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China-Taiwan: What Kind of Unification?

The question of Taiwan's potential reunification with China is significant for US policymakers, as they assess US interests in Asia and redefine them. They must evaluate the effects of today's economic and political trends that are globalizing the world's economies. This paper will review the nature of recent economic development in China, the potential impact of that development on the political unity of China, Taiwan's contribution to the mainland's economy, and the impact of Taiwan's continued economic contact with the mainland. It will also speculate on Taiwan's value as an agent of permanent change in China, and how that role works toward US interests.

China Today

Mainland China is undergoing a massive transition from a "centrally planned" to a "market-based" economy that its aging political leaders are trying to direct. They are struggling with how to open China to market forces just enough to foster growth, without unleashing the chaos that has pulled apart the Soviet Union. At this point China's economy is growing--GDP increased by seven and 12.8 percent in 1991 and 1992, respectively. GNP in the first half of 1993 grew 13.9 percent. Entrepreneurial activity boosted the number of firms to 480,000 in 1992, twice

the number of the previous year and inflation is rising (1, 1).

China's economic ties to outside entities continue to increase, and it is finding itself at the core of a "Greater China." A relatively new Chinese-based regional economic entity, Greater China has a flexible, efficient international framework, and is linked by a network of Chinese business-people. It frequently taps traditional clan ties and overseas Chinese with old links to home regions from which family emigrated. The network includes substantial technology and manufacturing capability in Taiwan; entrepreneurial, marketing, and services talent in Hong Kong; a communications network in Singapore; financial capital in Taiwan, Hong Kong, and Singapore; and land, resources, and labor in China. It also takes advantage of Macao, which is building a new airport, and Chinese business executives, traders, and financiers in Malaysia, Thailand, Indonesia, and the Philippines (10, 71-74).

In short, the new descriptor applies to a Chinese-based Southeast Asian economic region that capitalizes on transnational networks and mid-sized family-run firms, and performs light manufacturing and services (10, 73). The success of its international commercial ties is confirmed by its average five percent real economic growth in recent years, despite the global recession that has troubled the industrialized world (10, 71).

Enterprises on the mainland are both private and government

owned. Primary sites for their development are along the southeast coast in Guangdong, Fujian, and Shanghai provinces, the historic trading regions. A few enterprises are sprinkled further inland. Private ownership frequently takes advantage of foreign investors, like the seven Hong Kong and Taiwan companies that established joint ventures producing buttons in Zheijiang province, between Fujian and Shanghai. Government owned enterprises include steel mills, factories, and trading companies for commercial, banking, and manufacturing activities. One very successful government owned entity--The China International Trust and Investment Corporation (CITIC)--for example, has subsidiaries in Mexico, Australia, Canada, the US, and Europe. It owns 12 percent of Hong Kong telecommunications, 12.5 percent of Cathay Pacific, 46.2 percent of Dragonair, and 20 percent of a Hong Kong waste plant. Notably, China's "government owners" are varied, including army units and local counties (10, 71-74).

Economic development appears to be the result of people pushing at the system just enough to get the government to make incremental concessions. The central government in Beijing, seeking to temper such openings, promotes the belief that China's economic success is the result of northern China's Confucian values--"hierarchical authority, thrift, education, family, hard work, respect for seniors, and submersion of self for the larger good" (4, 76).

Assisted by modern communications networks, however, Chinese

throughout the country are learning about the quality of life beyond the mainland and the significant foreign exchange reserves available to Greater China--some \$200 billion, more than those of Japan (10, 77). They also hear of southeastern China's successful moves at establishing far-reaching working relations with Chinese further inland and with non-mainlanders. Some in the Southeast, and probably others throughout China, believe that the Leninist regime in Beijing is inhibiting economic development and that the rural economy has decollectivized only because local people seized the opportunities to circumvent the system following small openings by the central government and weakened state control (10, 271).

Evidence is growing that many Chinese see their own prosperity and the country's future tied to the southern coast, recalling China's heritage as international traders. Those in the hinterlands are keenly aware that Beijing forces them to accept artificially low payments for raw materials for which southerners receive world market prices (4, 272). Moreover, Chinese travel south to work jobs in Canton, send money home, and eventually return with significant savings and, surely, new expectations for a better life. For the time being, the non-local workers regard the experience in the South favorably and the people there as friendly (10, 272). The positive environment probably is largely attributable to the ever expanding need for laborers at least for now, but tension could appear if overcrowding develops and employers are unable to absorb a large

workforce. Chinese pollsters, moreover, reportedly have confirmed that many would prefer to live in their own communities, enriched by the growth they are seeing in the South (4, 272). They, therefore, aspire to receiving equal wages, fair prices for raw materials, and opportunities to establish their own international business ties.

Notably also, there is evidence that distinct regional communal identities are emerging rapidly (4, 272) among the 1.2 billion Chinese people who are spread over 3.7 million square miles (3, 1). Some identities are based on unique language and customs--traditional divisive agents--but other groups even are defining themselves by such narrow differences as temple sects, secret societies, and lineage associations. Some Chinese fear that if the Beijing government loses control, a situation that could be exacerbated by resentment over unequal economic development, China will split apart, based on communities of shared identities, and violence will be widespread (4, 270-272).

The Taiwan Connection

The nature of Taiwan's relationship with China is changing. Rather than mainly political pressure from Taipei's opposing philosophy of government, the impact of Taiwan's interaction has become economic. Its major contribution to China's transformation is the spurring of development of the market-based economy.

To appreciate the political setting, it is useful to note that 85 percent of Taiwan's 20 million peoples is native to the island. It is the two million Nationalist Chinese refugees who fled the mainland with Chiang Kai-shek that, since 1949, dominated the government with fairly authoritarian rule until President Chiang Ching-kuo (Chiang Kai-shek's son) ended martial law in 1987 (9, 2). In general, their focus was on regaining control of the mainland and reminding the world of that goal.

Nevertheless, Taiwan's leaders have been carefully managing its broader international interests. Taipei has adopted a policy of "pragmatic diplomacy," a reasoned approach to dealing with the realities of power politics (2, 97). This flexible approach to foreign relations means that Taiwan's leaders have been able to remain focused on the important goals--preserving Taiwan's visibility among leaders of the industrialized nations and continuing its interaction on the world stage as a serious economic player. Taiwan, therefore, has adapted to a variety of diplomatic challenges.

--In 1971, China took Taiwan's United Nation's General Assembly seat (2, 97), a significant blow to Taipei's international stature.

--In 1979, the US shifted its recognition of China from Taipei to Beijing. Taipei and the US agreed to maintain ties via the Taiwan Relations Act and the American Institute in Taiwan (7, 14-21).

--In 1984, Taiwan participated in the Los Angeles Olympic

Games as Chinese Taipei, not "Republic of China," thereby continuing to focus on confirming its profile as a free nation, rather than wasting diplomatic effort on whether Taiwan or the People's Republic of China would be called "China" (2, 97).

--In 1986 when Beijing joined the Asian Development Bank (ADB), Taiwan protested, but did not withdraw--again preserving its role and profile as a full international player (2, 97).

--In 1988, the new President Lee Teng-hui, actively maintaining Taiwan's international visibility, sent a delegation to Manila to attend the ADB meeting as Taipei, China--the first international meeting attended by both China's (2, 97).

--In 1989 Taiwan's foreign minister attended the annual ADB meeting in Beijing (2, 98), reaffirmation of its primary focus to interact realistically and as a significant economic player.

President Lee, a native Taiwanese, has worked hard at home to ensure that the country's own political forces stay focused on their larger goals "to safeguard the integrity of the nation's sovereignty," in his words, and to maintain Taiwan's international visibility and participation. In 1988 he reminded the Kuomintang (KMT--Nationalist Party) Congress to "strive with greater determination, pragmatism, flexibility and vision in order to develop a foreign policy based primarily on substantive relations" (2, 97-98).

As a result of Taipei's successful management of its international relations and economic development, Taiwan has made

itself a financially powerful neighbor in Asia. By the mid 1980's per capita income had reached \$5,000 (2, 94). Economic growth continued at seven and eight percent in 1988 and 1989 and at five to six percent in the 1990's (9, 7). Taiwan has also confirmed its position as a major aid provider. In 1988 it established an International Economic Cooperation and Development Fund and gave Third World countries \$1.2 billion. It has backed 43 teams of technical experts in 31 countries. In 1989 it created the Chiang Ching-kuo Foundation for International Scholarly Exchange, with a \$100 million endowment, and a fund for International Disaster Relief that it used to help the Philippines and Kurdish Gulf War refugees (2, 98).

With its own economic position solid, Taiwan seems to have actively taken control of redefining its own relations with the mainland in measured paces. Since the end of martial law, political liberalization has been rapid and contact between Taiwan and the mainland increased substantially. In 1987 some 7000 Taiwanese visited; one million do now. The government lifted bans on trade and investment and there are 5000 Taiwanese enterprises with factories on the mainland, primarily along the south coast. Some Taiwanese have moved factories inland responding to cheaper labor and the proximity of natural resources (10, 75). Contact has also increased via academic, sports, and cultural exchanges; tourist visits; and mail and telephone links (2, 99-100). Commercial links have grown so that transit trade between Taiwan and China was over \$4 billion in

1990 and \$5.79 billion in 1991. Taiwanese businessmen invested \$1.5 billion in China in 1991 alone (5, 279). By 1993 Taiwan's annual trade and investment in China totaled \$10 billion each (9, 4).

Both sides have established mechanisms--unofficial non-government entities--to serve as intermediaries for non-political negotiations on practical matters related to their contact. In 1991 Taiwan established the Straits Exchanges Foundation (SEF). Later that year China created the Association for Relations Across the Taiwan Straits (ARATS) (9, 5-6).

Unification--Differing Views

China's senior leaders remain committed to working toward establishing one China that includes Taiwan (as well as Hong Kong and probably Macao). They would like to see the process expedited (5, 281-282).

For Taiwan's part, popular opinion on reunification is mixed. Recent surveys indicate that about 10 percent support unification, another five to 12 percent support independence, and the vast majority support unification at some point in the future. The latter group seems to favor clear, phased steps toward that end that would ensure political and economic reforms; mutual respect, trust, and cooperation; and joint discussions on how to unify (2, 101).

Impact for US Interests

Among the goals of US policymakers is spreading democracy and increasing human rights in China. It is possible that Taiwan and China, if left to pursue their own style of interaction, will move toward, if not achieve, those goals with limited US involvement.

Taiwan has become a regional economic power and its democratic political systems are gaining maturity. The passion, on the Taiwanese side, seems to have subsided for political unification, although the majority does see merit in careful steps toward that end, eventually.

The economic ties between Taiwan and China are serious. Taiwan continues to avail itself of opportunities to expand and strengthen its economy. Mainlanders--including those in the interior--favor more economic development throughout China, more contact with the outside, and greater individual opportunities for regional/communal development. It seems likely that, in response, even more investment and development will flow into China from its many Greater China contacts.

As more Mainlanders learn free market business practices, gain stakes in the economic system, and start to enjoy better quality of life, the central forces in Beijing probably will find it progressively more difficult to maintain tight control. Similarly, as individuals in the interior acquire more resources

and gain greater access to outside goods and information, they will develop their own economic entities that will compete for markets internally in other parts of China and internationally. It is likely that economic competitiveness and communal identification will increase.

Whether this separation of China's peoples is peaceful and amounts only to "healthy competition," where they choose to stay together in one nation state--a modern China--or becomes violent and pulls China apart, may well depend on individual perceptions of access to opportunity and greater wealth. In either case, Taiwan and China--left to find their own coexistence, however separate or joint they are politically--will on their own be moving toward US goals. Both sides will be moving their populations toward greater access, greater participation, and better quality of life, first economically and by extension politically.

The US should, therefore, avoid pressing either side for unification. By letting Taiwan pursue its own objectives, and China adapt to them at its pace, free market forces have a good chance of continuing to develop inside China. Two outcomes seem possible:

--China remains the national entity it is today with Hong Kong, Taiwan, and probably Macao incorporated. Together they practice market oriented economic development that progressively leads to greater democracy.

--Divisive communal entities become disenchanted with the concept of a unified China and pull apart, agitating for their independence to allow them to participate internationally and profit from global economic development, as individual nation states. (N.B. It is beyond the scope of this paper to consider the status of China's nuclear weapons stocks and US involvement, should major violence erupt and threaten their safety.)

By either scenario the US achieves its objective of spreading democracy and does so without expending its resources--dollars or armed forces. With patience US leaders may well be able to claim "one more for our side."

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