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THE TAIWAN PROBLEM: WHERE IT STANDS TODAY

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The Taiwan problem has been a source of tensions in East Asia for many years, causing frictions in relations between the U.S. and China in the past and in our day. Several new factors that have emerged lately appear to be contributing to a peaceful resolution of this problem.

Significant changes have occurred in recent years in the situation around Taiwan, including the emergence of new factors offering better possibilities for settling the longstanding Taiwan problem.

The problem arose after the dramatic events in the mid-20th century and the feud that followed them between the new China and the United States that tried to reverse the tide of history and obstruct the establishment of a People's Republic in China (PRC).

After many centuries of Chinese sovereignty over it, Taiwan was seized by Japan during the war it fought against China in 1894 and 1895, and reverted to China in 1945 after Japan had been defeated in World War II. From the viewpoint of international law, the status of Taiwan and its adjoining islands as an integral part of China is accepted in many important international documents. In particular, the three powers – the U.S., Great Britain, and China – proclaimed in their Cairo Declaration of December 1, 1943, that their aim was to “stop and punish Japan’s aggression, deprive it of all the islands that it had seized or occupied after World War II, and also restore to the Republic of China all territories taken by Japan from the Chinese, such as Manchuria, Formosa (Taiwan), and the Pescadores Islands (Peng-hu Islands).”¹ The Potsdam Declaration of June 26, 1945, said that the “conditions of the Cairo Declaration shall be fulfilled and Japanese sovereignty limited to the Islands of Honshu, Hokkaido, Kyushu, Shikoku, and smaller islands that will be designated by the Allies.”² In the Instrument of Surrender signed on September 2, 1945, Japan accepted the conditions of the Potsdam Declaration and undertook to carry them out in good faith. In October 1945, the Chinese forces accepted

the surrender of the Japanese garrison on Taiwan, an event that is regarded as a de facto reversion of Taiwan under China's jurisdiction. The separate San Francisco Peace Treaty signed on September 8, 1951 – after some heavy arm-twisting from the U.S. and with the conspicuous absence of the U.S.S.R. and the People's Republic of China – only says that “Japan renounces all rights, legal foundations, and claims to Formosa and the Pescadores Islands,”³ even though the Soviet delegation insisted at the treaty drafting stage on Japan recognizing unambiguously the PRC's sovereignty over those territories.

After the Chinese Communist Party's victory in China's civil war and proclamation on October 1, 1949, of the People's Republic of China that inherited, as a legal successor, all Chinese territories, the new Chinese government started preparations for an operation to liberate Taiwan. Taiwan's fate seemed to be sealed and China's reunification to become an accomplished fact within a short space of time. These prospects were, however, dashed when a war broke out in Korea on June 25, 1950, that frustrated completely all hopes for an early stabilization of the situation in East Asia.

Speaking on June 27, 1950, U.S. President Harry Truman said that “occupation of Formosa by Communist forces would be a direct threat to security in East Asia and to U.S. forces fulfilling their legitimate and essential functions there.” U.S. Seventh Fleet warships entered the Taiwan Strait to “prevent any attack on Formosa.”⁴

This was how the Taiwan problem arose, making the situation in East Asia strained for decades and causing serious crises in the region on many occasions. From the start, the Taiwan problem became a major irritant in relations between the U.S. and the People's Republic and delayed their normalization for many long years. It took the U.S. until 1971 to remove barriers to China's UN membership, and it established diplomatic relations with Beijing on January 1, 1979, after breaking off diplomatic relations with the Republic of China on Taiwan and scrapping the U.S.-Taiwan Mutual Defense Treaty signed on December 2, 1954. In both cases, though, Washington and Beijing were each largely moved by such considerations as their worsening relations with the Soviet Union.

Relations between Beijing and Taipei were not easy all these decades, marked by flare-ups in tensions and direct armed conflicts in 1954, 1955, and 1958 (Taiwan Crises) to attempts at beginning a dialogue between both shores of the Strait for negotiating a compromise acceptable to both sides.

Meanwhile, Taipei was undertaking undisguised attempts, which became more frequent over the years, to legalize its “sovereign” existence and make Taiwan fully independent. In an interview to the Deutsche Welle radio station on June 9, 1999, President Lee Teng-hui said, “Since we made constitutional reforms in 1991, we have developed a new definition of relations across the Strait as relations between states or at least special nation-to-nation relations.”⁵ Taipei was also taking practical steps to lay “new legal foundations” at the basis of relations between Taiwan and continental China. These steps did not, however, gain any support in the world, and Taipei gradually retraced its steps.

And yet, moods among some political forces in Taiwan in favor of more decisive moves toward independence continued to gather strength, until the opposition Democratic Progressive Party (DPP) that had campaigned for “independent Taiwan” won the presidential election (the DPP gained victory largely because of a split in the Kuomintang party that allowed DPP candidate Chen Shui-bian to collect enough votes to become president) in 2000. Repeated attempts were then made to give effect to Taiwan's

independence policy, including numerous referendums and “Taiwanization” of the island. Every one of Chen Shui-bian’s eight years of presidency was highlighted by extreme tensions in relations between Taipei and Beijing, and the dialogue between the two shores of the Strait remained in deep freeze. On March 14, 2005, the National People’s Congress (NPC) in China passed a law to prevent the country’s split and to put China’s stand regarding Taiwan on a legal basis. Article 8 of the law says that “if the separatist forces on Taiwan rallied under the banner of ‘Taiwan’s independence’ act under any name or use any means toward separation of Taiwan from China, or if major incidents occur, causing Taiwan’s separation from China, or if possibilities for peaceful unification are fully exhausted, the State shall apply non-peaceful methods and other necessary measures to protect the sovereignty and territorial integrity of China.”⁶

The presidential election in March 2008 in Taiwan ended in a defeat for the separatist forces (58.45% of the votes were cast for the Kuomintang and 41.55% for the DPP).⁷ The referendum held simultaneously with the presidential election on whether the country was to seek UN membership under the name of “Taiwan” or the “Republic of China,” or any other name was also a failure (just over 35% of the Taiwanese electorate turned out to vote in the referendum instead of the required 50%).⁸ Apart from other reasons, a significant role in this double failure was played by the realization on the part of overwhelming majority of the Taiwanese of the danger of attempts at unilateral change of the status quo in the Taiwan Strait. This fact is confirmed by opinion polls (as a general rule, between 70% and 80% of the respondents come out for the status quo, another 12% to 15% support proclamation of Taiwan’s independence, and still a smaller percentage favor unification with the continent).

The spectacular victory scored by the Kuomintang, which takes a more moderate stand and is inclined to reach a compromise with Beijing, eases tensions in the Taiwan Strait and improves chances of agreements being reached between Beijing and Taipei, not least in the political field. Significant in this respect was President Ma Ying-jeou’s inauguration speech on May 20, 2008, when he took office. “I sincerely hope,” he said, “that both shores of the Taiwan Strait will be able to use this historic opportunity for achieving peace and co-prosperity. The underlying values and lifestyle, rather than sovereignty,” Taiwan’s new president said, “are what matters in resolving relations across the Strait. We are concerned with the welfare of 1.3 billion citizens in continental China, and we hope that continental China will continue its advance toward freedom, democracy, and prosperity for all people. This will clear the road toward long-term peaceful development of relations across the Strait.”⁹ (Ma Ying-jeou also said that his administration’s goal was maintaining the status quo in the Taiwan Strait, that Taipei was looking for neither unification, nor independence, and would continue efforts to build up “powerful national defense forces.”)

Soon after Ma Ying-jeou assumed office, the two sides took steps to resume dialogue. Talks were held in Beijing in June and Taipei in November between the heads of the agencies responsible for establishing links across the Strait – ARATS (Association for Relations Across the Taiwan Strait) and SEF (Straits Exchange Foundation). The talks concluded with agreements on direct air, sea, and postal communications between Taiwan and the continent. In this respect, the PRC opened up 63 sea and river ports and 21 airports in its biggest cities. Taipei responded with similar steps.¹⁰ The agreements went into force on December 15, rewarding both sides with significant commercial

gains. They were soon followed by an agreement on a mechanism to monitor the quality of imported food products, and measures were agreed on to facilitate vacation travel from China to Taiwan. (Many Taiwanese had been traveling to the continent for years already. Now, the tourist traffic increased significantly as previous restrictions on travel by Taiwanese public servants were relaxed.)

Another important development in 2008 was a new focus on summits (held in the interparty format) between the two sides: on April 12, China's President Hu Jintao received Taiwan's Vice President Hsiao Wanchang at the annual Asian Forum in Boao (on Hainan Island, China); on May 28, Hu Jintao met with the Kuomintang's Chairman Wu Pohsiung; on November 6, President Ma Ying-jeou received ARATS Chairman Chen Yunlin in Taipei; and on November 21, Hu Jintao, who attended the APEC Summit in Lima, Peru, met with Lian Chan, former Vice President of Taiwan and KMT Honorary Chairman, who led the Taiwanese delegation at the summit.

For all the public wrangling, though, economic, humanitarian and travel (mostly from Taiwan to the continent), as well as other ties between Taiwan and continental China have been developing and expanding over recent years. Beginning in 2005, China has become Taiwan's main trade partner. In 2007, trade between them (including Hong Kong) reached \$130.3 billion (including \$28 billion in Hong Kong's share). In that year, Taipei had a significant surplus of \$70.6 billion in trade with both China and Hong Kong, which earned it a general surplus in its foreign trade.¹¹ China remains the main field for Taiwanese investments (estimated at nearly \$100 billion, although Taiwan's official sources give a significantly smaller figure about its investments on the continent). The fast pace of "economic cohesion" between Taiwan and China, relocation of hundreds of Taiwanese companies to the continent, and huge Taiwanese investments in China cause increasing anxiety among forces in Taiwan that are scared by the prospect of Taipei losing its "independence" through economic integration with Beijing. Other considerations are serious negative consequences of economic nature, such as flight of capital, competition from cheap Chinese goods for domestic Taiwanese producers, and migration of many industries and skilled labor from Taiwan to the continent.

As China's political, economic, and military strength grows, so does the possibility of its sovereignty being restored over Taiwan, which is among China's top national priorities. To do this, China has solid legal grounds in the form of appropriate international treaties, aside from the fact that an overwhelming majority of the island's population are ethnic Chinese.

In the past few years, Beijing has pursued (within the framework of the Chinese leadership's "soft policy" in international affairs) a peaceful strategy toward Taiwan, which is focused on the broadest possible autonomy it is ready to give Taiwan on the basis of the "one country two systems" formula if the island chooses to reunite with the mainland. Probably, considering Taipei's reluctance to have Taiwan treated as a part of the People's Republic, Beijing has lately been using a more flexible formula in its significant documents on Taiwan, "both the continent and Taiwan are one China" (as this is done, for example, in the 2005 Law on Prevention of the Split of the State). China's orientation on peaceful methods of resolving the Taiwan problem was recorded in the proceedings of the 17th CPC Congress in October 2007 and the March 2008 Session of the National People's Congress. In his report at the CPC Congress, Hu Jintao spoke about China's desire to reach agreement with Taiwan's authorities on the basis of the "one

China” principle on ending officially the state of hostility and “creating a new environment for peaceful development between the shores of the Taiwan Strait.”¹² He also said that Beijing did not dismiss the possibility of using force. He emphasized, however, that this possibility was reserved for the “separatists” and external forces, not the “compatriots on Taiwan.” China makes much of the experience of Hong Kong and Macao that have preserved their lifestyles and obtained extensive autonomy within the “one country two systems” formula. The Taiwanese certainly see the major breakthroughs made in China over the recent decades in economic development and living standards, and the democratic processes gradually gathering force on the continent.

A role is undoubtedly played by the tough measures Beijing is taking to trim Taipei’s “international environment” and wreck its efforts to rally support for the “legitimacy” of the Republic of China on Taiwan. It has so far succeeded in reducing the list of countries recognizing the Republic of China to 22, most of which are small countries in Africa, Latin America, and Oceania. Beijing has been just as tough in deterring Taiwan’s attempts to join the UN, WHO, and other international organizations that only admit members having the status of sovereign states (the exceptions are certain economic organizations such as the APEC, WTO, the Asian Development Bank, and the Olympic movement, where China agreed to Taipei’s participation under the signs of “Chinese Taipei” and the “Separate Customs Territory of Taiwan, Peng-hu, Kinmen, and Matsu”, for the WTO).

Taiwan, however, maintains unofficial ties with all major countries of the world (about 140) through numerous nongovernmental offices and organizations established in Taiwan and the relative countries. Besides, 48 countries have 58 unofficial representative offices in Taiwan under various proxy names.¹³ A key role in maintaining Taipei’s ties with other countries is played by the Taiwanese International Cooperation and Development Fund (ICDF) that operates Taiwanese engineering, agricultural, and other missions in many countries. Taiwan also provides food and humanitarian aid to some of the world’s poorest countries and donates funds to help countries hit by natural disasters.

Washington’s position, the main barrier to Taiwan’s reunification with the continent, is a major, if not the decisive, factor working against settlement of the Taiwan problem. No doubt, the U.S. is least of all interested in Taiwan rejoining China, for this would strike a telling blow to U.S. strategic interests in East Asia and boost significantly the potential of China that the U.S. regards as one of its chief rivals for world leadership in the 21st century.

Even though Taiwan is relatively small (area of 36,200 square kilometers and a population of 23 million), it is very important economically. According to the IMF statistics for 2007, Taiwan ranked 24th among the world’s 179 economies.¹⁴ By preliminary estimates, its gross GDP reached \$401.6 billion in 2008 (up from \$384.8 billion in 2007). Taiwan pursues trade ties with 238 countries and regions across the world. It grossed \$464.93 billion in foreign trade in 2007, with \$246.68 billion in exports and \$219.43 billion in imports.¹⁵ At the end of November 2008, Taipei had \$280.7 billion in gold reserves (5th place in the world).¹⁶

Taiwan maintains large, well equipped armed forces and spends much to guarantee its security. It justifies the need to maintain its defense capability at a high level by “constant threats” from the continent, China’s deployment of theater and tactical

missiles that can reach any point on Taiwan (as former President Chen Shui-bian said in his New Year message on January 1, 2008, the number of tactical ballistic missiles targeted from across the Taiwan Strait had risen from 200 in 2000 to 1,328 at the turn of 2008).¹⁷ In a statement on March 4, 2008, Chen Shui-bian said that Taipei would increase its defense spending to 3% of Taiwan's GDP (up from 2.85% of GDP in 2007 and 2.6% in 2006) in response to the increase in Beijing's defense budget. In all, he said, \$11.27 billion would be appropriated for Taiwan's defense needs, much of the increase going to hardware modernization of the armed forces.¹⁸

In the estimates of Western analytical centers, Taiwan had armed forces approximately 300,000 strong in 2005. Over the next few years, the trend has been toward their gradual reduction, until, early in 2009, they declined to about 275,000 (130,000 in the army, 53,000 in the air force, and 53,000 in the navy, with military police and employees of military departments making up the balance). Taiwan's armed forces are equipped with state-of-the-art hardware, most of it purchased in the U.S. At the end of its term of office, on October 3, 2008, the Bush Administration announced its decision to sell a further \$6.5 billion worth of arms to Taiwan.¹⁹ Washington persists in its attempts to integrate Taiwan in the zone of the shared strategic interests of the U.S. and Japan in East Asia and to induce it to join the tactical missile defense system Washington is deploying in the Asia-Pacific Region. In particular, Washington intends to deploy four batteries of the Patriot PAC-3 system of 24 launchers and 330 missiles on the island as part of the new large arms deliveries to Taiwan.

The U.S. wants, however, to avoid confrontation with China now that China's military muscle has grown significantly stronger. This situation can probably be resolved through gradual accommodation between the United States (West) and China, and also between Beijing and Taipei. Observers have already taken note of the persistence that numerous American China experts have been showing in persuading the Barack Obama Administration to do all it can to seek a closer partnership with the People's Republic. Hu Jintao had a very warm conversation with Barack Obama by telephone on November 8, 2008, soon after Mr. Obama had won the U.S. presidential election. The Chinese leader said, in particular, that "China and the U.S. are to have respect for each other, understand each other's concerns, and settle appropriately the sensitive issues of strife between the two countries, particularly the Taiwan problem, in order to raise U.S.-Chinese relations of constructive cooperation to a still higher level."²⁰ Important agreements on further steps to promote U.S.-Chinese relations were reached during the visit of the new U.S. Secretary of State, Hillary Clinton, to China at the end of February of this year. A meeting between Hu Jintao and Barack Obama is scheduled for April during the G-20 Summit in London. Military ties between the two countries have resumed after they were broken off in October 2008 because of the U.S. decision to deliver American arms to Taiwan.

An important point in the U.S. position to remember here is the succession of statements made repeatedly about Washington's interest in a "peaceful settlement of the Taiwan problem by the Chinese themselves" and its concern that "the future of Taiwan is to be resolved peacefully."²¹ The U.S. has warned the Taiwanese authorities repeatedly against attempts to proclaim Taiwan's independence unilaterally, and should they do so, it cautioned, Taipei would have to rely on its own forces in its confrontation with the continent.

Speaking about relations between the two shores of the Strait at the session of the National People's Congress in Beijing on March 5, 2008, Wen Jiabao, Premier of the State Council, said that they "are moving toward peaceful development." Meetings between compatriots on both shores have become more frequent, he said, economic ties are growing closer, cultural exchanges are getting more vigorous, and common interests expanding. The Chinese premier also pointed to the need for continued economic cooperation between the two shores of the Strait in all areas in order to confront the financial crisis jointly and also promised to support Taiwanese businesses operating on the continent. According to Wen Jiabao, Beijing is ready, in conformity with the "one China" principle, to "apply maximum efforts to strengthen mutual political trust between the Strait shores," and, on this basis, to reasonably decide through consultations on Taiwan's participation in international organizations, discuss political and military problems confronting the two sides, and thereby creating conditions for ending enmity in their relationships and reaching a peaceful agreement.²²

For its part, Russia has been, and is now, following a consistent and sensible policy on the Taiwan problem by supporting China's legitimate rights and resisting, even in the tense period of Soviet-Chinese relations, the temptation of playing the Taiwan card. Its position is spelled out, in conformity with international law, in the Treaty of Good-Neighborly Relations, Friendship, and Cooperation between the Russian Federation and the People's Republic of China signed on July 16, 2001. More to the point, Article 5 of the Treaty says, "The Russian Federation acknowledges the existence of only one China in the world and recognizes the Government of the People's Republic of China as the only legitimate government representing the whole of China, of which Taiwan is an integral part. The Russian signatory is against the independence of Taiwan in whatever form."²³ While it regards the Taiwan problem as an internal matter for China to deal with, Russia also emphasized its interest in a peaceful resolution of this problem on the basis of dialogue between Beijing and Taipei.

Beginning in the mid-1990s, Russia has maintained, as many other countries of the world have been doing, unofficial links with Taiwan in accordance with the principle that no harm is done to its relations with the People's Republic. In 1992 and 1993, it took steps to repair its relations with Taiwan. The most important step it took at the time was Decree No. 1072 on Relations between the Russian Federation and Taiwan signed by President Boris Yeltsin on September 15, 1992. The presidential decree laid down rigid outlines for developing bilateral ties, reaffirmed Russia's position concerning Taiwan, and emphasized that the "Russian Federation does not maintain official interstate relations with Taiwan." The decree, however, gives wide scope for developing commercial, economic, cultural, humanitarian, and other ties with Taiwan. The Russian Foreign Ministry was authorized to monitor compliance with the decree provisions.

Specialized nongovernmental organizations – Moscow-Taipei and Taipei-Moscow Economic and Cultural Coordination Commissions (MTC and TMC) – were established, followed by an exchange of their representative missions (TMC in Moscow in July 1993 and MTC in Taipei in December 1996).

The missions play the useful role of channels through which unofficial contacts are maintained. Their main function is contributing to the development of mutually beneficial commercial, economic, scientific, engineering, and other ties between Russia and Taiwan. After the MTC and TMC missions settled in their respective offices, legal

entities and individuals received an opportunity to establish contacts with one another quickly and receive authentic information about one another. Fewer opportunities were then left for various unscrupulous firms and entities that sought to take advantage of the Taiwanese side's ignorance of the real situation in Russia, its legal system, and commercial practices.

In general, Russian-Taiwanese ties have advanced significantly in recent years. Trade between Russia and Taiwan rose from \$119 million in 1990 to \$2.7 billion in 2007,²⁴ and there was still further growth in trade in 2008 as well. Scientific, engineering, and cultural ties, contacts in education, and exchanges of tourists have developed rapidly. Russia's expectations of large Taiwanese investments have not been fulfilled, though. To an extent, this could be explained by Taipei's desire to use Russia's interest in Taiwanese investments as leverage to move Russia off its firm political position. The chief reason, however, is Taiwanese investors' uncertainty over the reliability of the Russian market, absence of reliable measures to protect Taiwanese investments, and fear of a repeat of the negative experience of the 1990s. The Memorandum of Understanding signed by the MTC and TMC in September 2002 on the principles of cooperation in small and medium-size business was a step forward. Beginning in 2002, Taiwan's Eximbank has been making loans to several Russian banks to finance commercial transactions with Taiwan. Russia's Chamber of Commerce and Industry is conducting exchanges with the Taiwanese International Economic Cooperation Association. Freight shipping between Russia and Taiwan was launched in January 1998. Presentations of Russian industrial products have been held repeatedly in Taiwan, the latest in Russian science and engineering put on display, workshops held repeatedly for the Taiwanese business community on various aspects of the investment climate in Russia, and major investment projects demonstrated. The forthcoming opening of a TMC representative office in Vladivostok is expected to give a boost to ties between Taiwan and Russia's Far Eastern areas.

Absence of direct air links with Taiwan is a significant factor restraining growth of Russian-Taiwanese ties. Talks on launching an air service between Moscow and Taipei have continued for many years without success, mostly because of commercial reasons. The Russian Transaero ran regular chartered flights to Taiwan between February and November 2004, and is likely to resume them as regular direct flights shortly.

Notes:

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3. "A History of the War in the Pacific," Moscow, 1958, Vol. 5, pp. 337-359.
4. "International Relations in the Far East, 1945-1957," Moscow, 1978, p. 136.
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8. *Ibid.*, p. 4.
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