwan has not been helpful in solving the dilemma.

Conclusion. The Republic of China is a political entity consisting of about 17 million people on Taiwan and a few small islands in the Taiwan Strait. The ruling elite on Taiwan comes from a minority faction called the "mainlanders," who fled to Taiwan when the Communists defeated the Nationalists in 1949. They justify their rule on Taiwan by the facade of being the rightful government for all of China. The Mutual Defense Treaty\* between the U.S.-R.O.C. governments is critical to Taiwan's political and economic future in world affairs.

#### TAIWAN'S ECONOMIC STATUS

Background. Taiwan's per capita GNP of \$50 in the early 1950's increased to \$1,150 in 1977, which is more than three times that of the People's Republic of China. Taiwan, while no longer receiving economic or military aid, benefited from about \$1.5 billion and \$2.5 billion in those respective categories since 1950. Many other reasons contribute to the economic success of Taiwan, including a governmental policy of encouraging trade and investment.

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\* The Mutual Defense Treaty, providing, inter alia, for U.S. assistance in the defense of Taiwan and the Pescadores, was ratified in 1955.

New industry in Taiwan includes a large modern steel mill and a shipyard near Kaohsiung. Foreign banks continue to lend money to Taiwan and now have over \$2.5 billion in commitments on Taiwan. Total foreign investment in Taiwan exceeds \$1.7 billion, and last year's foreign investment of \$163.9 million was an increase of 15.8% over the 1976 levels.

Foreign Trade. Trade between Taiwan and the United States totaled \$5.48 billion in 1977, and resulted in a deficit of \$1.8 billion for the United States. Over half of Taiwan's trade was with the United States (34.1%) and Japan (21.0%) in 1977. Taiwan has a total world trade equal to that of mainland China, and has over ten times greater trade with the United States than does mainland China. Judging from articles in the Taipei newspapers, Taiwan is concerned about the unfavorable trade balance with the United States, and is instituting "buy American" programs to help balance the export-import trade with America. In 1977, Taiwan was the 10th largest source of imports and the 17th largest customer for the United States. Overall, Taiwan ranked 13th in total volume of trade with the United States.

Taiwan has been an importer of raw materials and capital goods, and an exporter of products of light industry and agricultural products. The trend in exports is changing

toward heavier industry. For example, the new shipyard in Kaohsiung is now producing two 442,000 ton supertankers, the third largest ships in the world.

Investment. Taiwan has three export-processing zones, similar to industrial parks and with some tax advantages of free trade zones. The government encourages foreign investment in these zones, recognizing that Taiwan depends on foreign trade to sustain its economic growth. U.S. investment in Taiwan exceeds \$500 million of the \$1.7 billion of foreign investment, and is exceeded only by the "over-seas Chinese" in investment in Taiwan.

Government Enterprises. The government owns and operates the industry taken over from the Japanese on the island in 1945, plus key industries of the island. About 20% of all industry is government-owned, including two shipbuilding corporations, a steel corporation, several chemical, mineral, and mining corporations, a sugar corporation, and the Taiwan Power Company.

Energy. Taiwan possesses good supplies of natural gas and coal, but the easily exploitable coal supply is nearing exhaustion. Petroleum is probably available offshore and drilling has commenced, but no significant oil strike has been made. Taiwan is constructing three nuclear power plants. One of the plants is now on line with one generator.

The second and third plants should be in operation by 1983 and 1984, respectively. Taiwan has signed an agreement for the safeguarding and control of nuclear materials.

Tourism. The tourist industry has grown at an average rate of 25% over the past 20 years. Over 1,000,000 people visited Taiwan last year (40,000 visited the People's Republic of China), including 518,000 from Japan, 140,000 from the United States, and 132,000 from Hong Kong.

Outlook for the Future. Lack of diplomatic recognition by all but 26 states of the world gives Taiwan some problems, but the economy is growing anyway. Taiwan's trading partners have trade offices and unofficial consular-type offices to handle foreign trade matters. The economy should continue to grow at a rapid rate if investor confidence is sustained. The Mutual Defense Treaty or some equally formal commitment from the United States is important, if not essential, for sustaining this confidence.

#### THE MILITARY SOLUTION

Background. Although the Communists possess the military superiority needed to achieve a forceful annexation of Taiwan if faced only by the Nationalists, they have not attempted a military solution for a variety of reasons: the Mutual Defense Treaty with the United States, the Russian

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threat on China's border, and other disputed areas that detract from the Taiwan issue. A military solution to the Chinese civil war is likely to await a more propitious time for the People's Republic of China.

P.R.C. Threat: Invasion. Although the pragmatic Communist leaders would not accept the political, economic, and military costs, an invasion to recover Taiwan is possible if the United States is not a factor. P.R.C. aircraft outnumber R.O.C. aircraft by over ten to one. R.O.C. defenders possessing higher quality military equipment, including U.S. designed aircraft and Hawk missiles, could severely maul an attacking force, but sheer numbers could ultimately overwhelm Taiwan's defenses. In ships, the People's Republic enjoys a similar advantage. Submarines present an overwhelming problem to the Nationalists, who are outnumbered almost 50 to 1. The P.R.C. Navy can support about three army divisions in a conventional amphibious assault, but this capability could be augmented by a huge P.R.C. merchant and fishing fleet. The P.R.C. military possesses a credible vertical assault capability, with both fixed-wing transport aircraft and helicopters. The Communists could easily isolate and bypass the offshore islands of Kinmen (Quemoy) and Matsu, containing 80,000 elite Nationalist troops, without a fight.

Capabilities do not provide the answer when analyzing the military balance of the two Chinas. P.R.C. intentions are tempered by political, economic, and sociological considerations regarding Taiwan, and also by the political impact of a debilitating war on the P.R.C. ability to defend itself against Russia.

P.R.C. Threat: Blockade. Less damaging to the P.R.C. military would be a blockade of Taiwan. It is almost certainly within the capability of the P.R.C. Navy and Air Force. Making extensive use of P.R.C. submarines and minefields, Peking could seal the ports of Taiwan. This would effectively cut off all sea transportation, carrying the petroleum and trade critical to Taiwan's economy.

It is not likely that Taiwan would succumb to a blockade without a fight that could destroy Taiwan. Pressure would be exerted on the P.R.C. government by the 140 countries that trade with Taiwan, especially those countries that have invested in Taiwan's economy. Again, a blockade requires a reduction of P.R.C. forces from the Soviet border, a move not likely in the near future.

Taiwan's U.S. Connection. Taiwan has a mutual defense treaty with the United States, as well as extensive trade, investment and cultural ties. If a military solution were attempted in which the U.S. obligations under the Mutual

Defense Treaty were honored, there is little doubt that the U.S. forces could defeat the P.R.C. Navy and Air Force attempting an invasion or blockade of Taiwan. With U.S. ties to Taiwan, a military solution is not likely because Peking also needs the U.S., both for countering the Soviet threat and for China's modernization.

Conclusion. The price to the People's Republic of China of a military confrontation over Taiwan would be too great to pay, unless the level of provocation to the P.R.C. government increased substantially. Nevertheless, when viewing capabilities only, the P.R.C. military is capable of recovering Taiwan by force if the United States does not intervene.

#### POLITICAL PERSPECTIVES

Background. China's history during the century before World War II saw a lessening of the influence of Chinese culture and a general exploitation of China by the West. The Chinese bureaucrats and intellectuals adopted many Western ways. The rural-based Communist takeover drove these Western-oriented Chinese from the mainland. About two million "mainlanders" fled to Taiwan and the government of the Republic of China shifted to Taipei. The remainder of 17 million people now on Taiwan are predominantly ethnic Chinese who call themselves Taiwanese. The political power is in

the hands of the mainlanders, exercised through the dominant political party on the island, the Kuomintang.

The myth of mainland recovery by the Nationalists, begun by Chiang Kai-shek, has been continued by his son, the new President Chiang Ching-kuo. Only with this goal can the R.O.C. government continue the facade of Taipei being the legitimate government of all China. If the facade were dropped, there would be no rational justification for the mainlanders, a minority faction, to govern Taiwan. Local and provincial elections are generally democratic, but considerable power is concentrated in the authoritarian central government.

The offshore islands of Kinmen (Quemoy) and Matsu continue to be centers of military activity, but during recent years only propaganda shells are fired by each side, now on a gentlemanly schedule of every other day.

The U.S. Government has not always strongly opposed the Communists. The United States was prepared to accept the Communists as the government of all of China until the Korean War started in mid-1950. The two nations then began hostilities that lasted for over 20 years. In 1955, Congress approved the Mutual Defense Treaty for ratification, and passed the Formosa Resolution, the latter allowing the President to intervene in the defense of the offshore islands. The thaw in relationships with Peking began in 1971 with Henry Kissinger's trip to China.

Diplomatic Recognition. At the time Liberia recognized the P.R.C. government in early 1977, there were 113 nations that recognized Peking on a basis that excluded formal recognition of Taipei. Only 26 states retain formal ties to Taipei (including the Holy See). Because of the economic strength of Taiwan, 140 states maintain some form of relations with Taipei. The Japanese have a popularly acceptable formula for dealing with both Chinas; they recognize Peking officially and have "unofficial" agencies handle their Taiwan relations. Trade offices in Taiwan handle trade directly; the consular offices in Hong Kong handle visas; Tokyo has an R.O.C. mission that looks like an embassy, and it works well -- trade and tourism are flourishing. However, it works under the protective umbrella of the U.S.-R.O.C. Mutual Defense Treaty.

U.S.-R.O.C. Ties. The United States has 59 formal bilateral diplomatic ties with Taipei, including six treaties, 50 agreements, one convention, one arrangement, and one understanding. Various multilateral treaties are also subscribed to by both Washington and Taipei. Several trade laws favor Taiwan at present; a new relationship might nullify Taiwan's advantage under these laws.

The Shanghai Communiqué and P.R.C. Demands. The Soviet threat prompted Peking to seek a new relationship with America. Washington had similar motives. Thus, President

Nixon's visit to China in February 1972 resulted in an agreement to try to improve relations while admitting the Taiwan problem. This agreement, signed on 27 February 1972, is now known as the Shanghai Communiqué. It presents both nations' differences, especially regarding Taiwan; more importantly, it presents the areas of trade and cultural exchange in which both sides agreed to work more closely.

Taiwan Versus the Republic of China Issue. The Shanghai Communiqué does not actually commit the United States to accepting that Taiwan is part of China. The United States only agreed that all Chinese believe this is so. If Taipei chose to drop the facade of being the government of all China and instead declared Taiwan a nation, Peking would not be happy. Nevertheless, Peking could not reverse Taipei if the United States stood with Taiwan. The mainlander rule of Taiwan may be the chief obstacle to this happening, as the R.O.C. government owes its existence to the facade of ruling all China. Nevertheless, the new president, Chiang Ching-kuo, may be able to create popular backing on Taiwan leading to a plebiscite in which the Taiwanese select the "independent Taiwan" option under the existing government.

Conclusion. The Taiwan question still needs a solution, one that may not be found for some time to come. Meanwhile, there are many areas of common interest between the U.S.-P.R.C. governments that permit rapprochement to continue while seeking a Taiwan solution.

## THE VIEW FROM TAIPEI

Background. The authors present their perceptions, as outsiders, of how Taipei's leaders might and, perhaps, should view their international problems. There are various options available to the people of Taiwan. Each of these alternatives is affected by world opinion.

The Status Quo as an Option. The most obvious alternative is the present course of action. Despite the mythical quality of continuing to proclaim its legitimacy as the sole government of all China, Taipei continues this policy as if there were no doubt as to its long-term success. Others, including Japan, would benefit from the status quo and would not likely oppose it. However, the United States might incur a cooler relationship, or worse, from Peking if Washington publicly favored the status quo.

The worst result conceivable from this alternative is a Sino-Soviet rapprochement, however unlikely. Without the mainland depending on the United States as a Soviet counterweight, Taiwan would be in greater danger from the P.R.C. threat.

R.O.C. Alternatives. The momentum, begun in 1971 toward normalization of U.S.-P.R.C. relations, has not yet run its full course. The United States can be expected to seek normal relations with Peking. Taipei must now consider the

alternatives under the possibility that the United States would submit to Peking's three conditions for diplomatic relations.

Among Taipei's options are: (1) muddling through, making the best of the situation, reacting as required when pressures or opportunities arise. Under this option, Taipei can pursue the R.O.C. version of one China or take an autonomous Taiwan approach, whichever the situation suggests; (2) seek security assistance from the U.S.S.R. in return for Soviet base rights or facilities in Taiwan; (3) develop and deploy nuclear weapons to deter Peking from attacking; (4) a variation or combination of the above; or (5) under new leadership, pursue any of the preceding options or seek accommodation with Peking, co-opting the U.S. government to intervene with Peking in Taiwan's behalf.

R.O.C. Vital Interests. The government of Chiang Ching-kuo (C.C.K.) has three interests judged vital by the authors, each of which would influence any option under discussion: (1) retention of power by the C.C.K. regime, (2) security from P.R.C. military force or pressures, and (3) retention of economic and trade prerogatives.

Option One. This is probably the option most preferred by Taipei when (or if) the United States recognizes Peking.

Although there is a military threat under this option, and economic setbacks will occur, this option, with U.S. support, generally protects all of the R.O.C. vital interests. If pursued as the Republic of China, this option probably would provoke no immediate action from Peking. If pursued as an independent Taiwanese nation, Peking would react, perhaps violently, depending upon where the United States stood on the Taipei initiative.

Option Two. C.C.K. lived and worked in Russia for 12 years as a young man. He vividly recalls the duplicity of the Soviets, and would not likely seek their help unless desperate. An act of desperation is a possibility, and Taipei is surely looking at what benefits could derive from an arrangement with Moscow.

This option is certainly one of the more dangerous, especially in light of the existing Sino-Soviet hostility. The United States would be in an awkward position. This option does not protect Taipei's vital interests, especially in regard to the economy. The Warsaw Pact nations can hardly be expected to fill the economic gap left by the loss of Western trade and investment.

Option Three. The nuclear option is well within the technical capabilities of Taiwan. Taipei maintains close relations with South Africa, the nation possessing the greatest supply of uranium in the world. Taipei is friendly with Israel, who is generally believed to possess nuclear weapons technology.

C.C.K. has publicly discounted the nuclear option. Unless revealed as a fait accompli, the nuclear option is sufficiently provocative to draw a P.R.C. military attack on the island before nuclear weapons could be produced by Taipei. However, if presented as a fait accompli, this option would probably be an effective deterrent and generally satisfy Taiwan's vital interests.

A Combination of Options. The aforementioned options could be combined in a variety of ways with little effect on the expected reaction against Taipei.

New Leadership Options and Variations. If the Chiang regime were overthrown, the new leaders could pursue the same options as previously discussed. They likely would achieve results similar to those obtainable under Chiang. However, new leadership would have an option not likely to be considered by Chiang: reunification under the People's Republic.

Variations on the reunification scenario all produce the same end: Taiwan as a province of Communist China. These alternatives suggest several negotiating points for maintaining local autonomy, at least for a transition period. The U.S. would participate as mediator and guarantor of Taiwan's security during negotiations. There are some advantages to this approach as compared to worst-case scenarios; nevertheless, those advantages equate to "Better Red than Dead."

Conclusion. Taipei has apparently taken the position that there is little room for maneuver until the U.S. policy is clear. The authors suggest otherwise. Taipei's leverage is American public opinion which opposes abandoning Taiwan. Taipei should translate that sense of U.S. moral responsibility for the welfare of Taiwan into positive U.S. Government action in the island's behalf.

The authors conclude that Taiwan, in order to capitalize on its leverage, could trade in three R.O.C. policies that restrict U.S. State Department options to provide the help Taiwan needs to remain a political entity. These policies are: (1) the Republic of China is the sole legitimate government of all China; (2) the mainland will be recovered; (3) opposition to U.S.-P.R.C. normalization. By agreeing to negotiate those policies for U.S. economic considerations and guarantees against Peking's use of force, Taiwan could buy time to work out its own destiny as a Chinese society.

#### CONCLUSIONS

There is no urgency in finding a solution to the Taiwan problem as long as Sino-Soviet relations remain strained and Taiwan takes no provocative action toward the mainland. Peking and Washington have many issues to divide them other than Taiwan, including claims, fundamental political

differences, economic issues, and human rights. Nevertheless, all issues, including the Taiwan issue, are secondary to the perceived Soviet threat that currently motivates a closer Sino-American relationship.

Several arguments have been made that a Sino-Soviet rapprochement would bring the Taiwan issue to a head, and the United States would "lose" the People's Republic of China. Before accepting this argument, one must first ask about the likelihood of a Sino-Soviet rapprochement, and whether our legal and moral commitment to Taiwan has meaning here or elsewhere.

While this paper concludes that no dramatic change from the status quo should be attempted, it also argues that subtle, low-key activity by the United States can assist the Chinese in finding a solution for themselves. Our politicians and bureaucrats should avoid getting excited about the "progress toward the normalization of relations" specified in the Shanghai Communique, while calmly and deliberately helping and encouraging the Chinese toward a solution that preserves our integrity and avoids bloodshed. As Henry Kissinger said in his Spruance Lecture this year at the Naval War College: "With respect to Taiwan, we have a complicated problem in our relationship with the People's Republic of China. I do not think that problem

is, as yet, ready for solution. And there is no law that says that every problem must be solved in the first two years of a new administration."

## PREFACE

In preparing this manuscript, the authors used statistical information from publications provided by the Press Counselor's Office of the (Nationalist) Chinese Embassy in Washington. In most instances, official publications of the U.S. Government confirmed the accuracy of at least part of that information. In fact, except for the obviously political information contained in the Chinese publications, those documents were amazingly accurate, complete, and informative.

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TAIWAN -- SOME CURRENT PERSPECTIVES

CHAPTER I

INTRODUCTION

The Problem. The Republic of China has faced a threat to its existence since the 1971 move toward rapprochement between the United States and the People's Republic of China. The government of the Republic of China, which controls only Taiwan and a few small islands in the Taiwan Strait, is being confronted with intense international political pressures as nations officially choose to recognize the People's Republic of China as the legitimate China. To meet the P.R.C. standards for normalization of relations requires countries to withdraw official recognition from the government on Taiwan. Interestingly, the People's Republic of China has thus far tolerated an informal "trade" relationship implemented through semiformal trade missions between Taiwan and nations recognized by the People's Republic. Yet the P.R.C. government remains adamant that Taiwan is officially a Province of the People's Republic of China.

The U.S. relationship with the two Chinas is just the opposite of that described above. The United States and the People's Republic of China maintain liaison offices in

Peking and Washington while the United States maintains formal diplomatic relations with the Republic of China. The future of this relationship is uncertain, depending somewhat on how one interprets what is now known as the Shanghai Communiqué. The strain on the political future of Taiwan becomes greater each time there is a rumored meeting or accord between the governments of the United States and the People's Republic of China.

Background. In the spring of 1971, Peking invited an American table tennis team to mainland China. While this event could be considered insignificant by most standards of international relations, it signaled a major change in national policies by the Chinese Communist leadership, who for over 20 years had shown nothing but hostility toward the United States. The jury is still out on what the effect will be on the Republic of China as a result of the events following the visit of the table tennis team to mainland China. Nevertheless, enough has happened during the past seven years to reveal that the Taiwan situation must change to meet the de facto realities of international politics. How dramatic or tragic this change is to be for Taiwan will be determined to a great extent by how realistic the government in Taipei is in recognizing the world situation as it truly exists, and how wise American policy makers are in dealing with the de facto "two China" situation.

After the "table tennis diplomacy" in early 1971, events involving the United States and the People's Republic of China were fast in occurring, dramatic, and startling to the rest of the world. The President's National Security Adviser, Henry Kissinger, made a secret visit to Peking in July 1971. As a result of this visit, the two nations announced that President Nixon would visit Peking. The President, accompanied by Mrs. Nixon, Henry Kissinger, Secretary of State Rogers, and other American officials, visited the People's Republic of China from February 21 to February 28 of 1972. On February 27, 1972, at Shanghai, near the conclusion of the visit, the leaders of the two nations issued a joint communiqué setting forth certain understandings, albeit somewhat ambiguously, for establishing better relations between the United States and the People's Republic of China. Prior to the President's visit, in the fall of 1971, the People's Republic of China was seated in the United Nations in place of the Republic of China. By mid-1972, over seventy nations had established formal diplomatic relations with the People's Republic of China, a number that has swelled to include all but 26 states who, at this date, have retained formal ties to Taiwan.<sup>1,2</sup> A requisite for having formal relations with the People's Republic was the renunciation of formal relations with the Chinese Nationalists on Taiwan (Republic of China). Until February 1973,

P.R.C. officials maintained a strong line with the United States against having a "two China" policy, stating that there could be no P.R.C. presence in Washington so long as the Nationalist Chinese remained there. Then Chou En-lai tacitly agreed to temporarily accept the diplomatic presence of the Republic of China when he agreed that "liaison offices" should be established in Peking and Washington. Vast increases in international trade between the United States and the People's Republic of China temporarily accelerated their rapprochement. Trade between the two nations went from virtually nothing in 1970 to over \$900 million in 1974 before tapering off in following years, apparently because of lack of P.R.C. exports. Although several obstacles still remain in the way of formal diplomatic relations between the United States and the People's Republic of China, the Russian threat, common to both nations, appears to be leading to closer ties between the two nations. There are now, within the United States Government, many who advocate normalizing relations as soon as possible, with little (if any) consideration for U.S. official or moral obligations regarding Taiwan.

The dilemma now facing the United States and Taiwan is comparable to the dilemma facing any legitimate partnership, such as marriage or business, in which one of the partners has found an attractive alternative, but is still legally and morally bound to the original partnership. The offended

partner often exacerbates the problem by standing on the legal rights of the status quo, rather than joining in the negotiations for what inevitably becomes a new relationship among the parties concerned. Taiwan has extensive economic potential, reasonable military capability, stable government, and a strategic location. Yet, R.O.C. political activities that do not admit to the true national or international situation tend to negate, or at least minimize, these attributes of Taiwan.

Conclusion. A major source of the China problem is the political dichotomy that exists between the de facto and the purported domains controlled by the government on Taiwan. The mainlanders, who originally numbered about two million when the Nationalists fled to the island in 1949, still maintain control of Taiwan as a minority faction among a population now totaling 17 million. The government of the Republic of China considers Taiwan to be only a small province of China. The facade of Taipei as the legitimate government for all of China continues. Meanwhile, Taiwan has, in essence, become a nation in its own right. Taiwan has a population of about 17 million and a land area about one-tenth the size of the state of California. Taiwan possesses the sound political, economic, and military structures normally considered requisite for nation status.

Although less vocal than in past years, the government in Taipei still officially maintains that a revolution of the Chinese people on the mainland, with the help of the "free Chinese" on Taiwan, will wipe communism from the face of China. Possibly because of this threat, or perhaps for similar nationalistic reasons, the government of the People's Republic of China is equally adamant about its threat of ultimate recovery of Taiwan and its incorporation into the People's Republic. Although it is not likely that either political entity could consummate its threat under the status quo, a realignment of U.S. China policy that abrogates the Mutual Defense Treaty with the Republic of China could be critical to the existence of Taiwan as a separate political or economic entity. This paper discusses in detail the national status and problems of Taiwan relative to economic potential, military capabilities, and political alignments. The authors, in an attempt to see with a perspective from Taipei, investigate Taiwan's future in general and her interests with the United States in particular. The paper closes with some conclusions on the significance of the Taiwan issue to the United States, and suggests a cautious but calculated political course of action.

## CHAPTER II

### TAIWAN'S ECONOMIC STATUS

Background. Taiwan's economy is a force that Taipei can use as a lever in the U.S.-R.O.C. relationship. Economic factors have replaced military factors as the main attractive force binding the United States to Taiwan.

The Republic of China, with a per capita gross national product in 1977 of \$1,150 (more than three times as great as that of the People's Republic of China), is now second only to Japan among the nations of Asia in individual productivity and per capita income. The economic surge that transformed this small island into a major trading nation and a fledgling industrial power had its austere beginning in the early 1950's, when per capita gross national product was about \$50, less than one-twentieth that of 1977. (Table I provides a comparison of the economic performance of the two Chinas over the last twenty years, and also includes the United States and Japan as reference points among the most advanced industrial nations).

Many factors have contributed to Taiwan's economic success, not the least of which is the past American economic aid to Taiwan, which has exceeded \$1.5 billion since 1950. Additionally, the United States has provided \$2.5 billion in military aid, most of which was in grants.<sup>1</sup> The entrepreneurial skills of Chinese businessmen and the economic support of overseas Chinese have contributed greatly to Taiwan's economic

TABLE I

THE GROSS NATIONAL PRODUCT OF THE "TWO CHINAS"  
AND  
A COMPARISON WITH THE GNP OF THE U.S. AND JAPAN

YEAR	WORLD GNP* (BILLION \$U.S., CURRENT)				PER CAPITA GNP (\$U.S., CURRENT)			
	PRC	ROC	U.S.	JAPAN	PRC	ROC	U.S.	JAPAN
1955	48	.8	399	24	80	92	2407	270
1960	70	1.7	506	43	105	158	2800	460
1965	96	3.1	688	89	130	245	3541	905
1970	159	6.1	982	196	190	416	4794	1890
1971	195	7.1	1063	226	210	473	5137	2160
1972	179	8.4	1171	294	220	549	5609	2770
1973	228	10.6	1307	408	255	681	6210	3760
1974	261	14.2	1413	454	285	896	6669	4140
1975	301	15.1	1516	488	320	935	7099	4390
1976	310	17.1	1692	549	326	1036	7870	4860
1977	**	19.5			**	1150		

\* PRC/US/JAPAN from "International Economic Report of the President, 1977," pp. 138-139, Tables II and III.

\* ROC derived from "China Yearbook 1977" (Taipei, China Publishing Company, 1977) and DIA Paper "Republic of China Economic Situation in 1977" (Unclassified).

\*\* Figures not available.

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success. The fact that Japan occupied Taiwan for fifty years during Japan's first industrial growth period should also be considered as a contributing factor. This gave Taiwan an early beginning in modernization. By the time of World War II, Taiwan was far ahead of any area of mainland China in transportation, electrification, education, industrial and agricultural production, and public order.<sup>2</sup> During this fifty-year period of relative stability on Taiwan, mainland China was engrossed in political turmoil, both domestic and international. Finally, the economic gains of Taiwan could not have been possible without the governmental policies of the Republic of China that encouraged the international trade and free enterprise necessary to modernize Taiwan. There have been arguments that the R.O.C. policy of nationalizing all of the Japanese industry on Taiwan, when the island reverted to China after World War II, has stifled free enterprise and growth potential. Even today, major industries, such as the new steel mill and shipyard in Kaohsiung, are state owned.<sup>3</sup> Nevertheless, there is still considerable incentive provided by the government for investment in free enterprise activities, as is evident from the willingness of foreign investors to risk money in a nation no longer officially recognized by most of the international community.

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Since 1953, five Four-Year Economic Development Plans have been implemented by the R.O.C. Government. Beginning in 1976, a Six-Year Economic Development Plan was drawn up

for implementation.<sup>4</sup> Targets under the plan include an average annual growth rate of 5.8%. Average annual population growth is expected to be held to a reasonable 1.8% in this nation that is second in the world only to Bangladesh in population density. The per capita income is expected to rise from \$810 in 1976 to \$1,344 in 1981. Modernization and investment are being emphasized in industry and agriculture. Prospecting for petroleum has increased both on land and beneath the seas surrounding Taiwan.

Despite the political uncertainties regarding Taiwan, the economy is prospering. Foreign banks have commitments to Taiwan in excess of \$2.5 billion, and continue to regard the island as a fertile field for lending money.<sup>5</sup> Kaohsiung, the industrial center on the southwest side of the island, is thriving as the twelfth largest port in the world in terms of tonnage handled.<sup>6</sup> Foreign investments in Taiwan were \$163.9 million in 1977, which was an increase of 15.8% over the 1976 levels. Total foreign investment in Taiwan over the past 25 years now exceeds \$1.7 billion.

The United States terminated economic aid to Taiwan over ten years ago, and military aid was terminated early in the 1970's.<sup>7</sup> Foreign trade with the United States in 1977 totaled \$5.48 billion, and resulted in a net deficit for the United States of over \$1.8 billion.

Foreign Trade. In contrast to mainland China, where the value of foreign trade is only about five percent of the gross national product,<sup>8</sup> the value of Taiwan's foreign trade in 1977 was about 91% of its gross national product. In dollar comparisons, the value of foreign trade of the two Chinas is about equal (see Table II). A comparison of trade with the United States is even more impressive. Taiwan's 1976 total trade value of \$4.8 billion with the United States was fourteen times greater than the P.R.C.-U.S. total trade in the same year (see Table III for a comparison of the two Chinas' trade with the United States during the present decade).

Over half of Taiwan's foreign trade is with the United States and Japan (see Table IV). Although the Japanese government officially severed diplomatic relations with Taipei in 1972 when Japan and the People's Republic of China normalized relations, the economic activity between these two nations has been increasing at a rapid rate. Trade has gone from \$1.4 billion in 1972 to over \$3.7 billion in 1977, or a 164% increase in five years.<sup>9,10</sup> The trade balance with Japan is strongly in Japan's favor, with Taiwan's deficit with Japan now running in excess of \$1.5 billion annually. Conversely, as can be seen from Table III, Taiwan is running an annual trade surplus (for 1977) of over \$1.8 billion with the United States. Overall, Taiwan has had a net trade surplus of about \$600 million during the last six years, with trade deficits only during the recession years of 1974 and 1975.

TABLE II

FOREIGN TRADE OF THE R.O.C. AND P.R.C.\*  
(MILLION \$U.S., CURRENT)

YEAR	R.O.C.			P.R.C.		
	EXPORTS	IMPORTS	TOTAL	EXPORTS	IMPORTS	TOTAL
1966	536.3	622.4	1158.7	2210	2035	4245
1967	640.7	805.8	1446.5	1945	1950	3895
1968	789.2	903.3	1692.5	1945	1820	3765
1969	1049.4	1212.7	2262.1	2030	1830	3860
1970	1428.3	1523.9	2952.2	2050	2240	4290
1971	2060.4	1843.9	3904.3	2415	2305	4720
1972	2988.1	2513.5	5501.6	3085	2835	5920
1973	4483.4	3792.5	8275.9	4960	5130	10090
1974	5639.0	6965.8	12604.8	6570	7380	13950
1975	5308.8	5951.7	11260.5	6930	7385	14315
1976	8166.3	7598.9	15765.2	7000	6200	13200
1977	9335.4	8501.3	17836.7	**	**	**

\* Source for R.O.C., 1966-76: "China Yearbook 1977"; Source for R.O.C., 1977: DIA Paper "Republic of China Economic Situation in 1977" (Unclassified); Source for P.R.C., 1966-72: Foreign Affairs, October 1975; Article by Alexander Eckstein: "China's Trade Policy and Sino-American Relations"; Source for P.R.C. 1973-76: Congressional Hearings: "Normalization of Relations with the People's Republic of China: Practical Implications," (Washington, USGPO 1977), p. 290.

\*\* Figures not available.

TABLE III

THE "TWO CHINAS" TRADE WITH THE UNITED STATES\*  
(MILLION \$U.S., CURRENT)

YEAR	EXPORTS FROM		IMPORTS TO		TOTAL		TRADE SURPLUS (+) OR DEFICIT (-) FOR THE U.S.	
	R.O.C.	P.R.C.	R.O.C.	P.R.C.	R.O.C.	P.R.C.	R.O.C.	P.R.C.
1971	859.3	4.9	408.3	0	1267.6	4.9	-451.0	-4.9
1972	1251.3	32.4	543.4	63.5	1794.7	95.9	-707.9	+31.1
1973	1677.1	64.9	952.5	689.6	2629.6	754.5	-724.6	+624.7
1974	2036.6	114.7	1679.9	807.4	3716.5	922.1	-356.7	+692.7
1975	1822.7	157.4	1652.1	303.8	3474.8	461.2	-170.6	+146.4
1976	3038.7	192.7	1797.6	160.2	4836.3	352.9	-1241.1	-32.5
1977	3681.3	**	1798.1	**	5479.4	**	-1883.2	**

\* Source for R.O.C. through 1976: "Foreign Trade Development of the Republic of China (1977)," published from Customs Statistics by the Board of Foreign Trade, Republic of China; Source for R.O.C., 1977: DIA Paper "Republic of China Economic Situation in 1977" (unclassified); Source for P.R.C.: "International Economic Report of the President, January 1977".

\*\* Figures not available.

TABLE IV  
TAIWAN'S MAJOR TRADING PARTNERS \*

RANK	PARTNER	% Share of ROC Foreign Trade		EXPORTS(%)		IMPORTS(%)	
		1977	1976	1977	1976	1977	1976
		1	United States	34.1	30.7	38.9	37.2
2	Japan	21.0	22.5	12.0	13.4	30.9	32.4
3	Hong Kong	4.7	4.5	6.8	7.5	2.4	1.3
4	Kuwait	4.3	5.0	1.0	1.3	8.1	8.9
5	Saudi Arabia	3.9	3.4	2.4	1.5	5.5	5.4
6	West Germany	3.9	4.9	4.4	5.2	3.2	4.6
7	Indonesia	3.1	2.7	2.5	2.7	3.7	2.6

\* Source: DIA Paper "Republic of China Economic Situation in 1977" (Unclassified).

Taiwan appears to be concerned that the unfavorable trade balance with the United States may result in an adverse reaction by the U.S. Government, and is publicizing a new "buy American" policy that would favor American suppliers of certain products.<sup>11,12</sup> Special purchasing missions have been sent to the United States this year. However, preliminary results for the first quarter of 1978 reported in the "Free China Weekly" indicate that the U.S. trade deficit with Taiwan has increased to an annual rate of \$2.0 billion.<sup>13</sup> Exports to the United States during the first quarter of 1978 totaled \$988.8 million while imports totaled \$488.5 million. Taiwan's "buy American" plan will probably require some time to show results; further, it is not likely that Taiwan will push the plan to the extent that it would self-impose an economic trade deficit by buying American products when comparable Japanese or West German goods are available at lower prices. Nevertheless, there are indications that Taiwan is concerned about what effect a major trade imbalance will have on U.S.-R.O.C. relations. Trade is becoming the strongest binding force between the two nations. It is obvious that Taiwan has become a major trading partner of the United States. In 1977, Taiwan was our 10th largest source of imports and our 17th largest customer. Overall, Taiwan ranked 13th in total volume of trade with the United States.<sup>14</sup> Statistics such as these are not freely found in

United Nations or State Department literature, as the advocates of P.R.C. recognition in the bureaucracies probably find the strength of the U.S.-R.O.C. trade relationship somewhat disturbing.

In general, Taiwan imports products necessary to sustain industrial production and growth, and exports industrial goods and processed agricultural products. In 1977, about two-thirds of Taiwan's imports were raw materials and food, and one-fourth were capital goods. The largest single commodity imported in 1977 was crude petroleum (14.7% of all imports), replacing the 1976 leader, machinery and tools (11.4% in 1977). Taiwan's exports are dominated by products of light industry, such as textiles (25% of 1977 total), electrical products and equipment (15.9%), plastic products (6.7%) and plywood, wood products and furniture (6.7%). Textiles declined by seven percent during the year because of weak foreign demand, international competition in textile sales, and R.O.C. emphasis on more sophisticated industrial production.<sup>15,16</sup> Taiwan now has a modern steel mill operating in Kaohsiung that is scheduled to be producing six million metric tons of steel per year by 1981. Adjacent to the steel mill is a new shipyard that is now constructing the third largest ships in the world (two 442,000 ton supertankers for a United States firm). Taiwanese officials have been quoted as claiming that the shipyard gives Taiwan the potential to surpass Japan in

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shipbuilding in the next five years.<sup>17</sup> Taiwan is also manufacturing automobiles and motorcycles, and is showing an interest in expanding exports of those commodities.

Investment . Total investment in Taiwan's economy has averaged about three billion dollars a year.<sup>18</sup> Of that total, foreign investment has averaged about \$150 million per year. Last year, foreign investment was \$163.8 million, making 1977 the third best year on record.<sup>19</sup> U.S. investment on Taiwan in 1977 was \$24.2 million, up 11.4% over the previous year. Of the total U.S. investment of \$516 million on Taiwan, 56.2% is in electric and electronic industries, 20% in chemicals, 5.7% in banking and insurance, and the remaining 18% spread throughout the other major economic activities on the island.<sup>20</sup>

Three export processing zones have been established in Taiwan. These zones are similar to industrial parks and have some of the advantages of free trade zones. Land, public utilities, standard factory buildings, and services are available to investors in these zones. In order to give emphasis to export trade, the government exempts import duties (and export and business taxes) for commodities involved in the manufacture of exports.<sup>21</sup> The R.O.C. government recognizes that Taiwan, as a small island with limited natural resources, must depend heavily on international trade and foreign investment, and has taken several steps to encourage investment, especially in export-oriented activities.

Table V shows the foreign investments made in Taiwan over the 25-year period, 1952 to 1977.

TABLE V  
FOREIGN INVESTMENT ON TAIWAN\*

Origin	1952-1977 (\$Million)	% Share	1977 (Million)	% Change (over 1976)
Overseas				
Chinese	518.5	30.3	68.7	74.0
Other Foreign	1192.1	69.7	95.1	-6.7
U.S.	516.1	30.2	24.2	11.4
Japan	270.8	15.8	24.1	-11.5
West. Europe	222.4	13.0	28.0	-23.9
Other	182.8	10.7	18.8	47.9
Total	1710.6	100.0	163.8	15.8

\* Source: DIA Paper; "Republic of China Economic Situation in 1977" (Unclassified).

Government Enterprises. Even though there is a high degree of free enterprise associated with the Taiwan economy, the government has the ability to exercise authoritarian control over the economy. One of the ways in which the government controls the economy is by investing in key industries essential to the planned economic growth of the nation. Included among the government enterprises are public utilities; enterprises, considered important by the government,

that are avoided by private investors; and enterprises shared with private investors. The Ministry of Economic Affairs supervises the operation of two shipbuilding corporations, a steel corporation, several chemical, mineral, and mining corporations, a sugar corporation, and the Taiwan Power Company.<sup>22</sup>

Several major construction projects have been started by the Central Government. In 1972, Premier (now President) Chiang Ching-kuo emphasized the need for ten of these projects, and most are well underway or nearing completion. Six of these projects are related to transportation (two railroads, two ports, a highway, and an airport to replace the one at Taipei). Three are for the establishment of heavy industry (a steel mill and modern shipyard at Koahsiung, and a petrochemical plant), and the tenth is for the construction of electrical power plants, including three nuclear plants.

Energy. Taiwan's developing industrial economy will require vast additional sources of energy. Coal and natural gas are mined on Taiwan, but the coal supply, currently producing at over three million metric tons per year, is believed to be nearing exhaustion. There are natural gas reserves estimated at 32 billion cubic meters, or more than a 20-year supply if limited to the present rate of production. Scientists believe petroleum is available beneath the seabed to

the west and north of Taiwan, but as yet there is no significant domestic oil production. In fact, the \$1.2 billion petroleum imports required for Taiwan's energy program in 1977 constituted 14.7% of all imports. With an uncertain future for sources of energy, Taiwan is developing Indonesia as an alternate source for petroleum and has been negotiating with the United States for nuclear power plants since the 1960s.

Taiwan is constructing three nuclear power plants as part of a program to increase electrical power production. The first plant in northern Taiwan already has one generator on line with a second generator to go on line next year. Each generator at this plant will produce 636 megawatts of electrical power (compared to the 331 megawatt capacity of the entire network of the Taiwan Power Company in 1952). The second plant will be completed near the first one by 1983, and the third plant is to be completed by 1984. The second and third plants will each have two nuclear-powered generators, with each generator having a capacity of 950 megawatts. Taiwan is purchasing the nuclear fuel from the United States and has signed an agreement with the United States and the International Atomic Energy Agency to comply with the safeguards and controls specified by those authorities for cooperation in the civil use of atomic energy.<sup>23</sup> This year, the U.S. Export-Import Bank (EXIMBANK) loaned

the Republic of China (Taiwan Power Company) \$106.77 million to buy additional nuclear fuel from the United States.<sup>24</sup> As an indication of the long-term confidence EXIMBANK has regarding Taiwan, the loan is at an 8½% interest rate and is to be repaid in six semiannual installments beginning in 1984.

In addition to the nuclear power plants, Taiwan now has a hydroelectric capacity of 1,400 megawatts, and a large thermal power plant near Kaohsiung was completed in 1975. By 1984, Taiwan is expected to have a total electrical generating capacity of 11,200 megawatts.<sup>25</sup>

Judging from the interest by various U.S. and international oil companies in the offshore areas of the Taiwan Strait and the East China Sea, one can speculate that there is considerable potential for petroleum mining and exploitation by Taiwan. Most of the area, however, is in dispute. In addition to the dual seabed claims made by the two Chinas, Japan has historic claims on some of the offshore areas claimed by both Taiwan and the People's Republic of China. Any significant development or exploitation of the disputed areas by any of the protagonists could very well lead to a disturbance of the status quo and provide a catalyst for military activity in the area.<sup>26</sup>

Tourism. The tourist industry of Taiwan has averaged about a 25% yearly increase over the past 20 years. In 1976, the foreign exchange earnings from tourism on Taiwan were

\$466 million. The number of visitors to Taiwan in 1977 was over one million people (compared to forty thousand tourists allowed to visit the People's Republic of China during 1977).<sup>28</sup> The leading places of origin for visitors to Taiwan in 1976 were Japan (518 thousand), the United States (140 thousand), and Hong Kong (132 thousand). The average stay of all visitors was 6.71 days, and each visitor spent an average of \$68.90 daily. Taiwan has 96 tourist hotels with over 11,000 rooms. Two domestic and ten international airlines schedule passenger flights in and out of Taiwan.

Outlook for the Future. Although 113 nations of the world now recognize the People's Republic of China on a basis that prevents those countries from having formal diplomatic and consular relations with the Republic of China, most of these nations trade with Taiwan. In fact, there are over 140 countries having trade relations with the Republic of China, most of which have no diplomatic relations with Taipei.<sup>29</sup> Foreign investment and international financing of the expansion of Taiwan's economy is continuing virtually unabated. It appears that Taiwan will continue to thrive economically so long as there is no disruption of the political status quo.

Although the People's Republic of China has made no overt effort to disrupt Taiwan's economy, the Communist

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government has tried to intimidate nations, business enterprises, and individuals into establishing a boycott of Taiwan. Examples of this intimidation include refusing to recognize a traveler's passport if the Republic of China is one of the countries included in the passport; attempting to coerce businesses to abandon their Taiwan enterprises to do business in mainland China; and threatening national governments with trade limitations because of diplomatic or trade agreements they may have with the Republic of China. The attempted intimidation of travelers is having little effect, as is evident by the over 25-to-one visitor advantage over the mainland enjoyed by Taiwan in tourist trade. Most of the intimidation against business has been unsuccessful because mainland China simply does not yet have the trade incentives that would justify severing economic ties with Taiwan. For example, many U.S. banks that would like to do business in the People's Republic of China could hardly justify giving up their lucrative business in Taiwan to embark on a venture of questionable profitability on the mainland. There is some evidence that those companies, such as Toyota, that have reduced ties with Taiwan to do business in the People's Republic, have regretted this move later. The economy and the political systems of mainland China are simply not yet ready for exploitation by enterprises marketing sophisticated consumer goods and services.

Nevertheless, the future of Taiwan's economy depends on the actions of the People's Republic of China and the United States. It is highly unlikely that the Chinese Communists would attempt anything disruptive against Taiwan as long as they believe that the United States would honor its Mutual Defense Treaty with Taiwan, and international confidence in Taiwan's economy will probably remain high so long as there is evidence that this treaty is to remain in force. Without this confidence, Taiwan's economy would suffer as capital and business ventures avoid Taiwan and seek more stable areas of the world for investment.

In planning for the day when U.S.-P.R.C. normalization comes, Taipei should capitalize on Taiwan's economic strength. World opinion and public opinion are important factors in Taiwan's future, and Taipei can use the economic variable to create and retain friends, especially in the United States and Japan. Even the People's Republic of China might be interested in settling for better terms for Taiwan if Taipei can show how its economy will substantially benefit a reunited China.

## CHAPTER III

### THE MILITARY SOLUTION

Background. A universal axiom of military planners holds that one should plan against the capability of military forces, never relying upon an estimation of the leaders' intended use of those forces. There is, however, little analytical value to a purely military assessment of the Republic of China's capability to defend the territory it now controls against the People's Liberation Army (P.L.A.). An unassisted Taiwan, under siege by the P.L.A., would be no match for the numbers of men, aircraft, ships and other categories of combatant capabilities of the People's Republic of China. In fact, since the Nationalists were driven from the mainland in 1949, the P.L.A. has dominated military statistics between the two. Yet, the People's Republic of China has not, in the ensuing 29 years, used its military advantage to annex Taiwan.

Peking's rationale for not pursuing a military solution to the Taiwan problem is clear, historically and currently: Taiwan is but one parcel of territory among several claimed by, but not under the control of the People's Republic of China; Taiwan's annexation is but one of many difficult problems facing P.R.C. leaders; and, more importantly, the military capability to overwhelm R.O.C. defenses is but one

of a number of associated political, economic and broader military variables involved in the Taiwan equation. Thus, renewal of the Chinese civil war is likely to await a more propitious time when gain outweighs loss in terms of P.R.C. national interests.

This chapter, therefore, contrary to the military planner's axiom, will risk assessment of military capabilities concomitant with the political, economic and other factors which affect military capabilities and their use. By examining the two principal P.R.C. threats to Taiwan, invasion and blockade, the authors first will measure R.O.C. stand-alone capabilities to defend against the P.L.A. The latter part of this section will explore U.S. military guarantees to the Republic of China, either under the Mutual Defense Treaty or a replacement commitment. For each case, the study will consider additional military constraints and the political and economic factors that limit P.R.C.-R.O.C. freedom of action.

P.R.C. Threat: Invasion. China analysts generally tend to dismiss scenarios of a P.R.C. invasion of Taiwan, citing the prohibitive political, economic and military costs to the pragmatic P.R.C. leaders. Some analysts, however, ever slaves to the military planner's axiom, ignore P.R.C. intentions and focus on capabilities. Here is what they might see.

The first objective of a P.R.C. plan for invading Taiwan probably would be to gain air superiority, initially over the Taiwan Strait, then over the island itself. The over four thousand P.R.C. combat aircraft matched against the R.O.C. air force of three to four hundred<sup>1</sup> would appear to answer the question of air superiority in favor of the mainland, despite R.O.C. technological advantages. R.O.C. air defense forces, which include Hawk missile battalions, could contest air space control over the island longer than over the Strait. Nevertheless, R.O.C. aircraft attrition and expenditures of missiles and ammunition without replacement gradually would reduce Taiwan opposition to P.R.C. bombing missions.

In ships of corvette size and larger, the P.R.C. Navy is about twice as numerous as the R.O.C. Navy (61 to 34). But in armed surface ships and craft of every size capable of operating in the Taiwan Strait, the P.R.C. advantage increases to 1,872 to 195.<sup>2</sup> R.O.C. naval defenses of their coast lines would be in jeopardy from the beginning of a war. P.R.C. submarines could be used to mine R.O.C. Navy exits from ports before the air battle began. The combatant ships in port would then be sitting targets for attack from the air. Assuming the ships could escape minefield entrapment in port, they would be vulnerable to attack by the P.R.C. submarines and attack aircraft

in open water, even before encountering the stronger P.R.C. surface fleet. Moreover, the R.O.C. Navy's lack of a replenishment-at-sea capability would force periodic return to port for fuel and ammunition.

The P.R.C. Navy has a limited conventional amphibious lift capability consisting of approximately 500 landing craft of various sizes,<sup>3</sup> capable of lifting about 3 army divisions.<sup>4</sup> This apparent lack of interest in amphibious assault forces is often cited as rationale for dismissing theories of a P.R.C. attack on Taiwan. However, Peking could muster the entire P.R.C. merchant and fishing fleet for an unconventional amphibious assault on the island. R.O.C. defensive mining would be relatively ineffective against the shallow draft wooden junks swarming up and down the Taiwan coast, protected from the remnants of the R.O.C. Navy by the numerically superior P.R.C. fleet. That fleet could also double as a troop-ferrying force. With two airborne divisions<sup>5</sup> and 400 transport aircraft,<sup>6</sup> the P.L.A. could combine an airborne assault with the amphibious invasion. The 513 helicopters<sup>7</sup> of the P.R.C. Air Force also could be used to place troops ashore in Taiwan.

P.R.C. submarines could be used to blockade the Kinmen (Quemoy) and Matsu Islands, isolating the 80,000 R.O.C. troops on the island.<sup>8</sup> After Taiwan had been secured, R.O.C.-

controlled islands could be dealt with individually.

The foregoing scenario is not intended to imply that P.R.C. forces could easily seize Taiwan, or that there is intent to do so, only that the capability exists. The question to be answered in the minds of P.R.C. leaders is whether the island is worth the enormous costs in terms of military losses, exposure to the Soviet threat and worldwide political and economic ramifications. One analyst has estimated that the P.R.C. Air Force would be reduced by half in the air battle over the Taiwan Strait.<sup>9</sup> Naval losses obviously would be heavy. And the losses of men in an assault on the fortified island, defended by 340,000 R.O.C. army troops, plus a militia of nearly a million men, would be staggering even when measured against the seemingly inexhaustible supply of 2,845,000 soldiers and the five to seven million man militia force available to the P.L.A.<sup>10</sup>

To be successful, P.R.C. soldiers and equipment would have to be drawn from units defending against the formidable Soviet forces on the China-Russia border. It would appear to be a desperate, militaristic gamble by the Peoples Republic of China to pluck the Taiwan thorn from her side under present circumstances. Peking cannot be sure that the smell of blood and the evidence of vulnerability would not attract the Russian polar bear to China's back door.

Military considerations alone are not the primary reasons that most observers of the China scene believe Taiwan will not be attacked by P.R.C. forces in the foreseeable future. Both the United States and Japan have historical and current political, sociological and economic investments in Taiwan. An attack on Taiwan would ensure American and Japanese animosity for some time to come. Similar adverse world opinion would probably make itself felt to the detriment of China's political status in the world. Although the People's Republic of China has survived political isolation in her first quarter of a century as a nation, her apparent aspirations and trends are now toward modernization and world power status. Those aspirations would not be served by renewed alienation of the only nations capable of bringing the twentieth century to China: the United States, Japan and Western European countries. A reversal of the modernization trend for China, as she pursues a debilitating, costly war against Taiwan, could place her even more hopelessly behind the technologically advanced countries of the world. Moreover, the war would no doubt destroy Taiwan's military force and industrial base. Thus, Peking would lose military equipment, a strong industrial base, and exceptional human resources on Taiwan, all of which could prove most valuable if delivered intact to a peacefully reunited China.

P.R.C. Threat: Blockade. Compared to an invasion of Taiwan, a blockade of the island should offer a more tempting scenario to Peking's leaders. While a blockade, as viewed by

the P.R.C., may mean simply closing one's own province off from trade and communications with the outside world, the military, political, economic and legal aspects, as viewed by the outside world, are not likely to be so simple. Nevertheless, an effective blockade of a militarily unassisted Taiwan, by sea and air, is indeed within the capability of the P.R.C. Navy and Air Force. The legality of such a blockade, or of the euphemistic "quarantine," will not be addressed here other than to observe that western concepts of international law generally are recognized by the People's Republic of China only in those circumstances of ultimate advantage to Peking.

As a military operation, a blockade of Taiwan would be relatively simple. P.R.C. aircraft and submarines could plant minefields in the sea approaches to Keelung, Taichung, Kaohsiung and other ports, including the Penghu and offshore islands. With an overwhelming superiority in submarines (67 to 100 versus 2 for Taiwan)<sup>11</sup>, and a predominant Navy and Air Force, the People's Republic of China is capable of preventing effective R.O.C. Navy minesweeping efforts. The same P.R.C. forces could be used to attack ships attempting to run the blockade if the mining proved insufficient.

Extending the blockade to include air traffic in and out of Taiwan probably would trigger the same battle for air supremacy over the island as addressed in the invasion

scenario, with similar results. Foreign air service to Taiwan undoubtedly would be suspended for the duration of the blockade.

Even if Taiwan air traffic were not interfered with, a sea blockade alone would prevent importation of the resource most vital to Taiwan's economy: petroleum. One need only refer to the economic chapter of this paper to realize that Taiwan depends on the importation of resources and the production and exportation of finished products. Most of these resources and products move by ship. If the blockade stopped nothing but oil importation, Taiwan's industry could not survive.

As a means to an end, the P.R.C. capability to blockade Taiwan, and thereby to reduce the island's economy to a subsistence level, must have the ultimate goal either of forcing the R.O.C. government to come to terms with Peking or igniting an overthrow of the Chiang regime. In coming to terms, certainly the Nationalist leadership, the very essence of which is based on anti-communism, would have to be removed eventually. A provincial communist government controlled from the mainland assuredly would be one of the terms. In the second case, an overthrow of Chiang would solve nothing unless the revolutionaries accepted reorganization of Taiwan's government along P.R.C. provincial lines under imported leadership from the mainland.

In either case, giving in to the pressure of a blockade would most likely result in the introduction of P.L.A. forces to control the people of Taiwan. The installation of a governmental, economic and sociological system totally alien to the current life style of the people would be immediate. The majority of the people on Taiwan are likely to be aware of these prospects and, therefore, inclined to be supportive of the R.O.C. government's adamant opposition to yielding. So long as self sufficiency in agriculture could be maintained, the R.O.C. government probably could keep control of the island, looking to outside political pressures on Peking for ultimate relief for Taiwan.

Outside political pressure on Peking, even in the absence of U.S. military assistance to the Republic of China, could be expected to be forthcoming and involve costs the People's Republic of China is not now willing to pay. The pressure would come from the 140 countries that trade with Taiwan, and particularly from those countries whose citizens have sizable monetary investments in the island's economy. Again, the heaviest pressure on Peking would come from the two nations China needs most for assistance in her modernization goals: the United States and Japan.

Thus, the People's Republic of China is presented the type of frustrating dilemma so frequently faced by the two super powers whose status Peking emulates. The military capability to accomplish an important objective is available but cannot be used without risk of major political, moral and economic losses, the costs of which outweigh the gain of the objective. Blockade is the least hazardous of Peking's two courses of action in pursuit of a military solution. But for reasons already discussed, blockade has little chance for ultimate success. Invasion, on the other hand, probably would achieve the objective of Taiwan's annexation, but at great cost militarily, economically and politically. The vulnerability of the P.L.A. to a Soviet attack from the north and the return to political isolation faced by the People's Republic of China as a result of an invasion of Taiwan would appear to rule out that course of action.

Taiwan's U.S. Connection. The preceding look at the Peking-Taipei dilemma has excluded the United States as a participant, other than in a politically and economically persuasive role against a military solution. That role carries weight with both sides. The R.O.C. government relies on the United States for support of its right to exist as a political entity. Meanwhile, business goes on as usual,

and Taiwan needs the cooperation of organizations like the U.S. Export-Import Bank, as well as American trade and investment, to maintain the economic growth which gives the Republic of China status in the world. The People's Republic of China also needs what the U.S. can offer. Peking views the Soviet Union as the prime threat and needs the United States to take some of the heat off that threat. In striving for great power status, P.R.C. leaders realize China must achieve a technological revolution. Peking views America, and the close American ally, Japan, as the most desirable sources of technological assistance necessary for that revolution. Moreover, to both Peking and Taipei, U.S. political connections, those subtle and not-so-subtle influences exercised by the United States worldwide, are coveted assets available only to nations having good American relations. In sum, these factors give the United States several peaceful weights to place upon Chinese scales that otherwise may be tilting toward a military solution to the Taiwan problem.

Whether the United States' influence is sufficient to prevent P.R.C. attempts to settle the Taiwan issue by force is open to question. The final consideration of this chapter is, however, whether U.S. military assistance could balance the scales for a successful defense of Taiwan if the P.L.A. should attempt an invasion or blockade. The answer is an unqualified yes, if the United States were

willing to place its military forces in direct combat with P.R.C. forces. The issue is more in doubt if the U.S. military assistance were in the form of defensive equipment, weapons and supplies only, especially if the assistance were withheld until the attack or blockade had begun.

In reconsidering the first scenario of this chapter, that of a P.R.C. invasion initiated by a battle for air supremacy over the Taiwan Strait, a prompt decision to commit U.S. forces to the active defense of Taiwan would be critical to the outcome. The two U.S. Seventh Fleet aircraft carriers currently in the Western Pacific could be brought within operating distance of the Taiwan Strait in a matter of hours, or a few days at most. U.S. Air Force B-52 bombers at Guam could begin operations against P.R.C. air bases as soon as Navy tactical air cover became available. U.S. Air Force tactical aircraft squadrons could be deployed quickly from the United States to Taiwan bases or to nearby Philippine bases. Applied rapidly and in force, the American tactical aircraft's superiority in maneuverability, weapon delivery systems, overall technological advantages and pilot expertise would render the battle for air space control an exercise in futility for the P.R.C.

Without control of the air space over the Taiwan Strait, P.L.A. invasion forces marshalled in P.R.C. coastal ports would be vulnerable to destruction by U.S. and R.O.C. air attacks. Those P.R.C. amphibious assault forces and Navy units able to put to sea would face the formidable Seventh Fleet reinforced by U.S. Third Fleet ships, including additional aircraft carriers, from Hawaii and the U.S. west coast. Unhampered by P.R.C. air attacks, R.O.C. minesweepers, assisted by aerial minesweeping units deployed from the United States could clear Taiwan ports for naval operation and U.S. resupply of war material by sea.

A P.R.C. blockade of Taiwan would present a different problem for the U.S. militarily. If a blockade of the air space over Taiwan and the Strait were declared by the People's Republic of China, a decisive commitment of U.S. forces should result in an air battle scenario similar to that described for an invasion. Probably, however, because a blockade is a lower order of military belligerence than an invasion, political considerations might prohibit U.S. air strikes against airfields on the mainland, limiting P.R.C.-U.S. engagements to the air space over the Strait and Taiwan. The resulting lower attrition rate for P.R.C. combat aircraft would mean a longer period of civilian air traffic restrictions. But eventually, certainly well before any catastrophic damage to the island's economy, U.S. air power would force the P.R.C. Air Force to withdraw.

A sea blockade by the P.R.C. Navy would also present a different, and in some ways a more difficult, set of circumstances for the United States and Taiwan. For diplomatic reasons, the scenario probably would build more slowly than that of an invasion. The provocation for bringing in the U.S. Navy might be the sinking of one or more U.S. ships. Even then, the Seventh Fleet's initial tasks probably would be escort duty and localization of the P.R.C. submarines. However, if the U.S. were firmly committed to breaking a persistent sea blockade, Navy forces would initiate a systematic anti-submarine warfare (A.S.W.) campaign. The Western Pacific mix of U.S. Navy forces is fully capable of commencing the campaign. Backed up by Third Fleet deployments, the U.S. fleet could sustain an attrition operation to eliminate the P.R.C. submarine forces. The Navy could marshal land-based P-3 aircraft, carrier-based A.S.W. helicopters and S-3 aircraft, surface ships with sophisticated underwater detection equipment, and the greatest threat to the P.R.C. diesel submarine, the U.S. nuclear-powered attack submarine. The likely result would be the loss of the P.R.C. coastal defense navy while Peking's arch enemy, the Soviet Union, continues to build a strong, offensive Pacific fleet.

Conclusion. The People's Republic of China has possessed for some time the military capability to overwhelm the defenses of the Republic of China alone and thereby annex Taiwan. P.R.C. military forces also have the capability to institute an air or sea or combined air-sea blockade of Taiwan unless opposed by third-party A.S.W. and tactical air forces.

A multitude of military, political and economic factors have prevented Peking from pursuing the military solution to the Taiwan problem. First and foremost, the U.S.-R.O.C. Mutual Defense Treaty ties the United States to the defense of Taiwan. With U.S. military forces committed, the P.R.C. realizes that its losses would be unacceptably high and the chances of success low to none. Second, even if the U.S. were not to honor her Mutual Defense Treaty commitment, Taiwan would inflict losses on the P.L.A. that Peking cannot afford so long as the Soviet Union remains a back-door threat. A blockade of Taiwan, even if technically successful in cutting off trade with the outside world, probably would not bring sufficient internal pressures on the Republic of China to cause governmental capitulation, even if the island's economy were reduced to a subsistence level. Finally, an attempt at a military solution by the People's Republic of China would likely create unfavorable international political

repercussions against Peking. Asians would fear and resent the specter of a belligerent, militaristic and expansionist China. The United States and Japan, whose help Peking needs in her quest for modernization, would probably revert to pre-1971 levels of relations. The resulting political isolation of China probably would force Peking to return to internal, boot-strap operations in an attempt to keep pace with the technologically advanced nations whose status she covets. To keep pace would be improbable; to make gains would be impossible.

Despite the apparent illogic associated with a P.R.C. military solution, Taipei's perspective would be that of the military planner who considers capabilities, not intentions. The view from Taipei will be addressed in Chapter V.

## CHAPTER IV

### POLITICAL PERSPECTIVES

"Everyone is entitled to his own opinions  
but everyone is not entitled to his own facts."

Admiral Isaac C. Kidd, USN  
14 June 1978

Background. For China, the century preceding World War II was a period of political and social decay, exploitation by imperialist powers, and internal feuding and violence. During this period, Western influence was strong in the coastal and urban areas of China, and Chinese intellectuals, many of whom were foreign-educated, adopted various Western cultural and economic standards. These Chinese, who made up the urban centers of bureaucratic power, were later overwhelmed by the rural-based Communists in their takeover of the nation in the late 1940's. By 1949, when the Communists established control over all of mainland China, most of the Western-oriented elite had already fled China, many moving to Taiwan with the Nationalist government.

The nearly two million mainlanders who fled to Taiwan in the late 1940's encountered a Taiwanese population with ambivalent feelings toward their new coinhabitants. Although Taiwan had a predominantly ethnic Chinese population, it had been under Japanese rule for fifty years prior to the

end of World War II, having been taken over by Japan as the spoils of war in 1895.<sup>1</sup> At the Cairo Conference on 1 December 1943, Roosevelt, Churchill, and Chiang Kai-shek agreed to strip Japan of her conquered territories and return some of them, including Taiwan, to China.<sup>2</sup> At that time, the government of China was understood by all major powers to mean the government under Chiang Kai-shek. The initial Taiwanese reaction to the decision at Cairo was favorable; however, the corrupt and oppressive Nationalist administration installed on Taiwan in 1945 soon reversed much of the favorable Taiwanese sentiments.<sup>3</sup> It was not until after Chiang Kai-shek moved his government to Taipei that he took action to correct the misdeeds of his Nationalist governor on Taiwan. To many Taiwanese, Chiang's punishment of the governor was viewed as a belated attempt to curry favor on Taiwan and not as a genuine quest for justice.<sup>4</sup>

When the Nationalist government established itself in Taipei in 1949, it purported to be the government of all of China. The myth of mainland recovery was born at this time. This myth, perpetuated by Chiang Kai-shek and continued after Chiang's death by his son Chiang Ching-kuo, provides the foundation for mainlanders on Taiwan to retain control of the government. While there is open democracy at work in local and provincial elections, the national government

of the Republic of China remains in the hands of a minority faction: the displaced mainlanders. While the myth has been necessary to sustain and justify the existence of a mainlander-dominated bureaucracy, it also has required that the Taipei government stress the existence of only one China, and that Taiwan is only a province of China. This dogmatic political position now presents a dilemma for Taiwan as world recognition of the People's Republic of China becomes more complete.

While the Nationalists have never made a serious effort to recapture the mainland, the reverse is not true. In October 1949, thousands of Communist Chinese invaded the offshore island of Kinmen (Quemoy), but they were defeated. In 1954, 1958, and 1960, the Communists launched large-scale artillery barrages against Kinmen, with the peak of 571,959 rounds of explosive shells and 3,424 rounds of propaganda shells landing on Kinmen in 1958.<sup>5</sup> The Nationalists have typically responded in kind. Even during recent years, the two-way shelling continues, except it is now exclusively with propaganda shells and occurs on a schedule every other day.

The influence of the United States in the hostilities between Taiwan and mainland China has been considerable. It is interesting to note that after supporting the Nationalists against the Communists during the late 1940's, by

early 1950, the official U.S. position was one of de facto recognition of the existence of the Communist government over China. In January 1950, the United States opted to not exercise its veto power in the Security Council of the United Nations when the issue of replacing the Nationalists with the Communists was raised by the Russians. The official position taken by the United States was to vote against it as a procedural matter (no veto), and the U.S. representative stated the United States would "accept the decision of the Security Council on this matter when made by an affirmative vote of seven members."<sup>6</sup> Although the vote was against the Communists, that was the last time for over twenty years that the United States would act so favorably toward the Communist regime.

The U.S. China policy of strong hostility toward the Communists began when the United States entered the Korean War. In mid-1950, at the same time as the United States sent troops to South Korea, the U.S. Navy was sent to "neutralize" the Taiwan Strait.<sup>7</sup> The Korean War has been said to have been Chiang Kai-shek's salvation.<sup>8</sup>

In 1954, Peking launched a large-scale bombardment of Kinmen Island. Whether the Communist intentions were to launch a full-scale invasion or simply create tensions is not known, but the net result was an intensification of hostility in U.S.-P.R.C. relations.<sup>9</sup> The Mutual Defense Treaty between

the United States and the Republic of China was signed in 1954 and ratified in 1955. The U.S. Congress passed the Formosa Resolution in January 1955, authorizing the President to employ U.S. forces to defend Taiwan, the Pescadores, and "related positions and territories of that area now in friendly hands."<sup>10</sup> The purpose of the Formosa Resolution was widely interpreted as authorizing the President to intervene in the defense of the offshore islands of Kinmen and Matsu, areas which were excluded by the wording of the Mutual Defense Treaty.

During the 1960's, there was no fundamental change in the relationship of the two Chinas, nor in the U.S. China policy. The major change came with the thaw in relations between the United States and the People's Republic of China, precipitated by Henry Kissinger's visit to Peking in July of 1971. The events since that date have led to serious debate within the United States relative to the U.S. China policy, and threaten to diplomatically isolate Taiwan from the world community.

Diplomatic Recognition. In early 1977, Liberia became the 113th country to recognize the People's Republic of China on a basis that prevents those states from having diplomatic and formal consular relations with Taipei.<sup>11</sup> Only 26 states remain tied to the Republic of China with

formal diplomatic relations.<sup>12</sup> Half of these states are Latin American nations.<sup>13</sup> The United States is the only economic or military power that retains formal ties with Taipei.

Because of the economic strength and activity of Taiwan, many nations that do not officially recognize the Republic of China retain semi-formal ties with Taipei. Including the 26 formal ties, there are 140 states that have some form of relations with Taipei.<sup>14</sup> Various forms of trade missions and organizations have been able to perform economic functions and consular services normally performed by a diplomatic mission, such as arranging for visas, loans, etc.

The most talked-about bilateral relationship with Taipei that has been established outside the diplomatic sphere is the Japanese case. This relationship is often referred to as the Japanese model or the Japanese formula. It is an understanding between Peking and Tokyo that, although Japan severed formal diplomatic relations with the Nationalists, Japan will continue to maintain quasi-political and economic ties with Taiwan. Further, although Japan recognized the Communist regime as the "sole legal government," it did not recognize explicitly that Taiwan is already a part of China.<sup>15</sup> It is interesting to note that in both the U.S.-Japanese San Francisco Peace Treaty of 1951 and the Japanese-R.O.C. Peace Treaty of 1952, the Japanese renounce their rights and

privileges in Taiwan and the Pescadores, but nowhere was it specifically stated that Taiwan was China's property or was being turned over to China. Some legal experts have construed these treaties as being the basis for a two-China policy.<sup>17</sup>

Under the Japanese formula, the Tokyo-Taipei relationship remains much as it was before Japan recognized the People's Republic in September 1972. Instead of official government employees and diplomats, the governments are represented by "retired" diplomats and employees of informal trade groups. These semi-formal substitutes for consular services have not diminished the activity between these two nations. In fact, bilateral trade and tourism has increased significantly under this arrangement. For example, the 1976 Japanese trade and tourism with Taiwan exceeded the trade and tourism with Taiwan by all countries combined in 1970.<sup>18</sup>

The Japanese formula has been suggested as the means of completing our rapprochement with the Communist regime in Peking. However, Peking has continued to insist on three basic points as fundamental for the establishment of formal diplomatic relations: (1) end diplomatic relations with the Nationalist regime; (2) terminate the U.S.-R.O.C. mutual defense treaty; and (3) withdraw all military forces from Taiwan.<sup>19</sup> In return for this, the United States would receive the "benefits" of formal relations with Peking, and

still be permitted to continue trade, "and perhaps other types of direct, but unofficial relations with Taiwan through a private office on the island, staffed with skilled but unofficial personnel."<sup>20</sup>

The unique feature distinguishing the Japanese relationship from the U.S. relationship is the U.S.-R.O.C. mutual defense treaty. The Japanese can profit from their ventures with both Chinas, being protected by the U.S. defense umbrella in its ventures with Taiwan. Without the U.S. commitment to Taiwan, one can only speculate what the relationship would or could be.

U.S.-R.O.C. Ties. The United States and the Republic of China have 59 formal bilateral diplomatic ties, consisting of six treaties, 50 agreements, one convention, one arrangement, and one understanding.<sup>21</sup> In addition, the two nations are joint parties on several multilateral treaties, agreements, and conventions. Many of these formal ties are no longer significant, such as three agreements on "lend-lease." Nevertheless, several are of particular importance, including: the Mutual Defense Treaty; the Treaty of Friendship, Commerce and Navigation; and agreements concerning air transportation, safeguards for nuclear materials, export-import quotas, postal, and taxation of earnings of aircraft and ships.

Several U.S. laws are of importance when considering U.S.-R.O.C. ties. Many of our bilateral relationships are permitted by U.S. laws prescribing that the relationship can exist only if various conditions are met by the other country, such as: being a friendly country; must not be communist; must not have severed diplomatic relations with the United States; and must meet certain criteria regarding human rights.<sup>22</sup> These laws involve military sales and assistance, the Overseas Private Investment Corporation, the U.S. Export-Import Bank, Most Favored Nation trading status, and others.

There has been extensive debate over the legal technicalities of our future relationships with the two Chinas if we recognize Peking. One argument is that recognition of Peking relegates Taiwan back to being a province, only then it would be a province of a communist nation. Under this interpretation, virtually all laws and treaties favoring the U.S.-Taiwan relationship would no longer exist.<sup>23</sup> Another legal argument is that when the President exercises, under the authority granted him by the Constitution, the prerogative of recognizing the P.R.C. government, the People's Republic will then abrogate the treaties and agreements they want terminated as the new and legitimate Chinese government.<sup>24</sup> The counterargument to this is that the legal entity with whom the treaties were signed would still exist on Taiwan, and the President cannot break a treaty any more than he can break a statute.<sup>25</sup>

The arguments of our bureaucrats on the status of Taiwan after the U.S. formal recognition of the People's Republic of China are numerous and generally are in line with the position the individual has in the U.S. bureaucracy. In some cases, their positions appear to coincide with the probable career enhancement potential for the advocate if the advocated position is adopted. This attitude contrasts with the U.S. public opinion polls that, while indicating a desire to recognize the People's Republic of China, provide even stronger sentiments toward honoring our formal commitments to Taiwan.

The heart of the U.S. commitment to Taiwan is the Mutual Defense Treaty. This treaty was signed at Washington on 2 December 1954 and approved by the Senate for ratification on 8 February 1955.<sup>26</sup> It consists of ten articles, the more important of which specify that "Each party recognizes that an armed attack---against the territories of either of the parties would be dangerous to its own safety and declares that it would act to meet the common danger in accordance with its constitutional processes.", (emphasis added by the authors.) The treaty further defines R.O.C. territories to be only Taiwan and the Pescadores. The final article of the treaty specifies: "This Treaty shall remain in force indefinitely. Either party may terminate it one year after notice has been given to the other Party."

Whether the treaty remains in effect or whether it is terminated as a prerequisite for formal diplomatic relations with the People's Republic is now being debated within the U.S. Government. The rationale for most of the arguments on one side of the debate comes from a somewhat ambiguous document: the Shanghai Communiqué.

The Shanghai Communiqué and P.R.C. Demands. Changing international perspectives in the early 1970's promoted the lessening of tensions and a move toward a closer relationship between the United States and the People's Republic of China. Even before the Brezhnev doctrine and the 1968 invasion of Czechoslovakia by the Soviet Union, the Chinese Communists had begun to perceive Russia as having replaced the United States as their main military threat. On the U.S. side, America needed help in reducing the risks of disengagement from Vietnam. Also, Nixon and Kissinger saw that an improved U.S.-P.R.C. relationship might provide greater international political leverage when dealing with Moscow.

The Nixon visit to Peking in 1972 demonstrated to the world that a new relationship was evolving between these earlier adversaries. The framework for this new relationship was defined in a joint communiqué at the end of the President's visit on 27 February 1972. This document, which has come to be known as the Shanghai Communiqué, describes

the President's visit from 21 February to 28 February. It also states the interests of each of the countries in the area. It points out that there are essential differences between China and the United States, but states several principles of peaceful international relationships to which both nations agreed. In the communiqué, both nations stated: "Progress toward the normalization of relations between China and the United States is in the interest of all countries, that ". . . it is desirable to broaden the understanding between the two peoples," that they agreed ". . .to facilitate the progressive development of trade between the two countries," that ". . . they will stay in contact through various channels," and that "the two sides expressed the hope that the gains achieved during this visit would open up new prospects for the relations between the two countries."<sup>27</sup>

What the two nations did not agree on was the Taiwan issue. The P.R.C. position was stated: "The Taiwan question is the crucial question obstructing the normalization of relations between China and the United States; the Government of the People's Republic of China is the sole legal government of China; Taiwan is a province of China which has long been returned to the motherland; liberation of Taiwan is China's internal affair in which no other country has the right to interfere; and all U.S. forces and military installations must be withdrawn from Taiwan.

The Chinese Government firmly opposes any activities which aim at the creation of 'one China, one Taiwan,' 'one China, two governments,' 'two Chinas,' an 'independent Taiwan' or advocate that 'the status of Taiwan remains to be determined.'

The much misquoted and misunderstood U.S. statement relative to Taiwan in the Shanghai Communiqué is: "The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes."

The author of the preceding paragraph was apparently Henry Kissinger, who is extremely adept at reaching a compromise in difficult matters by the use of ambiguous language. The language of the Shanghai Communiqué is also somewhat ambiguous, especially in the matter of timing. What is not ambiguous is the following: (1) The United States does not challenge the fact (proposition) that both the R.O.C. and P.R.C. governments claim all of China, including Taiwan;

(2) The United States wants a peaceful settlement of the Taiwan question, preferably by the Chinese themselves;

(3) Our ultimate objective is to withdraw all military from Taiwan after a peaceful settlement is assured; and (4) we will reduce our military presence in Taiwan if the military threat justifies doing so. The wording of the Communiqué gives no U.S. guarantees to the Communist regime that we will do anything regarding Taiwan so long as there is no peaceful settlement forthcoming, preferably from among the Chinese people themselves.

Taiwan Versus Republic of China Issues. Perhaps the most disputed ambiguity in the Shanghai Communiqué is whether the United States agreed that Taiwan was part of China. The People's Republic of China emphatically stated in the Communiqué that Taiwan is a province of China and the P.R.C. government opposes any activity to change that. The United States acknowledges that all Chinese on both sides of the Taiwan Strait (the P.R.C. and R.O.C. governments) "maintain there is but one China and Taiwan is part of China," and that the U.S. Government "does not challenge that position." By this statement, the United States is simply acknowledging a truth: that both Chinese governments claim to be the legitimate rulers of China and both governments state that Taiwan is part of China. This may be unfortunate, because various interpretations of the statement have tacitly reduced U.S. support for what could be a viable alternative

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for the Republic of China: that of declaring Taiwan a separate political entity based upon the principles of international law that recognize de facto rule. However, the door is not closed on this option for either Taipei or Washington because of the wording in the Communiqué. Certainly, Taipei can change its position and recognize the status quo -- if the government is willing to take the political risk. The United States, on the other hand, is not committed to either scenario. The wording of the Communiqué infers that the United States does not challenge the position of the two Chinese governments. However, "does not challenge that position" simply suggests that the United States is not sufficiently upset with the position to take issue with it; it does not mean that the United States accepts or agrees with the position. Since the wording appeared in a portion of the Communiqué in which there was no agreement and both sides were stating their positions, there is legal room for maneuver on this issue.

The heart of the "separate Taiwan" issue is not so much the opposition by the People's Republic of China -- although that cannot be ignored -- but the composition of the government of the Republic of China. The Nationalist government is composed predominantly of officials who came with the government from the mainland in 1949. The logic that perpetuates their continued rule (vis-à-vis the

Taiwanese majority) is the facade of the Nationalists being the legitimate government of all China.

Whether the mainlanders will be willing to relinquish power to the majority may soon become a moot point. The mainlanders are aging and death has removed many from the ruling bureaucracy. As the percentage increases of children and grandchildren who are Taiwan-born or intermarry, there will be little difference between the descendants of the mainlanders and the Taiwanese, who are predominantly ethnic Chinese.

Recent political developments indicate that the government is trying to reduce the criticism of the mainlander rule. In the elections of the National Assembly this year, a Taiwanese, Mr. Shieh Tung-min, was selected as the new Vice President, and was inaugurated at the same time Chiang Ching-kuo was made President on 20 May 1978. In contrast to his father, the new President Chiang Ching-kuo has done much to encourage the popularity of his government among all the people of Taiwan. He is known for his visits with the people throughout the countryside and to industrial sites, and has been responsible for various people-oriented training, recreation, and welfare programs during his long career in government. Despite official pronouncements to the contrary, it is possible that President Chiang is cultivating his popularity among the Taiwanese in order to initiate a plebiscite

in which he could be elected President by popular vote. If this were to occur, it would be a firm indication of a change in the R.O.C. policy of advocating only one China to a political scenario that includes an autonomous Taiwan. This scenario is likely to be opposed by the People's Republic of China, although with U.S. support it is feasible. Chapter V provides some additional insights with respect to this scenario, together with the options that could be simultaneously exercised by Taipei.

Conclusion. An abrupt disruption of the status quo regarding Taiwan could lead to a situation that is not in the best interests of the United States. For example, if the United States were to abrogate its responsibility for the defense of Taiwan, and political events led to a military solution by the People's Republic of China, a serious balance of power problem would occur in Asia. Even without a direct confrontation, the unilateral removal of the U.S. commitment to Taipei automatically creates a power vacuum in the area. The Russians or the Japanese would be likely to fill the vacuum. The Korean situation could become destabilized because of the lack of confidence in the U.S. commitment, as viewed by both sides in the Korean confrontation. Japan, the strongest industrial power in all of Asia, could hardly be expected to remain quiescent with such political uncertainty in the Japanese backyard.

The Republic of China is already excluded from most legal intercourse of the United Nations. If the Republic of China were to become a virtual political nonentity as a result of a unilateral removal of recognition by the United States, an interesting problem of international law would surface. A political entity that is not recognized as such can hardly be expected to honor its signature on various treaties and agreements. Taipei has signed many treaties and agreements, including the Nuclear Nonproliferation Treaty and the agreement providing safeguards for the custody of the plutonium produced by the nuclear power plants in Taiwan.

The Taiwan question still seeks an answer; one that may not be found for some time to come. Fortunately, there is ample room for maneuver within the ambiguous wording of the Shanghai Communiqué that permits the U.S.-P.R.C. governments to progress in their relationship as all parties simultaneously seek a solution to the Taiwan problem.

## CHAPTER V

### THE VIEW FROM TAIPEI

Background. It would be presumptuous of the authors to claim special insights into how the Chinese view the last seven years of American China policy, or how the R.O.C. government should proceed in making the best of international events that threaten or enhance Taiwan's political survival. Nevertheless, outsiders' perceptions of how internal problems could be viewed sometimes prove useful in identifying or eliminating alternative courses of action. Moreover, this process may help to identify alternatives available to the United States and Taiwan that may satisfy American strategic interests in Asia without sacrificing the vital interests of Chinese societies on either side of the Taiwan Strait.

This chapter will explore some diplomatic, political and military options available to the people of Taiwan, actions that Taipei could take with or without U.S. government blessing. The authors will gauge the probable reactions of the People's Republic of China, the United States and Japan, and will suggest how world opinion affects Taiwan's alternatives.

The Status Quo as an Option. The most obvious R.O.C. alternative is the present course of action. The Chiang Ching-kuo (C.C.K.) regime may continue to proclaim that it is the sole legitimate government of all of China and that the mainland will eventually be liberated under Nationalist leadership. It can insist that United States' interests are best served by retaining diplomatic relations with the Republic of China, and that Washington must not abrogate the Mutual Defense Treaty under any circumstances. Despite a certain mythical quality to the R.O.C. approach, Taipei thus far has pursued this policy as if there were no doubt as to long-term result.

If Washington were to agree to maintain the status quo in Chinese-American relations, Taipei could continue to pursue its progressive economic program relatively free of the P.R.C. military threat. Tokyo would view the status quo as beneficial to Japanese interests, so long as P.R.C.-U.S. relations did not revert to the belligerence of the fifties and sixties.

There is doubt whether Peking is as eager as Washington for progress toward U.S.-P.R.C. normalization of relations. Nevertheless, U.S. footdragging over the Taiwan issue has a definite cooling effect on the currently lukewarm U.S.-P.R.C. relationship. In the long run, a complete break is possible if the U.S. were to acknowledge publicly that it favored the status quo and no longer was interested in normalization of

relations with Peking. Neither fear of Russia nor the need for U.S. technology would be sufficient rationale for P.R.C. leaders to accept a continuing American insult to the legitimacy of their government. Peking could substitute Japanese technological assistance for that of the United States, and the Soviet threat could be eased somewhat by cautious P.R.C. diplomatic initiatives to Moscow.

The worst case situation resulting from this R.O.C. alternative, supported by the U.S., would be P.R.C.-Soviet rapprochement, however unlikely. The U.S. and its allies would then be faced with two communist Goliaths no longer divided in their opposition to U.S. world interests. East-west confrontations would grow, renewing the Cold War and arms race.

Taiwan would not feel secure in this event, watching an even more ominous military machine under development across the Taiwan Strait. Yet, the Soviet Union should be no more inclined to support a P.R.C. move to annex Taiwan in the eighties than it was in the fifties. In the Soviet view, it would be necessary for China to husband its military strength as defender of the new alliance's flank in the Pacific.

Whether Japan would rearm under these circumstances is beyond the scope of this paper. It is safe to assume that tensions would build in Asia, particularly in areas bordering

China like Taiwan and Korea. Yet Taiwan has prospered under these tensions in the past, and Taipei is likely to pursue the status quo until U.S.-P.R.C. normalization of relations forces a selection of another course of action.

R.O.C. Alternatives. World events seem to have a momentum all their own and, once begun, seldom halt abruptly without unpredictable, disruptive results. The momentum, begun in 1971 toward normalization of U.S.-P.R.C. relations, has not run its full course, and the United States government is not likely to pull up short of its original goal of normalization. Thus, although the status quo is Taipei's hope, contingency planners in Taiwan today probably are considering several options, should Washington and Peking agree to diplomatic relations under Peking's three conditions.

First, Taipei could make the best of the situation, counting upon R.O.C. military capabilities to inflict heavy losses on the P.L.A. as a deterrent to a P.R.C. attack, and depending upon the proven resourcefulness of Taiwan's leaders and people for survival as a legally unrecognized, but independent political entity. This option could be pursued by a continuation of the one China myth or by a Taiwan declaration of independence from China. Second, the Republic of China could seek the assistance of the Soviet Union by offering military bases or other facilities in return for security guarantees against the P.R.C. threat. The

third option is to develop nuclear weapons to counter the threat of a P.R.C. invasion. Fourth, Taipei could select a variation of one or more of three alternatives described. Finally, Taiwan, under new leadership, has the fifth option of reunification with the mainland under P.R.C. control.

R.O.C. Vital Interests. Before discussing the options available to Taipei, it would be instructive to examine briefly certain vital interests at stake as viewed by the R.O.C. government. First and foremost is retention of power by the C.C.K. regime, an interest not applicable to the new leadership options. Any solution to the Taiwan dilemma that involves relinquishing control of the central government by the old line mainlanders or their designated heirs would be unacceptable to Taipei. This is not to say the Kuomintang will not tolerate native Taiwanese in the party, or that Taiwanese cannot be trusted to participate in the government of the island. Taiwanese participation is growing.<sup>1</sup> But however orchestrated, the power to make major decisions for Taiwan is reserved for the Chiang regime.

A second prerequisite for an acceptable solution to the dilemma, as seen from Taipei, is security for Taiwan against the use of military force by the People's Republic of China. Finally, Taiwan would not be Taiwan without international investments in its economy and the opportunity for

its people to trade in the markets of the world. A satisfactory solution to the Taiwan dilemma, in Taipei's view, must ensure against disruption of long term-economic growth.

Option One. The first Taiwan option, making the best of the situation, appears to offer an acceptable solution for the R.O.C. leadership. The ultimate requirement, to keep the mainlanders in power, has already been tested by breaks in diplomatic relations with the majority of the world's nations. Still, the break with the United States would present a more serious test to Chiang's power over the people of Taiwan. At age 66, he faces some loss of vigor in the decade ahead and there is evidence of political opposition to his regime. Yet, opposition organizations can operate safely only outside Taiwan and, other than for the communists, are small and ineffective. Moreover, Chiang Ching-kuo has carefully built upon his reputation as a man of the people. He has campaigned throughout Taiwan as if he were a populist in a democratic nation. His personal popularity and Taiwanese satisfaction with his leadership cannot be dismissed as R.O.C. propaganda.

The second prerequisite for an R.O.C. policy of "muddling through," as the British would put it, is military security. R.O.C. defensive weaknesses discussed in Chapter III would be of major concern to the people of Taiwan if the military umbrella of the U.S.-R.O.C. Mutual Defense Treaty were removed.

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However, even the strongest U.S. advocates for meeting the three P.R.C. conditions for normalization have maintained that the United States is morally responsible for ensuring that the People's Republic of China be prevented from settling the Taiwan issue by force.<sup>2</sup> By acquiescing to the break in U.S.-R.O.C. relations, Taipei could demand in return a public statement by the President which assures strong U.S. opposition to a military solution to the Taiwan problem. As a guarantee of the U.S. commitment, Taiwan could ask for a delivery of military equipment prior to the break in relations. The equipment should include more modern weapon systems, such as the F-4 aircraft and the Harpoon missile.

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The third prerequisite, maintaining the Taiwan economy through foreign investment and trade, could be assured essentially by meeting the first two requirements: a stable government and military security. If a government is viewed by the world as politically stable and it can offer financial incentives and reasonable physical security to invested capital, it needs only an industrious populace to attract that capital. Even U.S. sanctions against nations out of favor are insufficient to interfere with trade between countries that can agree on prices. It is nowhere more evident than in present-day Taiwan that international finance and trade matters transcend politics. Taiwan's ability to attract international financing and to conduct commerce

successfully is inconsistent with the country's diplomatic reverses. But this situation testifies to the realities of business over politics.

There is little doubt that Taiwan will suffer economic setbacks as a result of diplomatic recognition being withdrawn by the United States. Foreign and domestic investments in Taiwan's economy will likely be withdrawn and withheld as investors gauge the stability of the government. P.R.C. pressure on foreign governments to cease doing business with Taiwan will have somewhat more effect as additional nations follow the U.S. move to recognize Peking. However, just as Taiwan's economic indicators dipped during the initial rush period of countries seeking accommodation with China in the early seventies, and have rebounded vigorously since, a similar pattern could be expected following the U.S. cancellation of formal ties with Taiwan. P.R.C. economic pressure tactics against the Republic of China, if balanced by U.S. steadfastness in investment and trade support for Taiwan, should allow Taipei to weather the storm. Taipei's bargaining power is currently good for obtaining investment and trade guarantees from the United States in return for acquiescence in U.S.-P.R.C. normalization moves. American public opinion would support Taiwan on this issue and even Peking probably would not object.

If the Republic of China were to select this option for making the best of the situation, the government could

continue to claim legitimate authority over all of China or to declare independence from the mainland as the Republic of Taiwan. Neither choice is likely to gain support from the nations of the world. The first is little more than a facade, unsupported even by Taipei's strongest advocates. But it adds no new fuel to the P.R.C.-R.O.C. fire. The latter choice, while possessing at least a limited legal and historical validity, would be sure to create a violent response from Peking, and it would risk a negative reaction from nations which otherwise would be prepared to support Taiwan if Peking were not seriously provoked. Taiwan's declaration of independence would be a serious provocation.

Option Two. An R.O.C. government approach to the Soviet Union is a logical alternative for exploration by Taiwan's leaders. Ironically, however, it is not likely to be an option considered even remotely feasible by Chiang Ching-kuo who lived and worked in the Soviet Union as a dedicated communist for twelve years as a young man.<sup>3</sup> Chiang and the older generation of mainlanders on Taiwan recall vividly the duplicity of the Soviets in their dealings with Chinese Nationalists and Communists alike over the years. Senior Kuomintang leaders are likely to be unimpressed by proposals that would allow a Soviet boot in Taiwan's door.

Nevertheless, occasionally a desperate move in a

desperate situation is better than no move at all. Some younger men with political power in Taiwan are beginning to view the situation as desperate. Smarting over the coolness with which American government officials treat their counterparts in the R.O.C. government, and impatient with the lack of political leverage available to Taipei in dealing with the United States, this group could offer persuasive arguments for playing the Soviet card.

The first order of business would be to obtain the card for playing. The Soviets would have to be convinced that a Taiwan naval base or other facility is in Russia's interest. Taipei might resurrect the 1950 reflection of General MacArthur as a selling point: ". . . in the hands of a hostile power, Formosa would become an unsinkable aircraft carrier and submarine tender."<sup>4</sup> The Soviets may be interested in a port available for ship repair along the long Pacific sea route from Singapore to Vladivostok. And while the defense of Taiwan ports would be difficult in war, the peacetime presence of Soviet warships could demonstrate the Soviet Union's resolve to establish itself as the predominant naval force in the Pacific.

Whether this R.O.C. alternative were accompanied by a declaration of independence or not, it is decidedly one of the most provocative courses of action. The threat of a Soviet military base on Taiwan is an option likely to lead

to a P.R.C. attack on Taiwan, and could even be the start of a Sino-Soviet war. It probably would bring about every economic and political sanction available for use by the United States against Taiwan. It would divert to the P.L.A. the U.S. military aid programmed for Taiwan. Japan would feel threatened by a Soviet naval base astride the sea route from the Indian Ocean to Japan and could be expected to use political and economic pressure to see it removed. Other Asian nations would also see the R.O.C. maneuver as unfriendly.

Inasmuch as the expected negative reaction to this alternative throughout Asia will be directed as much against the Soviet Union as against Taiwan, it is difficult to imagine Moscow asking for all that trouble by making a deal with the Republic of China. Any Soviet hope of bringing Peking back into the fold of Moscow's influence would be lost. The United States would be forced to reevaluate its Soviet policy, and S.A.L.T. negotiations might be scrapped. Nevertheless, the Soviet Union rarely gives preference to world opinion over the opportunity for basing rights, as evidenced in the Middle East and Africa.

The Soviet card option for Taiwan, assuming it were chosen by Chiang, meets the prime prerequisite of retaining the Kuomintang in power. And it might offer a degree of military security against the P.L.A. However, it would

place Taiwan in the eye of a Sino-Soviet typhoon. Should the typhoon move very much in either direction, Taiwan could be militarily and politically destroyed.

The final requirement, that of maintaining Taiwan's economy, would also be in jeopardy. The tensions created by Soviet presence on the Island would not attract western investors. Taiwan's two preeminent trading partners and investment sources, the United States and Japan, would be lost. The Soviet Union and Warsaw Pact countries could hardly be expected to cover the economic gap.

Option Three. The nuclear option for Taiwan offers many advantages not found in the other options. It would demonstrate unequivocally to both the People's Republic and the United States that Taiwan intends to remain a political entity. Nuclear weapons as status symbols generate a grudging respect among the nations of the world. The deterrence factor of nuclear weapons could suffice for the loss of U.S. military guarantees to Taiwan.

Taiwan has pursued nuclear research for seventeen years and has operated a nuclear reactor on the island since 1973. There appears to be little doubt that Taiwan could produce nuclear weapons within five years or less.

Chiang Ching-kuo has publicly discounted the nuclear option, citing his father's prohibition against the use of nuclear weapons on fellow Chinese.<sup>5</sup> But regardless of public pronouncements, a nation's capabilities result in

options, one of which will be selected for implementation if the conditions demand it. The nuclear option is, like the Soviet card option, an extremely risky course. Unless it were revealed as a fait accompli, the nuclear option is sufficiently provocative to draw a P.R.C. military attack on the island before nuclear weapons could be produced by Taipei. At the minimum, no other option could be expected to result in greater worldwide protest against Taiwan than the nuclear threat. So long as Taipei does not conclude that the United States has abandoned the island as a political entity, the R.O.C. government is likely to pursue nuclear weapon development but not production. Production could come when the United States no longer counted in the R.O.C. view of Taiwan's survival. Despite the danger of provoking the People's Republic into an attack on Taiwan (not to mention possible total annihilation of the island population, should this scenario develop into a nuclear exchange), the nuclear option comes closer to meeting the three basic R.O.C. prerequisites for a satisfactory solution than does the Soviet option. The C.C.K. regime could be expected to retain power under the circumstances. The threat of nuclear retaliation should suffice as a deterrent to the People's Republic's military solution, unless the nuclear weapon development became known to Peking before production were possible. In the latter case, the nuclear option might invite a P.R.C. attack. But once in hand, the nuclear weapon

becomes a more reliable tool of defense to Taiwan than the Soviet Union is ever likely to be.

Finally, some economic sanctions against Taiwan could be expected to accompany strenuous worldwide objections to the proliferation of nuclear arms, especially in the volatile P.R.C.-R.O.C. confrontation. But Taiwan's economy is not likely to suffer any more than would be the case when U.S.-R.O.C. ties are cut.

The principle of business ahead of politics is likely to prevail in this situation, especially since there would be no third parties directly involved in the R.O.C.-P.R.C. confrontation as there would be under the Soviet option.

A Combination of Options. There are a number of combinations of alternatives available to the Republic of China in facing up to the realities of U.S.-P.R.C. normalization of relations. Some could be orchestrated in a sequential manner. If, for example, Taipei chose to muddle through, counting on U.S. support, but was suddenly faced with withdrawal of U.S. military aid, then the Soviet card could be played or nuclear weapons produced. Other options could be undertaken together. For example, Taipei could produce nuclear weapons as well as invite the Russians in. Regardless of approach, the change in results is likely to be in degree of reaction, not different reactions from

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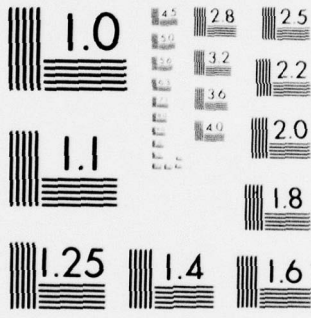
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those previously discussed. Yet Peking's reaction to the prospects of Russians and nuclear weapons together on Taiwan could hardly be any more vehement than may be expected for one of those prospects alone.

New Leadership Options. A change of leadership in Taipei could have an effect on Taiwan's future different from that already discussed, but only if the new leadership selects some variation of the one option thus far not mentioned: reunification with the mainland under the People's Republic of China. Whether the new leadership were young intellectuals interested in playing the Soviet card or a group of native Taiwanese bent on independence for Taiwan, the result of their efforts is not likely to differ substantially from those obtainable by the C.C.K. regime. But reunification under P.R.C. rule is not an option available to the present R.O.C. government.

Reunification of China is, of course, a propaganda theme used on both sides of the Taiwan Strait, but with the critical difference being which China: Nationalist or Communist? P.R.C. propaganda broadcasts to Taiwan have emphasized Peking's willingness to go to great lengths in accommodating the interests of the people of Taiwan, including those of mainlanders on the island. Even Chiang Kai-Shek was once offered a high position in the P.R.C. government, but now, presumably, most old line Kuomintang leaders are on the

P.R.C. "master criminal" list and would be punished, not promoted. For the people of Taiwan, P.R.C. propaganda assures them that life under Communist rule will not lower their standard of living. Peking has even invited members of the Taiwan Independence Movement in the United States to visit the mainland.<sup>6</sup>

That Taiwan would reunite with the mainland under P.R.C. control is an absolute contradiction of principles for the Republic of China. There have been persistent rumors that R.O.C. and P.R.C. representatives have been in contact,<sup>7</sup> but there is no evidence to support any likelihood of agreement on reunification. Chiang Ching-kuo has answered the rumors emphatically: "The resolute position of the Republic of China of never compromising with the Chinese Communist rebel group will never be changed!"<sup>8</sup> In 1972, Chou En-lai discussed P.R.C. willingness to negotiate with the Chiang regime but emphasized that the regime would have to be replaced.<sup>9</sup> The obvious situation is that the Chiang regime could not be tolerated in any form on Taiwan as a province of the People's Republic of China. Thus, Chiang can hardly be expected to be the leader who would deliver Taiwan to the Chinese Communists.

Reunification of China under the People's Republic is an option of new leadership on Taiwan. It would be speculation at best to predict the circumstances under which any group in Taiwan could wrest control of the island from the

strong bureaucratic and popular grip of Chiang Ching-kuo. But assuming the change in government on Taiwan occurred, what benefits and liabilities are likely to be realized from negotiations with Peking for reunification?

Reverting to the prerequisites for a satisfactory solution used in previous sections of this chapter, the requirement for maintaining the C.C.K. regime in power is no longer applicable. But the new regime would have a vested interest in retaining power in Taiwan. The likelihood of their doing so after reunification would be nil. Their utility to the Communists would be finished once a provincial government were imported from the mainland. Without a long period of ideological indoctrination and a longer period of testing in minor functionary roles, the Taiwan leaders could not be trusted to participate in governing the island.

The second criterion for a satisfactory solution is security from P.R.C. attack. With matters proceeding well for Peking through negotiations with the new leaders, there should be no reason for such an attack. But if negotiations between Taiwan and the mainland were broken off over an irreconcilable problem, the new Taiwan government would face severe internal divisions and possible revolt. With the leadership in disarray, the island would become inviting for a decision by Peking to use force. Despite probable U.S. and Japan pressures on the two parties to settle the issue

by negotiation, the position of Taiwan in this scenario would become extremely shaky.

The final test for this option, maintaining the Taiwan economy, also is favorable so long as negotiations go well with Peking. P.R.C. leaders, beset by problems of foreign credits and looking for shortcuts to an industrial revolution, should be delighted to receive home the prodigal son, Taiwan, who has in his bag those missing assets. Thus, business as usual, but under a P.R.C. label, should continue for Taiwan. But if negotiations stall, new economic pressures are likely to be applied to Taiwan. The P.R.C. could raise the scale of economic sanctions up to the level of a blockade. The U.S. and Japan, whose euphoria over prospects of a peaceful settlement of the Taiwan problem would then be crushed, would not be inclined to support economically Taiwan's recalcitrance.

Variations on a Theme. This option is concerned not with whether, but how and when, Taiwan might revert to P.R.C. control. In titling this paragraph, the authors considered the adjectives "altruistic," "idealistic," "realistic," and "fatalistic." None satisfactorily described the alternative that follows. It may be called altruistic because it necessitates the selfless concession of power by any leader in control of Taiwan at the time the option is initiated. It could be labeled idealistic because it envisions an orderly transfer of governmental controls, achieved gradually and peacefully through negotiations. It might be called realistic because the ends, reunification of Taiwan with China under mainland

control, are those predicted for the long run by most analysts, although they differ in predicted means. Finally, this option has fatalistic characteristics and is concerned with means to reach a presumed destiny. A sloganeer could even label it, "Better Red than Dead." Nevertheless, this chapter's purpose is to explore alternatives for Taipei and this is one alternative, a variation of the new leadership option with overtones of option one, "muddling through."

Here is a hypothetical example showing how it could happen. As the initiating step, the R.O.C. president would work out with Washington a plan under which R.O.C. leaders renounce all claims to the mainland. (This is an essential step for virtually every conceivable scenario, including an independent Taiwanese nation). Taipei would ask Washington to arrange for and mediate P.R.C.-R.O.C. negotiations for the eventual reunification of Taiwan with the mainland under P.R.C. rule. Taipei would probably insist on at least three preconditions for negotiations: first, a U.S. guarantee for the military defense of Taiwan until negotiations are successfully concluded; second, a P.R.C. guarantee for a transition period of several years during which Taiwan would progress from a self-governing status (e.g., Commonwealth), but owing national allegiance to the People's Republic, to a semiautonomous province status similar to other semiautonomous regions on the mainland; and third, no P.L.A. troops on Taiwan until near the end of the transition period.

Possible negotiable items for the transition period might include: earlier reversion of the Kinmen and Matsu island groups to P.R.C. control; the status of current and past R.O.C. leaders, including their safety and economic security in exile if they choose; a United Nations peace-keeping patrol in the Taiwan Strait; retention of the R.O.C. armed forces under Taiwan's control with a gradual integration into the P.L.A.; Taipei's control of the island economy, to include beneficial trade arrangements for the People's Republic and the payment of an income tax to Peking; liberal travel and cultural exchange arrangements; reversion schedule for instituting the P.R.C. educational system; payments for the confiscation of private property; and guarantees against the nationalization of foreign-owned industries.

The three most important elements of this plan are the courage of Taipei to propose it, the diplomatic skills of Washington to guide it to completion, and the willingness of Peking to accept third-party mediation in what it maintains is an internal affair.

Taipei's position in this option is, of course, the most critical and most difficult. Chiang Ching-kuo's personal power and popularity on Taiwan make him the man best qualified to initiate the radical actions necessary for the plan's eventual success. Yet, Chiang, for reasons examined previously, probably will never negotiate or compromise with Peking. Beyond leadership considerations, the

inescapable direction of this option is to deliver Taiwan to the Communists, a concept difficult for an entrenched and strong R.O.C. bureaucracy to accept. The island's populace, indoctrinated in anti-communist principles for 29 years, is unlikely to be sold easily on Peking leadership. Nevertheless, if Taipei thinking should shift toward an acceptance of a Communist fate, then it will consider how best to ease the trauma of transition in life style for Taiwan. This option presents some of those considerations.

Peking has, in the past, expressed a willingness to negotiate with the R.O.C. government.<sup>10</sup> The P.R.C.'s recalcitrance on the issue of third-party participation in such negotiations might be relaxed if the mediator were of the status and reputation of Henry Kissinger. Peking's prospective gains are most attractive: a strategically placed island with a healthy economy, a strong industrial base, an industrious and well educated population, excellent trade connections worldwide, well equipped armed forces, and a society accustomed to an authoritarian regime. The only real price paid by Peking would be patience, a virtue often ascribed to the Chinese.

The history of American mediation in disputes between the Chinese Nationalists and the Communists during and following World War II is dismal at best. The U.S. State

Department is acutely aware of those failures in diplomacy and the recriminations suffered by China specialists during the McCarthy era. The Department bureaucracy may be reluctant to expose itself to the risk of another purge, should the talks fail and Congress renew its search for those who lost China, again! On the other hand, success in this alternative achieves two goals eagerly sought by the U.S. Government: normalization of relations with the People's Republic and a peaceful resolution of the Taiwan problem. Moreover, the administration avoids the dreaded accusation of abandoning Taiwan. This point is most important, considering public opinion polls showing Americans overwhelmingly opposed to withdrawing diplomatic recognition from the Republic of China. Beyond American public opinion, the Government must be concerned with the perceptions of our allies as they might observe our disregard of treaty obligations with the Republic of China. But this alternative, properly executed, spares the U.S. Government such judgments. Further, as distasteful as this hypothetical and unlikely alternative may be to the noncommunist reader, it would minimize bloodshed and political instability in the area. For those resigned to Taiwan's fate as a province of the People's Republic of China, this option may be worthy of consideration.

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Conclusions. When viewed from Taipei, it is apparent that there is little room for maneuver available to Taiwan until the United States position on the fate of the island is clear. Taiwan is pressured on all sides by the People's Republic of China and the United States and constrained by a dogmatism that is basic to its claims for legitimacy as a nation. The Republic of China's grandest dream is national recovery of the mainland, but it, no doubt, would settle for being left alone to conduct commerce with the world. Neither goal appears to be in the cards.

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The United States holds the key to Taiwan's survival in any independent or semiindependent form. But that key also fits the door of the People's Republic of China whose utility to the United States seems to overshadow little Taiwan. Still, Taiwan's people cannot morally be ignored by the United States as great doors are opened and closed. The Republic of China should be aware of the fact and should use it as the only real leverage remaining under present circumstances.

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How should that leverage be used? It is instructive to examine first how the leverage should not be used. It should not be wasted on matters not vital to Taiwan's survival as a political entity. Three related issues currently sap Taipei's diplomatic energy and constrain its capability

to move toward a constructive foreign policy: first, the R.O.C. claim to be the legitimate government of all China; second, the issue of national recovery of the mainland; and third, adamant opposition to U.S.-P.R.C. normalization of relations under Peking's three conditions. None of those issues, singly or collectively, determines whether or not Taiwan can survive as a state. Yet, Taipei expends almost every foot-pound of Taiwan's leverage in the United States on those R.O.C. policies. Even so, there is essentially no American support of the first two issues, and few analysts see much hope for the third, despite contradictory American public opinion favoring normalization with Peking but retention of ties with Taipei.

R.O.C. leverage in the U.S. is derived from American public opinion as reflected in the various bureaucracies of the U.S. Government. The authors have found great sympathy and respect for Taiwan throughout the bureaucracy, except on the three major issues. But Taipei should take a lesson from the Panama Canal issue: American public opinion sometimes fails to change the momentum of an administration's foreign policy objective. U.S.-P.R.C. normalization has that momentum. Thus, for the U.S. governmental bureaucracy to accept an R.O.C. initiative, it must facilitate normalization, not hinder it. So far, Taipei's moribund stand on the major issues has hindered the bureaucracy. The State Department has demonstrated its displeasure with Taipei

through not-so-subtle ploys, such as restricting contact between high-level U.S. and R.O.C. officials. Taiwan has registered resentment of these diplomatic snubs.<sup>11</sup> Meanwhile, the momentum of U.S.-P.R.C. normalization moves forward. At some point, certain R.O.C. options are sure to be closed out. The suggestion here is that Taiwan should use each of the three major issues as bargaining chips with the United States in return for U.S. support of Taiwan's more vital interests. What those vital interests are depends upon the option selected by Taiwan. For example, if Taipei decided to declare independence as the Republic of Taiwan (not a proper selection of a name, owing to the modern world's propensity for the use of acronyms), it could negotiate the dead issue of China's legitimate government for the vital issue of long-term security guarantees from the United States. Similarly, by disclaiming national recovery of the mainland, Taiwan could ask for continued U.S. economic guarantees. By agreeing to support the P.R.C.-U.S. normalization move, Taipei could ask for U.S. public assurances that the Taiwan-P.R.C. issue cannot be settled by force without risk of U.S. intervention.

The multiplicity of opportunities for Taipei initiatives, such as variations of the options presented in this chapter, hinge on R.O.C. flexibility on the three issues discussed in this section. So long as the alternative pursued by Taiwan does not seriously provoke the People's

Republic into a stance of belligerency, the U.S. Government probably would not only be responsive to Taiwan's leverage, but would welcome the initiative. It is clear, however, that should Taiwan, in desperation or exasperation, attempt to alter the circumstances by selecting the nuclear option or by playing the Soviet card, for example, then any leverage Taipei had with the U.S. would be lost.

## CHAPTER VI

### CONCLUSIONS

There is no urgency in finding a solution to the Taiwan problem as long as Sino-Soviet relations remain strained and Taiwan takes no provocative action toward the People's Republic of China. The relationship between the United States and the People's Republic of China can become increasingly "normal" under these conditions, even if the de facto diplomatic arrangement is not called by a "normal" diplomatic title. So long as the United States also retains close ties with Taipei and keeps Taiwan dependent on the United States economically and for its security, the United States will be in a better position to ensure that Taiwan takes no provocative actions toward Mainland China.

Because of the Sino-Soviet tensions, the United States and the People's Republic of China have been able to overlook their differences and reach a form of diplomatic recognition of each other. The Taiwan issue is only one of the issues in the now suppressed U.S.-P.R.C. dispute. There are claims issues, fundamental political differences, economic issues, and principles of human rights that remain as present or potential grounds for political divergence and dispute. Nevertheless, the Taiwan issue is the most significant obstacle standing in the way of total U.S.-P.R.C. rapprochement. But the Taiwan issue is secondary to the People's Republic of China when the Soviet variable is tossed into the equation.

It has been argued that a Sino-Soviet rapprochement would bring the Taiwan issue to a head insofar as U.S.-P.R.C. relations are concerned, and the People's Republic would then sever its existing relationship with the United States if U.S. recalcitrance continued. One can hardly dispute this argument, but one should also ask three questions about this hypothetical condition: (1) What is the likelihood of a Sino-Soviet rapprochement, given the recent history of ideological and border disputes and Soviet expansionistic tendencies? (2) If there were to be a Sino-Soviet rapprochement, what is the likelihood of a good U.S.-P.R.C. relationship, either with or without the Taiwan issue? and (3) Should the United States "sell out" Taiwan, thereby showing a lack of resolve to our allies, because we are intimidated by the possibility of a Sino-Soviet rapprochement?

The above comments and conclusions suggest no dramatic change from the status quo is necessary nor advantageous to U.S. interests in the Far East. That does not mean the U.S. and the two Chinas should do nothing to resolve the Taiwan problem. Above all else, the United States should provide concrete assurance to the People's Republic of China that we will continue to use our diplomatic, economic, and even military leverage if necessary to ensure that Taiwan takes no provocative actions toward the mainland. We also should

assure the People's Republic of China that we do, indeed, recognize them as the government of China and that we desire full diplomatic relations with them. The issue of whether Taiwan is part of the People's Republic of China cannot be avoided but can be handled ambiguously, as has been done by Japan, Canada, the United Kingdom, and many other countries.<sup>1</sup> We should continue to stress the need for a peaceful solution to the Taiwan question and encourage both sides to seek such a solution. We can let them know that we favor no particular solution so long as it is peacefully attained. We can even suggest a full range of solutions that we can envision as being acceptable to us, so long as the solution is peacefully concluded. Included in these possible solutions would be:

- (1) a political accommodation by the P.R.C. whereby Taiwan is made a province of the People's Republic of China but permitted to retain its own provincial government and economic system, at least for a specified time period;
- (2) a commonwealth status for Taiwan under the P.R.C. government;
- (3) an independent Taiwan, having friendship and trade treaties with the People's Republic of China; or
- (4) Taiwan as a semiautonomous region of the People's Republic of China.

It is not likely that any of the suggested solutions, or any other mutually acceptable solution, could be agreed upon in the near future. It is of particular importance that no firm timetable be set for a resolution of the Taiwan issue and the issue should receive very low-key diplomatic

emphasis in order to preclude the need for "face-saving" measures by either of the parties. We have many points of agreement with the Chinese Communist government that, if actively pursued, will result in very "normal" relations between the United States and the People's Republic of China. These points include trade, cultural exchanges, education, technology exchange, industrial development on the mainland, and the common view of a belligerent Russia. While it is not likely that fully satisfactory relations can exist with the Taiwan question unsolved, it is not in the best interests of the United States to force a solution on either protagonist.

In the excitement generated by the desire for "progress toward the normalization of relations" specified in the Shanghai Communiqué, many of our bureaucrats seem to have overlooked our moral obligations to the people of Taiwan. Many China experts do not appear to be giving sufficient emphasis to those portions of the Communiqué that, with full bilateral agreement, encourage more U.S.-P.R.C. interaction now in activities which, by their very nature, would further rapprochement.

While continuing to seek an answer, America should emphasize the many positive aspects of its relationship with Peking. As the coauthor of the Shanghai Communiqué said in a recent speech at the Naval War College: "With respect to Taiwan, we have a complicated problem in our relationship

with the People's Republic of China. I do not think that problem is, as yet, ready for solution. And there is no law that says that every problem must be solved in the first two years of a new administration."<sup>2</sup>

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