

Taiwan's Unresolved Status

Visions for the Future and Implications for EU Foreign Policy

Linda Jakobson





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Summary

Relations between China and Taiwan are unsustainable in their current form. Beijing has not given up its goal of uniting China and Taiwan. Nor has the Chinese leadership given up its threats to use force to prevent Taiwan's *de jure* independence. At the same time, democratisation in Taiwan and the strengthening of a separate Taiwanese identity have led many Taiwanese to question the desirability of reunification in any form.

The legitimacy of the Chinese Communist Party today is based not only on its ability to guarantee the continuity of economic growth, but also on its ability to prevent the shameful outcome of the civil war, a divided China, from becoming a permanent state of affairs. Although China is realistic and accepts that the goal of reunification is not achievable in the near future, the leadership in Beijing would even be willing to sacrifice the stability of the country to ensure that the goal of reunification does not disappear altogether. A possible war would not only set China and Taiwan against each other, but also China and the United States; according to George W. Bush the US is willing to do "whatever it takes" to defend Taiwan in the event of an attack by Beijing. Managing relations with Taiwan is thus a central challenge for the Communist Party and it significantly affects the question of whether China will continue its hitherto successful modernisation drive.

China wants to avoid a war, well aware that a war would be catastrophic for its aspirations to modernise and continue its rise to superpower status. But China's leadership has made Taiwan a question of life and death. The United States will also do everything in its power to avoid a war against China, but it is virtually impossible for Washington to turn its back on democratic Taiwan. Taiwan does not want war either, but the country's political leadership will not accept China's condition

for starting negotiations, i.e. recognition of the "One China" principle. According to Taipei, the two parties must pursue talks as equals, while Beijing sees this as an abandonment of the "One China" principle.

Meanwhile, both Beijing and Washington seek to improve their relations. China and the US are increasingly dependent on each other economically and want each other's support in the international arena. The greatest source of friction between Beijing and Washington is the unresolved future status of Taiwan.

The more significant China becomes as a super power, the more it will be able to influence outsiders. China can exert pressure on Washington and the European Union much more successfully today than it could ten years ago, since both Washington and Brussels regard good relations with Beijing as a goal worth striving toward. This was why Bush considered it necessary, in late 2003, to yield to Beijing's demands and publicly criticise the Taiwanese president's plan to organise a referendum on a new constitution. In Beijing's view, a new constitution would consolidate the separate status of Taiwan. It is also China's growing influence that has been the driving force behind France's decision to promote lifting the EU's arms embargo on China.

This report reviews the short-term outlook for developments in the Taiwan Strait and looks at possible political solutions in the long term. In the short term, the re-election of Chen Shui-bian on March 20, 2004, with a majority of 30,000 votes, left the Taiwanese populace in a state of emotional turmoil. The election result did not please Beijing, since the Chinese leadership now fears that Chen's goal is to make Taiwan's independence irreversible during this, his last term as president. This fear may be founded, in which case the situation across the Taiwan Strait will become even more strained. Chen insists that his plan for a new constitution is intended to strengthen Taiwan's democracy. According to Chen, it is unreasonable to accuse Taiwan of endangering peace while China has 600 missiles aimed at Taiwan.

Chen has said that no proclamation of sovereignty is required, since Taiwan already is a sovereign state. Therefore, any reference to the threat that Beijing will use force in the event that Taiwan proclaims independence is outdated. To express the matter more accurately, the threat of war exists if the international community, led by the United States, were to acknowledge Taiwan's

sovereignty. It is precisely this recognition by the international community and the possibility to participate as a sovereign state in the international arena that Taiwan lacks; otherwise Taiwan is an independent society with its own political system, its own currency and its own armed forces.

At the same time as the views of Beijing and Taipei regarding the status of Taiwan have grown further apart, economic integration between the two sides has markedly increased. China has become Taiwan's largest trade partner, despite the fact that goods and people are not allowed to travel directly between mainland China and Taiwan. The value of Taiwanese investments in mainland China is estimated at over 100 billion US dollars. One million Taiwanese are more or less permanent residents on the Chinese mainland. Grassroots level dealings between mainland Chinese and the Taiwanese are an everyday occurrence, although Beijing and Taipei do not maintain political relations and the leaders of both sides send each other sharp-worded messages through the media.

In the long term, the leadership in Beijing believes that economic dependence will in time win the Taiwanese people over to its side. This may, however, be a mistaken assessment, since a separate Taiwanese identity is strongest among young Taiwanese. Furthermore, Beijing's threats have alienated a large portion of Taiwanese, regardless of their views regarding the question of whether Taiwan should one day reunite with China or become independent.

Economic dependency alone will not persuade the Taiwanese to vote for reunification. Above all, far-reaching political reforms are needed in China in order to bring the political systems of the two sides closer together. Taipei, in turn, needs a political leadership that would emphasise a Chinese or rather a "multi-Chinese" identity. Beijing has to accept that guarantees will be needed from the international community for any solution mutually agreed on by the two sides. Furthermore, the leadership in Beijing should acknowledge that its current reunification model ("one country, two systems") is unacceptable; a new kind of concept has to be created. Beijing's recent decision forbidding independent implementation of political reforms by the people of Hong Kong has further convinced the Taiwanese that the Chinese leaders will not allow the coexistence of genuinely

different political systems within the framework of the “one country, two systems” principle. The government of Taiwan in turn has to accept that the fate of Taiwan, in one form or other, is closely linked with that of China, probably within a very loose political union.

The report finishes with a section discussing the increasingly close relations between the European Union and China in light of cross-Strait tensions. As China's influence has grown, Chinese diplomats have exerted heavier pressure on Europeans to exercise restraint in their dealings with Taiwan. China is also intent on the EU removing its arms embargo on China. The section assesses the controversy surrounding the embargo, put into place by the EU as a reaction to the Chinese government's decision to violently suppress the Tiananmen democracy movement in 1989. Washington strongly opposes lifting the EU embargo, as do numerous human rights organisations and several parliaments in individual EU nations. Those who oppose ending the ban say that such a move would help China to militarily gain the upper hand in the Taiwan Strait.

The final pages of the report consider Finland's policy choices. Finland should adhere to its stance opposing any use of force by Beijing, on the one hand, and any proclamation of independence by Taiwan, on the other hand. Finland's political leaders should encourage China to adopt a new model of reunification. Finland could offer the setting for meetings between the two parties. However, Finland should not turn its back on Taiwan, but rather develop non-political relations, also in multilateral settings, between Finland and Taiwan in accordance with the EU policy paper concerning relations with Taiwan, approved in 2003.



Introduction

In the autumn of 2002 the Finnish Institute of International Affairs (FIIA) decided that its next China-related research project would focus on relations between mainland China and Taiwan and the effect that the “Taiwan question” has on relations between the European Union and China. The impact that the unresolved future of Taiwan has on stability in East Asia has been largely overlooked in Finland, and in Europe in general. Whether or not mainland China and Taiwan will be able to establish their relations on a basis satisfactory to both parties will decisively affect China’s ability to maintain stability in the future. This, in turn, has significance for Europeans.

As long as Beijing, on the one hand, threatens Taiwan with military action and the United States, on the other hand, is committed to defending Taiwan, the Taiwan Strait will remain a potential arena for conflict between the two powers. An armed conflict would decisively weaken China’s ability to continue her modernisation drive.

Taiwan’s presidential election on March 20, 2004 set the tone for the next four years. The re-elected president, Chen Shui-bian, is resolute in his stand that he advocated throughout his first term: Taiwan is an independent, sovereign state – the Republic of China moved to Taiwan in 1949 after Chiang Kai-shek’s defeat in the civil war. Therefore, in Chen’s view, no declaration of independence is necessary, and any negotiations with mainland China have to be conducted between two equal political entities. Chen’s victory in the March 2004 elections meant that this stance received the support of a majority of the Taiwanese electorate for the first time (Chen received 50.1% of the votes). The consequences could be far-reaching. Beijing has not given up its objective of reunification, nor its right to use force in order to achieve its goal.

This report has two objectives. First, it offers an overview of the changed conditions in Taiwan and their effect on the dispute between mainland China and Taiwan on Taiwan's future status. Furthermore, it surveys developments in the relations between the EU and China in light of the unresolved "Taiwan question".

The first sections raise some of the central issues in the dispute that dominate the question of Taiwan's future status: How should "One China" be defined, and does a single China even exist? What significance does the strengthening of a separate Taiwanese identity have for relations between mainland China and Taiwan?

Next, the report analyses China-Taiwan relations in the near and long term. The section discusses the possible emergence of international crises during Chen Shui-bian's four-year term. Furthermore, the report outlines what kind of political integration could be plausible in the future. Alongside the FIIA research project, this report's author, Senior Researcher Linda Jakobson, was commissioned by the International Crisis Group (ICG) to take part in an ICG research project focusing on the Taiwan Strait and in particular in drawing up a report contemplating possible future political solutions (*ICG Taiwan Strait Report IV: How an Ultimate Political Settlement Might Look*, Brussels: International Crisis Group, Asia Report no. 75, February 26, 2004). The section focusing on the long-term in this FIIA report is based on discussions Jakobson had while working on the ICG project and on interviews she conducted in Beijing, Brussels, Hong Kong, Shanghai, Taipei and Washington.

The last section of this report deals with the development of closer EU-China relations in light of the so-called Taiwan question. In late 2003 and early 2004 political relations between the European Union and China were effected by China's demand that the EU remove its arms embargo on China. The embargo was imposed after the Chinese authorities violently crushed the Tiananmen democracy movement in 1989. Those who oppose a removal of the embargo say that such a measure could, to some extent, hasten China's pursuit of military superiority in the Taiwan Strait. Those who favour lifting the embargo say the measure would merely be symbolic since there are other mechanisms in place within the EU restricting arms sales to China. The last part of the section discusses Finland's choices in defining its relations with Taiwan.

This FIIA report is a translated, edited, and updated version of the original Finnish report *Taiwanin kiistanalainen asema. Tulevaisuudennäkymät ja niiden vaikutukset EU-Kiina –suhteisiin* (UPI-raportti 8/2004), published in May 2004 in conjunction with an international seminar on Taiwan’s unresolved future at the Finnish Institute of International Affairs in Helsinki.¹



Map 1

The ancestors of the majority of Taiwanese originally came from the mainland Chinese provinces of Guangdong and Fujian. The dialects spoken in Taiwan and these two provinces greatly resemble each other.



MILESTONES IN TAIWAN'S HISTORY

- 1662 Chinese troops drive the Dutch out of Taiwan
- 1684 Taiwan formally becomes a part of China (Qing dynasty)
- 1895–1945 Taiwan is a Japanese colony
- 1945 Japan surrenders, Taiwan becomes part of the Republic of China
- 1949 The Chinese civil war ends in the victory of Mao Zedong and the Communists; the Republic of China, led by Chiang Kai-shek, moves to Taiwan
- 1971 Taiwan loses its seat in the United Nations
- 1972 Nixon's unexpected visit to China; the U.S. decision to pursue diplomatic relations with the People's Republic of China is a shock to Taiwan
- 1979 Washington transfers its China embassy from Taipei to Beijing; the U.S. Congress passes the Taiwan Relations Act
- 1987 Martial law is lifted in Taiwan in July; the process of democratisation gains momentum
- Travel restrictions to mainland China are eased in November; Taiwanese travel to mainland China takes off
- 1991 Taiwan gives up its goal to re-conquer mainland China. President Lee Teng-hui announces that the war against China has ended; "Period of National Mobilisation" is terminated
- Open parliamentary elections are held in December
- 1996 First direct presidential elections in Taiwan; the election is preceded by Chinese missile tests off the Taiwanese coast; Washington dispatches aircraft carriers close to the Taiwan coast as a warning to China
- 2000 Chen Shui-bian of the opposition party DPP wins the presidential election, ending 55 years of rule by the Nationalist Party KMT.
- 2004 President Chen Shui-bian is re-elected by a margin of 0.2 per cent (less than 30,000 votes); a shooting incident a day before the election, in which Chen is wounded, casts a shadow on election result; the loser, Lien Chan of the Nationalist Party, demands an investigation of the shooting incident and a recount of the votes

Why the “Taiwan Question” Is Important

Divergent views on the future of Taiwan form an international bone of contention that could lead to an armed conflict in the Taiwan Strait. Will mainland China and Taiwan be reunified, as Beijing demands? Or will the present situation continue, with Taiwan functioning as a separate, all but internationally recognised independent society? Or will Taiwan in fact attain *de jure* sovereignty? Together these issues constitute the “Taiwan question” – a question whose management will crucially affect the ability of the Chinese leadership to sustain its successful modernisation drive. The dispute over Taiwan could threaten China’s stability. In the worst case, it would lead to a war between China and the United States, Taiwan’s staunch supporter. The Taiwan question is therefore not only a cause of concern for East Asia and the United States, but is also significant for the European Union.

Although the leaders of the People’s Republic of China have made the realistic assessment that the goal of reunification is not achievable in the near future, they would be willing to sacrifice the country’s stability to ensure that the goal of reunification does not disappear forever. Beijing still asserts its right to use force against Taiwan, should the island proclaim its independence.² Today, this no longer necessarily means a proclamation of independence in the traditional sense, since Taiwan’s President Chen Shui-bian has on several occasions said that Taiwan already is a sovereign state (and a proclamation of independence is therefore unnecessary). To express the matter more precisely, China would respond with military action if the international community, led by the United States, were to acknowledge Taiwan’s sovereignty or if Taiwan would take steps to further cement its separate status or sovereignty in a way that China regards as irrevocable.

For decades peace was maintained largely because the political leadership on both sides of the Taiwan Strait strived for the reunification of China, albeit from different points of departure. This situation no longer exists. Rapid democratisation in Taiwan has changed the attitude of many Taiwanese toward the desirability of reunification, even in the long term.

The situation, however, is not as bleak as it might appear at first glance. According to regularly conducted opinion polls, the majority of Taiwanese favour a continuation of the present situation, the maintenance of the *status quo*. In other words, Taiwan constitutes an independent society with its own political system, its own armed forces and its own currency. What sets Taiwan apart from sovereign states is recognition by the international community and exclusion from international organisations in which statehood is a requirement. Most Taiwanese hope that decisions regarding the future of the island will be deferred into the distant future, since they are opposed to reunification as long as the one-party rule by the Communist Party continues in China. Taiwanese often remark that unification cannot take place before mainland China is democratically ruled and before both societies, on either side of the Taiwan Strait, have similar political systems.

Complicating any discussion about the Taiwan Strait are economic realities, another significant factor that did not apply to the *status quo* ten or fifteen years ago. While many Taiwanese and mainland Chinese have, in the past decade, moved further from each other with regard to their views on political integration, they have moved much closer to each other in terms of economic integration. Economically, the two societies are mutually dependent, despite the lack of political dialogue between the authorities. More than a million Taiwanese are long-term residents on the Chinese mainland. Tens of thousands of Taiwanese enterprises do business on the mainland. Everyday contact between mainland Chinese and Taiwanese is a routine occurrence, although the authorities continue to hurl verbal abuse at each other in official statements.

But the *status quo* is never static. It is questionable whether the current state of relations between mainland China and Taiwan can be sustained indefinitely. The emphasis placed by Taiwan's political leaders on the island's special status will continue to

infuriate the Chinese leadership. Any dispute, no matter how minor the cause, could potentially develop into a major crisis with disastrous consequences. An unexpected incident – for example one similar to the crisis in the spring of 2001 following the collision of an American reconnaissance aircraft and a Chinese fighter – could escalate into outright confrontation.

Taiwanese society is changing: with democratisation, domestic politics have become unpredictable. In particular before an election a charismatic leader can steer the public debate in a way that stretches the patience of Beijing's leaders to the utmost. The last time this happened was in the autumn of 2003, when Taiwan's President Chen Shui-bian announced his intention to hold a referendum on a new constitution. Beijing interpreted this as a way of consolidating the island's independency and threatened Taiwan with military action. Only after George W. Bush, under pressure from Beijing, had clearly stated that he opposed any unilateral action that might be interpreted as altering the *status quo* did Chen Shui-bian retreat somewhat and modify the wording used in the referendum. Instead of being asked to take a stance on a new constitution, the electorate was asked about increasing the defence budget should China refuse to remove the missiles targeted at Taiwan and about starting political negotiations with China in order to find a peaceful solution.

The number of voters participating in the referendum remained below the required 50 per cent, which meant that the result of the referendum was invalidated. The result is significant, since voters were able to take part in the referendum at the same time as they voted in the presidential election. The turnout for the presidential election was huge, 80.3 percent.³ Even though Chen Shui-bian was elected president with a narrow majority, he failed in his attempt to rally a majority of the electorate behind him in a referendum that angered Beijing.

Society is changing on the Chinese mainland, too. As a result of successful reform policies, people are becoming more self-confident. Pride in China's new status as a great power is especially noticeable within elite circles and among people with above average incomes, most of whom were still considered poor a decade or so ago. Portions of the elite, in the armed forces in particular, are voicing demands that China should resolve the so-called Taiwan question. Beijing's leaders are very concerned

about the consequences of an emerging separate Taiwanese identity. The younger generation in Taiwan has even fewer emotional ties to China than their parents have, and there are already signs of a growing desire among younger Taiwanese to distance themselves from mainland China.

An additional factor is the increasing significance of the Peoples' Republic of China in international politics and especially its growing influence vis-à-vis the United States and the European Union. China can much more successfully exert pressure on Washington and the EU today than it could ten years ago, since both Washington and Brussels regard good relations with Beijing as a goal worth striving toward. China has grown to be a "diplomatic partner" of Washington since the terrorist attacks of September 11th. Washington seeks Beijing's support, not only in the war against terrorism, but also to halt North Korea's nuclear weapons programme. Moreover, China's significance as a trade partner of the United States has increased. Taiwan's unresolved future is the greatest cause of friction between the two countries. China obviously does not want to go to war in the Taiwan Strait, which would also probably mean fighting against the United States. Such a war would be catastrophic for China's aspirations to modernise. However, China is not willing to give up its goal of reunification. Even though Beijing accepts that reunification is not possible within the next few years, the notion of losing Taiwan permanently is intolerable. The legitimacy of the Communist Party is based on its reunification policy, pursued for more than half a century and aimed at healing the wounds of the civil war.

Although it may seem irrational to an outsider that China's leaders have attached so much significance to the so-called Taiwan question that it could even threaten China's economic success, the leadership of the Communist Party has made Taiwan a question of life and death. Taiwan is closely related both to national self-esteem and to the ability of the present regime to stay in power. One should also take into account that Taiwan is located a mere two hundred kilometres off the Chinese mainland. The goal of reunification is not simply a nationalist obsession. Beijing does not want to find itself in a situation in which a sovereign Taiwan could place its territory at the disposal of an enemy.

Before the presidential election campaign in Taiwan got under way in the autumn of 2003, Beijing's leaders had been relatively

moderate in their statements on Taiwan for quite some time. It is possible that Beijing realised that bullying Taiwan was not producing the desired results and was doing more harm than good. The more mainland China threatens the Taiwanese, the more closely knit Taiwanese society becomes and the more emphasis is placed on a separate Taiwanese identity. Another reason for restraint could have been Beijing's view that increased economic dependence will ultimately persuade the Taiwanese to accept political integration. This explains why officials from mainland China often say that time is on their side. This may, however, be a mistaken assessment, since the younger generation in Taiwan is already becoming alienated from the idea of reunification. What will happen if, after years of even closer economic integration, the Taiwanese electorate is no more willing than today to cement its fate to that of mainland China?

Everything depends on developments in mainland China. Even though Chinese officials do not publicly acknowledge it, in informal conversations they readily admit that China will have to implement far-reaching political reforms before reunification is possible. In the words of a mainland Chinese official working on the Taiwan question: "We often discuss differences between our societies in our meetings, which now and again are attended by our highest-ranking leaders. We have to be desirable partner, we realise that now."⁴

In the short term, Beijing's foremost goal is to prevent any action by the political leadership of Taiwan that might make reunification impossible. Chen Shui-bian's re-election was a disappointment to Beijing, since Chen will presumably continue his pursuit of strengthening Taiwan's separate status through a new constitution.

There is no reason to doubt Beijing's threat to use force should the rest of the world, led by the United States, recognise Taiwan as a sovereign state with the same rights in international organisations as other sovereign states. It is precisely this recognition by the international community that Taiwan currently lacks. Taiwan has already unilaterally taken nearly all the steps that it possibly can to demonstrate its sovereignty. Peace is upheld in the Taiwan Strait today because other countries do not recognise Taiwan's sovereignty.

According to the Taiwan Relations Act passed by the U.S. Congress in 1979, the United States has committed itself to regard

any use of force against Taiwan “with the gravest concern”. George W. Bush said in April 2001 that Washington will do “whatever it takes” to defend Taiwan against an attack by mainland China. On the other hand, the United States will do everything in its power to avoid a war against China. But there is less and less room for manoeuvre. Domestic politics in the United States also make it difficult for Washington to formulate its policies on Taiwan. Part of the political establishment in Washington accuses the president of appeasing Communist leaders and of deserting Taiwan, while other parts of the elite accuse him of jeopardising strategically important relations with China for the sake of a small island.

Although the European Union does not have military interests in the Taiwan Strait and has not committed itself to defending Taiwan, the so-called Taiwan question also constitutes a dilemma for EU leaders. On the one hand, China is gaining increasing importance as a trade partner, but on the other hand, Europeans do not want to see Beijing use force against democratic Taiwan. Nor do they want to find themselves in a situation in which they have to take sides in the event that tension in the Taiwan Strait escalates into a military conflict.



Critical Issue I: One China

Since its establishment, the People's Republic of China has steadfastly adhered to a "One China" policy. Simply put, this means that there is only one China in the world – the People's Republic of China. There are not two Chinas (the People's Republic of China and the Republic of China), nor is there one China and one Taiwan. According to Beijing, Taiwan is part of China – officially one of its provinces. According to Taipei, Taiwan became the seat of government of the Republic of China when Chiang Kai-shek and his Nationalist Party (Kuomintang, KMT) fled to Taiwan after losing the civil war in 1949.

Beijing has refused and continues to refuse to negotiate with Taipei, unless Taiwan recognises the "One China" principle, in other words unless Taiwan publicly accepts Beijing as the only legitimate representative of China. Taiwan, for its part, rejects this claim as a precondition for negotiation. In Taiwan's view, acceptance of the "One China" principle would put Taiwan in a subordinate position before the two parties even sit down at the negotiation table. Taiwan demands that the two parties resume talks as equals, which Beijing in turn sees as an abandonment of the "One China" principle.

Adherence to the "One China" principle worked as a basis for peace in the Taiwan Strait during the decades following the Chinese civil war until the early 1990s. No official peace treaty was ever signed after the civil war, but reunification was the goal on both sides of the Strait: Beijing hoped to subordinate Taiwan and make it part of the People's Republic; Chiang Kai-shek hoped to reconquer mainland China and place it under the control of the Nationalist Party. Taiwan abandoned this goal in 1991, and since then the government in Taipei has considered the authority of the Republic of China to only apply to Taiwan.⁵ Beijing has not changed its view, and claims that the sovereignty of the People's Republic of China also extends to Taiwan.

Simultaneously with the development of Taiwan's official policy giving up the goal of reconquering mainland China, Taiwan transformed from an authoritarian single party system (with the KMT as the only party) to a lively parliamentary democracy. Today voters, too, have their say in the future of the island. Questions concerning, for example, how relations with mainland China should be managed and how to react to Beijing's demand for reunification are subjects of heated debate before elections. Candidates appeal to voters' emotions. As in many other democracies, exaggerations and mud-slinging are commonplace during campaign speeches.

The abandonment of martial law and democratisation did not immediately lead to a change in Taiwan's "One China" policy. For the most part, changes have taken place gradually. In many cases, politicians have first embraced and then started to emphasise a new interpretation, which has then become a prevailing mainstream opinion. This is one of the reasons why many European decision-makers have failed to notice how much Taiwan's self-image has changed. Taiwan's policy, emphasising its status as a separate sovereign state, has developed step by step over the past decade.

The National Reunification Guidelines (1991), which are still in force in Taiwan, see reunification as a peaceful process comprising several different phases. A democratic China is envisaged as being reunited at some time in the distant future.

The interpretation of what "One China" really means has remained controversial. In 1992, Taiwan still recognised that there is only one China, but specified that the meaning of "One China" is interpreted differently on either side of the Strait. In Taiwan's view, "One China" consists of two equal political entities. In the only significant negotiations between the two sides so far (in Singapore in 1993), it was possible, after great effort, to reach a mutual understanding on the fact that there is "One China", while each side reserved the right to have its own differing interpretation of the concept.⁶ This remained the official policy of both sides until the turn of the millennium, although Lee Teng-hui of the Nationalist Party KMT, who was Taiwan's president throughout the 1990s, insisted with increasing vigour on Taiwan's separate status and the equal sovereignty of the two sides.

In 1993, a Taiwanese minister caused a stir by announcing that

the government of the Republic of China intended to pursue an interim “Two Chinas” policy. That same year Taiwan made its first unsuccessful attempt to regain membership in the United Nations, justifying its application by the claim that the authority of the Chinese Communist Party and of the Republic of China in actual fact applies to different areas, forming different political entities.

Beijing’s tolerance was pushed to the limit at the beginning of 1995. First, Lee Teng-hui adopted a wait-and-see attitude toward the “eight-point proposal” made in January by China’s President Jiang Zemin.⁷ Jiang proposed negotiations to officially end hostilities and establish direct links across the Strait (postal, air, and sea connections). Beijing considered this a fair and friendly gesture toward Taiwan, especially as the proposal included a statement that Chinese should not fight against Chinese and a promise that China is ready to negotiate on anything (as long as it is based on the principle of “One China”). Next, U.S. President Bill Clinton changed his original stance and, under pressure from Congress, granted Taiwan’s President Lee Teng-hui a visa to enter the US. Lee had been invited to speak at the graduation ceremony of his *alma mater*, Cornell University.

In Beijing’s view, Lee’s efforts to open up greater international space for Taiwan had to be halted at all costs, as otherwise Taiwan’s independence would gradually be recognised by the international community. The attitudes of other countries and in particular that of the US toward Taiwan have played and continue to play a key role in Beijing’s formulation of its Taiwan policy.

The missile crisis of 1996 followed. Before the presidential election in Taiwan, China’s leadership ordered military exercises, including the launching of missiles, close to Taiwan, as proof of its readiness to resort to military action, should Taiwan proceed further along what Beijing viewed as the road to independence. To counter Beijing’s move, the US sent two aircraft carriers to the vicinity of Taiwan. Although the elections were held without any incidents, the missile crisis was an apt reminder of the tensions brewing across the Taiwan Strait.

Beijing’s patience was tested once again in the summer of 1999, when Lee Teng-hui said that relations between China and Taiwan should be looked upon as special state-to-state relations.

According to Chinese sources, this statement, made to a German interviewer, convinced Beijing that Lee's pursuit of independence was taking the island so far from the "One China" principle that it had to be halted at all costs. Lee's statement is regarded as the driving force behind the white paper published by China six months later, in which China reserves the right to use force, should Taiwan indefinitely postpone reunification negotiations based on the "One China" principle.

Chen Shui-bian's victory in the presidential election in 2000 was a disappointment to Beijing. It is an irony of history that Beijing was dismayed when the long-term enemy of the communists, the Nationalist Party KMT, suffered a defeat and became the opposition party after more than 50 years in power. From the point of view of the Chinese Communist Party, the Nationalist Party was (and still is) preferable to the Democratic Progressive Party (DPP) represented by Chen. The KMT, after all, still adhered to the goal of reuniting China one day, whereas in its charter the DPP declares its intention to pursue independence for Taiwan. The most radical representatives of the DPP compiled their first draft of Taiwan's declaration of independence as early as 1964.

However, most of the DPP's leading figures have adopted a more moderate stance toward the independence issue after realising Taiwanese voters tend to be wary of too radical policy recommendations. Nevertheless, there is reason to make note of the unconditional stance of Chen Shui-bian and also that of the DPP's political programme toward Taiwan's status: there will be no negotiation on Taiwan's sovereignty – it is unconditional. Since Taiwan is a democracy, the *status quo* can only be changed by a referendum, and according to the *status quo* as interpreted by the DPP, Taiwan is an independent sovereign state. Moreover, Taiwan is not part of the People's Republic of China, and China's unilateral interpretation of "One China" and "one country, two systems" does not under any circumstances apply to Taiwan.

Had Lee Teng-hui not already referred several times during his presidency to Taiwan as an independent sovereign state, Chen Shui-bian's victory in the spring of 2000 would probably have had a considerably more dramatic impact in Beijing. China was so repelled by Lee and his emphasis on a separate Taiwanese identity that when Lee left office Beijing sighed with relief. It was

also important to Beijing that Chen made a reconciliatory inaugural speech in May 2000, in which he pledged not to declare independence, not to change the name of the island and not to organise any referendum on the question of independence during his term.

As the 21st century began, all levels of Taiwanese society began to question reunification with mainland China, at least as long as the Chinese Communist Party is in power. All the important parties state that reunification can only take place after mainland China becomes a democracy. Today, the view of Taiwan as an independent state is no longer merely the view of radical or fringe groups, but also of those representing mainstream opinion. It is also significant that the Nationalist Party KMT's official stance toward independence changed before the presidential elections of 2004. For years the KMT had staunchly pursued reunification, categorically opposing independence. But during the presidential campaign the KMT accepted as one alternative the option that the Taiwanese people might in the future abandon the goal of reunification and choose independence.

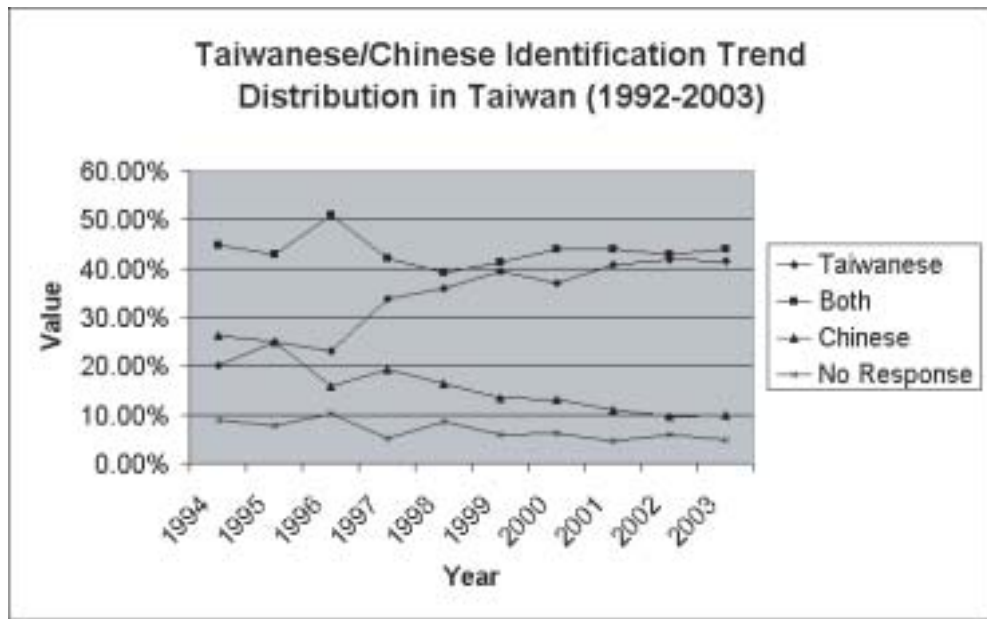
In sum, during the past ten years the situation in the Taiwan Strait has changed radically. Today, Taiwan's official policy does not necessarily see Taiwan as a part of China and does not take for granted reunification of mainland China and Taiwan. Beijing, however, has not abandoned its goal of reuniting mainland China and Taiwan. Beijing demands that other countries, most of which maintain diplomatic relations with the People's Republic of China, publicly re-assert their support of the "One China" principle at regular intervals. It has become a sort of mantra for the mainland Chinese; French China specialist, Senior Researcher Jean-Pierre Cabestan, has called it "diplomatic fictions".⁸ The "One China" principle has in reality little to do with current circumstances. In many respects, Taiwan is already today a separate Chinese society, or simply a Taiwanese society.



Critical Issue II: Taiwanese Identity

Although nearly all Taiwanese people have their roots in mainland China (except for the indigenous population of the island), and are ethnically and linguistically Chinese, the political developments of the 1940s divided the population of Taiwan in two. Those who moved to Taiwan during the civil war in the 1940s are called “mainlanders”. The rest of the population, whose ancestors crossed the Strait during earlier centuries, are called “Taiwanese”.⁹ Naturally, the “mainlanders”, as the most recent arrivals, have stronger ties to China than the “Taiwanese”. When contemplating the effects of Taiwan’s cultural history, it should also be noted that Taiwan was a Japanese colony during the period 1910–1945.

A separate Taiwanese identity has gradually developed alongside the Chinese identity, especially among the “Taiwanese”; for some it has even replaced the Chinese identity. Some researchers see the strengthening of a separate identity as a defence mechanism against the Communist Party’s one party system and do not necessarily view it as a more profound phenomenon. According to this view, people in Taiwan consider themselves Taiwanese because, at present, identification with China might entail living under an authoritarian leadership. In the words of former long-term dissident Antonio Chiang, who was later appointed a member of Chen Shui-bian’s National Security Council: “When we say that we want to safeguard our separate identity, what we really mean is that we have to protect our democracy”.¹⁰ Following this train of thought, if a similar political system prevailed in China as in Taiwan, the characteristics of the Taiwanese could be considered on par with the special features of the numerous local cultures in mainland China. On the other hand, other researchers see the Taiwanese population as being in



the midst of an ongoing identity-building process, which will have far-reaching repercussions.

Two opposite political forces are steering the development of identity in Taiwan. On the one hand, Taiwan's president has emphatically stressed Taiwan's status and the identity of the Taiwanese as separate from China. On the other hand, the leadership of the People's Republic of China has, by its continuous threats, created greater solidarity among the people of Taiwan and contributed to the cementing of a society separate from China.

Senior Research Fellow Denny Roy points out that there is a direct correlation between Taiwan's political liberalisation and the deterioration in cross-strait relations.¹¹ When the Nationalist Party KMT was firmly in power, Beijing felt it could be patient. With democratisation in Taiwan came calls from various sectors within Taiwanese society that Taiwan's sovereignty be asserted, leading Beijing to adopt a coercive posture to reign in the island. Meanwhile, pride in Taiwan's economic and political development resulted in Taiwanese voters' demands that the government improve Taiwan's weak international standing. Taiwanese travelling abroad became increasingly upset with the restrictions imposed upon them.

Chart 1

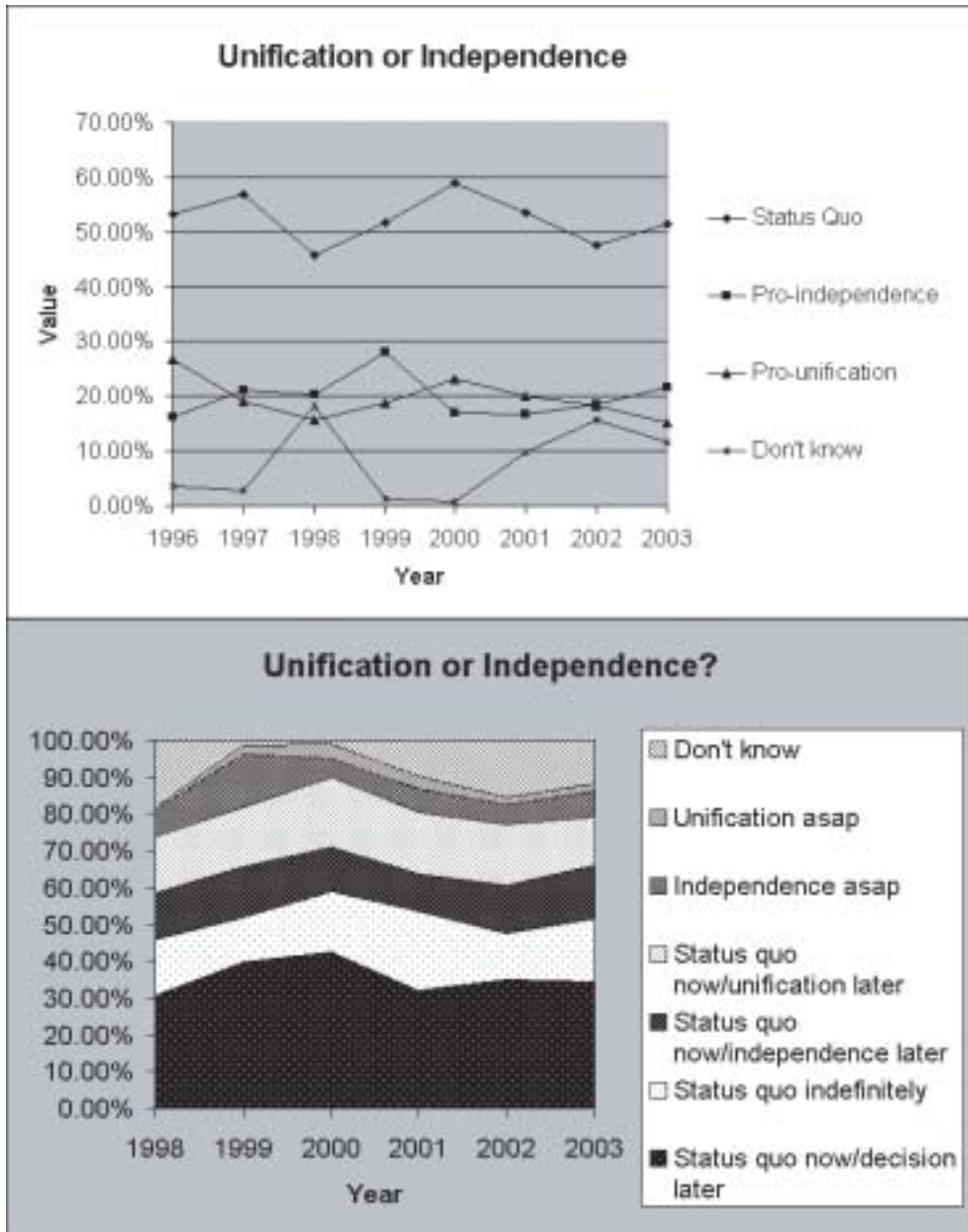
For the past 13 years researchers at National Cheng-chih University in Taipei have conducted a survey probing the question, do you consider yourself Chinese, Taiwanese or both Chinese and Taiwanese. Today, according to the poll results, over 40 percent of Taiwanese consider themselves only Taiwanese. (Source: <http://www2.nccu.edu.tw/~s00/eng/data/image002.gif>.)

When examining any development in Taiwan, the “China factor” has to be taken into consideration. The emergence of a Taiwanese identity has gone hand in hand with the democratisation of Taiwan, but also side by side with the opening up of mainland China. China’s successful economic reform policies and the country’s opening to the outside world have led to a rise in China’s status in the international arena, and as a consequence, other countries have started to respond to Beijing’s pressure in a different way than before. Outsiders are increasingly willing to take heed of Beijing’s demands that Taiwan be kept isolated.

On the other hand, the democratisation process in Taiwan has led to a situation where Taiwan is recognised, especially in the West, as an example of a successful transformation of a dictatorship to a parliamentary democracy in Asia. This guarantees that at least the US cannot turn its back on Taiwan.

Changes in Taiwanese society have taken place rapidly. After the officials of the Nationalist Party KMT moved to Taiwan, they replaced the small Taiwanese elite that had dominated the bureaucracy and cultural life during the Japanese occupation in Taiwan. The “mainlanders” became the rulers, the “Taiwanese” were the oppressed subjects. Mandarin Chinese was decreed the official language, and it was the only language used in schools. The “Taiwanese” had been accustomed to speaking their own mother tongue, the *Minnan* dialect, with each other, and Japanese in official contexts. Instruction in calligraphy and traditional Chinese ink painting was subsidised by the state, as were Chinese opera and folk art. The “Taiwanese” were to be converted back into “Chinese” after decades of Japanese colonial power. It was of particular importance that the “Taiwanese” be indoctrinated with the ultimate goal of reunification.

As the democratisation process progressed in the 1980s, the KMT, which held absolute power for decades, started to accept more “Taiwanese” into its ranks. With the increase of freedom of speech, the “Taiwanese” began to emphasise their own cultural background, one that encompasses elements of Chinese, Taiwanese, Japanese, European and American cultures and ideologies. The first Taiwanese-born leader of the KMT and also the first Taiwanese-born president, Lee Teng-hui (1988–2000), made a point of emphasising the unique characteristics of the Taiwanese people. At his initiative, the notion of “new Taiwanese”



Charts 2 and 3:

The Mainland Affairs Council (MAC) in Taiwan regularly commissions a survey asking Taiwanese, should Taiwan unite with China or should Taiwan be an independent state? Over 80 percent of Taiwanese would like the present situation to continue, regardless of which end result they favour. According to the MAC polls, independence is currently supported by approximately every fifth Taiwanese (4.5 percent would like independence as soon as possible, 15.2 percent some time in the future. (Source: <http://www.mac.gov.tw/english/english/pos/9105/po9104e.htm>.)

became fashionable in the 1990s. The aim was to close the gap between the “Taiwanese” and the “mainlanders”. Searching for ones roots became an art in itself within literature, theatre, historiography, etc. A mere fifteen years ago, pupils in Taiwanese schools were taught that they were Chinese, and they were primarily taught the history and geography of China, while today they are taught Taiwan’s history and geography, and their Taiwanese identity is stressed.

Gradually, Taiwanese began to have reservations toward the goal of reunification. Or perhaps they simply dared to more openly express the doubts that had been smouldering for years. The most radical among them began to advocate an independent republic of Taiwan.

Today, Taiwan is a pollster’s paradise. Polls and social anthropological research are carried out at regular intervals to measure changes in citizens’ attitudes. The results are interesting, but one should not draw too far-reaching conclusions from them. Taiwan is in a state of ferment. It is only natural that people’s opinions are stirred up and tend to change in a young democracy, especially one that is under constant threat from a powerful regime.

Generally speaking, most opinion polls can be divided into two categories: they either examine the respondents’ identity or their attitudes toward reunification and the future status of Taiwan. The only view that has remained almost unchanged for more than ten years is the attitude toward the desirability of the *status quo*. A majority of Taiwanese want the *status quo* to continue, in other words, a clear majority of Taiwanese do not want any decisions regarding the island’s future to be made in the near future.

When scrutinized, opinion polls show that today a portion of Taiwanese do not want to see the island reunited with mainland China under any circumstances; part of this group would prefer the present state to continue indefinitely, and part of this group would like to one day see Taiwan as an independent state recognised by the international community (see charts 2 and 3).¹²

During the past eleven years, Chengchi University in Taipei has carried out regular polls on whether people living in Taiwan regard themselves as solely Chinese, solely Taiwanese or both Taiwanese and Chinese. Nowadays, only 7.7 per cent of the

residents of Taiwan view themselves as solely Chinese. According to a survey carried out in December 2003, 43.2 per cent see themselves as both Taiwanese and Chinese. Almost an equal percentage (42.9%) said they were solely Taiwanese. It is this group that has undergone the most considerable change during the past ten years: in 1992 only 17 per cent felt they were solely Taiwanese.

Mutual prejudices

Taiwanese were able to experience first-hand the consequences of Deng Xiaoping's reforms in mainland China later than many other outsiders, only after 1987, when Taiwan's government eased the ban on travel to the mainland. At the same time, indirect trade between mainland China and Taiwan gained momentum. As late as the mid-1980s, trade was almost non-existent; today mainland China is Taiwan's leading export market (overtaking the USA in 2003), and Taiwan's China-bound investments are estimated at over USD 100 billion.

The role of Taiwan as a motor propelling mainland China's economic development cannot be sufficiently stressed. The Taiwanese have not only been important as investors and traders. Many Taiwanese have donated funds for building schools, research institutions, and health care centres in China, often in the places of their parents' and grandparents' birth. Taiwanese have also spread knowledge of the outside world to mainland Chinese. Thanks to the visits of millions of Taiwanese, mainland Chinese have been exposed to detailed information regarding the standard of living and the changes in the political system in Taiwan. As they speak the same language and have common cultural ties, it has been easy for mainland Chinese to assimilate information from Taiwanese visitors about, for example, Western management skills and dealing with Westerners.

Taiwan's "mainlanders" and their descendants were the first to visit their relatives in their ancestral homes in the late 1980s. Gradually, other Taiwanese became interested in China too, and by the mid-1990s, several million Taiwanese had already visited mainland China.¹³ However, only a small privileged group of mainland Chinese have been allowed to visit Taiwan, as Taipei continues to be suspicious of mainland China, fearing spies and

saboteurs possibly sent by the Beijing authorities. In 2002, almost 3.5 million visits by Taiwanese to mainland China were recorded, whereas Taiwan received only somewhat more than 120,000 visitors from mainland China. These were mostly scholars from different fields, medical doctors, journalists, athletes, and artists.

In private discussions with urban residents in mainland China in the 1980s and early 1990s, mainland Chinese often spoke enviously and wistfully of developments on the other side of the Taiwan Strait. Above all, they were impressed by Taiwan's prosperity. However, along with the rise in living standards in mainland China, attitudes have changed, and people no longer spontaneously bemoan the poverty of the mainland. Nationalist inclinations have become more evident, particularly among better-off mainland Chinese. Talk of a separate Taiwanese identity is rejected as Taiwanese propaganda. In these circles, preventing Taiwan's independence is seen as a self-evident goal.

In Taiwan, curiosity about mainland China has gradually abated. Even though economic integration has progressed rapidly, and Taiwanese companies are making increasing investments in China, in Taiwan both "mainlanders" and "Taiwanese" alike continue to be suspicious of the political system in mainland China. No matter whom you talk to in Taiwan about political integration, they usually bring up the flagrant violations of human rights in the People's Republic and its failure to implement genuine political reform. They often mention the decision of the Chinese Communist Party's leadership to violently suppress the democratic movement in Beijing in 1989, the ongoing arrests of political activists, as well as crimes committed against Taiwanese on the mainland, in particular, the killing of 24 Taiwanese tourists near Hangzhou in 1994.

In spite of the enormous increase in interaction between Taiwanese and mainland Chinese, the decades-long propaganda war has influenced the attitudes of ordinary people on both sides of the Strait. When mainland Chinese talk about the Taiwan question, they tend to focus on the role and prestige of the United States. The citizens of the People's Republic have no experience of democratic rule. Even educated people in mainland China tend to regard Taiwan's unresolved future as a tug-of-war between Beijing and Washington. The opinions of Taiwanese voters are not part of the equation.



It is almost impossible for mainland Chinese to comprehend that a separate Taiwanese identity has come into being. Since the time they were children, the mainland Chinese have been indoctrinated with a precept of China's long history: united China is strong, disunited weak. If one takes into consideration that only fifteen years ago Taiwanese were taught the same doctrine, it is easier to understand the view that attitudes in Taiwan are not necessarily irrevocable. It is possible that Taiwanese could be enticed to feel more solidarity with the Chinese if the political system in mainland China were to change and Taiwan were to have a leadership that emphasised a different policy toward mainland China.

For decades, Taiwanese have listened to biased propaganda about "communist bandits", which is often evident in their attitudes toward China. In addition, China's continuous threats to use force against Taiwan have contributed to the Taiwanese feeling more united as a nation. Attempts by the Chinese authorities to interfere in relations between Taiwanese and representatives of other countries are a continuous source of resentment among Taiwanese.

The most controversial measures by Beijing, directed against ordinary people in Taiwan, have occurred in critical situations. When a powerful earthquake killed hundreds of people in Taiwan in 1999, Beijing at first refused representatives of international humanitarian organisations entry to Taiwan, and demanded that they apply for permission to the central government, i.e. to the relevant authorities in Beijing. In this context, the representative of China's Red Cross is said to have stated: "It would never occur to anyone to give sweets to a child without first asking permission from the parents, would it?"¹⁴

Beijing's behaviour during the SARS epidemic in the spring of 2003 also aroused general indignation in Taiwan. Pressured by Beijing, the World Health Organization WHO did not immediately send its representatives to Taiwan in spite of requests by the Taiwanese physicians' association and other health authorities. When WHO representatives finally flew to Taiwan, SARS had already started to spread.

A few months later, Taiwan attempted to obtain observer status in the World Health Assembly (WHA) that has its headquarters in Geneva. In Taiwan's proposal, Taiwan would not have been


called a “state” but a “health entity”. However, China succeeded in blocking Taiwan’s application. When a Taiwanese television reporter asked a Chinese delegate leaving the assembly about how the vote had gone, he said, in a live broadcast: “Who cares about you (Taiwan)!”¹⁵ This retort and China’s actions during the SARS crisis were still referred to during the winter of 2004, when Taiwanese were asked about their attitudes toward mainland China.

Chen Shui-bian’s popularity can in part be explained by the displeasure felt by Taiwanese when Taiwan is treated as an international outcast. Many Taiwanese who do not support independence would nevertheless like Taiwan to be treated with respect in the international community; Chen is regarded as a leader who continuously seeks to ensure that Taiwan will enjoy the dignity it deserves. For example, Chen’s actions during his visits in the autumn of 2003 to New York and Panama, where he hosted US congressmen, made statements to the international press, and even posed in the same picture with US Secretary of State Colin Powell, led to a clear increase in his popularity in opinion polls.¹⁶

China’s president Hu Jintao has said that China needs to appeal to the hearts of the Taiwanese people in order to achieve the goal of reunification. If Beijing’s top leaders truly want to win over ordinary Taiwan people to their side, they will have to oversee a profound change in the conduct of mainland Chinese authorities. Beijing’s political manoeuvring in such a critical and core area as health will only alienate an even larger portion of the Taiwanese people.




Short-term Outlook



The dramatic news of the shooting incident involving President Chen Shui-bian on the day before the Taiwanese presidential elections on March 20, 2004, and the opposition's accusations after Chen's razor thin victory diverted attention from the most important outcome of the elections: In four years Chen had increased his support from 39.3 per cent to 50.1 per cent. In terms of votes this meant that 1.5 million more people voted for Chen in 2004 than four years earlier. One can surmise that a considerable increase had taken place in the number of Taiwanese sharing Chen's view of Taiwan as a sovereign state and its position as an equal alongside Beijing. From Beijing's perspective, the election result was the first indication that reunification is no longer necessarily a goal that is taken for granted, or even regarded as desirable by the majority of the Taiwanese electorate.

Taiwanese society is politically polarized. Chen Shui-bian's reelection with a majority of less than 30,000 votes stirred up emotions in Taiwan.¹⁷ Some observers have compared the situation in Taiwan to George W. Bush's election victory in the United States in 2000, with the exception that democratic procedures are less firmly rooted in Taiwan than in the United States.¹⁸ One major difference, of course, is that in the United States only about 50 per cent of the electorate votes, whereas in the Taiwan presidential elections, the turnout was an impressive 80.28 per cent. On the one hand, the fact that Taiwanese society has coped relatively well with the emotionally loaded elections has been seen as a reflection of the sustainability of Taiwan's democracy. On the other hand, the large number of abstentions shows that some of the voters are tired of the mud slinging by the two main parties, the Democratic Progressive Party, DPP, and the Nationalist Party KMT, and with the general corruptness of



political life.¹⁹ According to a study recently carried out by a respected political scientist, less than 50 per cent of the responders considered democracy to be the best form of government under all circumstances.²⁰

Beijing was disappointed in the presidential election result. From China's perspective, Chen Shui-bian's opponent, the Nationalist Party's Lien Chan, would have been the preferred choice because Beijing regarded Lien as a leader who would not take Taiwan any further down the road toward independence.

In reality, there is only a small difference between the views of Chen and Lien regarding possible future political integration. The Nationalist Party under Lien changed its stand on a number of important political issues during the election campaign after opinion polls showed that the voters were in favour of Chen. The most significant change in stance by the KMT concerned the possibility that Taiwan one day become a *de jure* independent state. The Nationalist Party no longer rules out independence as an option, as it has for decades. For China this change of policy was a blow, since the Nationalist Party was previously looked upon by Beijing to be the party potentially capable of cooperation for the very reason that the KMT did not previously accept full-fledged independence, even as an option. Secondly, in December 2003, Lien stated that one can say that there is a country on either side of the Taiwan Strait – when Chen said this for the first time, Lien attacked the president, accusing him of jeopardising peace. Moreover, the Nationalist Party no longer opposes referenda as it has in the past, and in fact a referendum will be held at the end of this year at the Nationalist Party's initiative.²¹

Even if Lien had been elected president, he would probably not have had any realistic possibilities to make far-reaching concessions to facilitate political negotiations with China. Lien would have been accused of treason if he had given in to China's demand that Taiwan has to acknowledge the "One China" principle before negotiations can take place. When analysing the election results it is worth noting that Lien does not have the reputation of being a visionary or charismatic leader – rather the opposite. Personality is always important in a presidential election. Lien came in third in the 2000 presidential elections, losing to Chen and James Soong, who was Lien's candidate for Vice President in 2004. The result of the 2004 election means that

Lien will have to relinquish the National Party chairmanship. Younger and more popular politicians will rise to the top, including Taipei's Mayor Ma Ying-jeou and National Assembly Speaker Wang Jing-pyng.

Seen from Beijing's point of view, the only positive aspect of the elections was the annulment of the referendum promoted by Chen. The required 50 per cent of the voters failed to answer the two referendum questions – on the need to increase defence expenditure and on starting negotiations with China. The opposition had asked its supporters to boycott the referendum, and evidently those who voted for Lien complied. In addition, some of Chen's supporters refrained from participating in the referendum, which in turn was interpreted by observers as a display of maturity and discretion by "middle-of-the road" voters. Although they preferred Chen to Lien, the majority did not give Chen free hands to hold referenda that would anger Beijing.²²

Following Chen's re-election, several foreign observers predicted that relations between mainland China and Taiwan had entered a phase that is potentially dangerous, and at the very least more tense than before.²³ However, no one expected any immediate changes in the situation in the Taiwan Strait. It was generally believed that Chen Shui-bian recognised the need to heal the sharp divisions within society following the close election result and, in addition, would take heed of surveys showing that 80 per cent of the Taiwanese are in favour of maintaining the *status quo*.²⁴ More optimistic analysis was published after Chen made a conciliatory inaugural speech on May 20, 2004, as he did when he took office four years ago. Chen avoided any mention of his view that one country existed on either side of the Strait, a stance that upsets Beijing, and assured his listeners that his constitutional reform plan would not touch upon issues concerning statehood or sovereignty. He reiterated his desire to pursue guidelines for the peaceful development across the Strait with Beijing.

Despite Chen's moderation in his inaugural speech, presumed to be the result of intense pressure from Bush administration officials, Beijing continued to condemn his "splittist stance of Taiwan independence". Beijing has evidently decided that Chen is not a person with whom it will be possible to negotiate. It is likely that Beijing will, in the next few years, increase its intimidation policies toward Taiwan. However, there are mixed

signals coming from Beijing. While Beijing has announced its intention to have a National Reunification Law passed in the National People's Congress, mandating unification of the mainland and Taiwan, in unofficial discussions, mainland Chinese officials have indicated that Beijing plans to make an important initiative toward starting negotiations following the Taiwanese parliamentary elections in December 2004.²⁵

Since Hu Jintao took over the positions of President of China and Party Secretary of the Chinese Communist Party in late 2002 there has been speculation among both Chinese and foreign political analysts about possible differences of opinion between Hu and his predecessor Jiang Zemin regarding China's policy toward Taiwan.²⁶ Even after Jiang Zemin handed over his last post of Chairman of the Military Commission to Hu Jintao in September 2004, it has been evident that Jiang would like to remain influential in the realm of foreign policy, especially in decisions concerning Taiwan and China's relations with the United States. Rumours of a power struggle among top Chinese leaders should, however, be regarded with caution. While it would obviously not bode well for Taiwan if a serious power struggle would erupt, as those in Beijing who would opt for a military strike against Taiwan to force the Taiwanese to the negotiating table could use a power struggle to advocate for action, it is worth bearing in mind that factional strife is part of Chinese Communist Party politics. Top decision-makers jockey for influence to maintain their own authority and safeguard the privileges that accompany their power. In a one-party system in which the political decision-making process is not open to scrutiny by the media and general public, even slightly conflicting statements by different leaders tend to lead to speculation of disunity. But the Chinese Communist Party leaders know that they must ultimately stay united to remain in power. Benjamin Franklin's famous saying is as applicable as ever: either they will hang together or they will hang alone.

Business representatives on either side of the Strait hope that the two parties will agree to establish direct links, but merely initiating these negotiations would require an improvement in the political atmosphere between Beijing and Taiwan. As long as Beijing is suspicious of Chen's intentions, it seems unlikely that direct contacts can be established. Despite this, economic integration will continue.²⁷

The biggest uncertainty factor, which may lead to a marked increase in tension across the Taiwan Strait, is Chen's plan to reform the constitution by 2008. Beijing is strongly opposed to a revision of the constitution since it fears that it would reinforce the separate status of Taiwan. Chen, for his part, considers the present constitution enacted 50 years ago under an authoritarian government unsuitable for a democratic society, which many legal experts agree with.²⁸

Since being re-elected, Chen has modified his original plan to have an entirely new constitution written, and now refers to his plan as a constitutional re-engineering project. He has also said that he will not submit the revised constitution to a referendum, but will have it approved by the National Assembly, according to the laws stipulating approval of constitutional amendments.

According to Chen, his aim is not to push Taiwan's independence further, nor to change the *status quo*, but simply to strengthen Taiwan's democratic system. As in many of the other disputes relating to the so-called Taiwan question, one must recognise the semantic nuances to understand the diverse views of the parties involved. Chen's definition of the *status quo* does not correspond to Beijing's definition, or even necessarily to Washington's definition. In Chen's interpretation, the *status quo* comprises his view of Taiwan as an independent sovereign state since the year 1912. (That was the founding year of the Republic of China, which formally moved its seat of government to Taiwan when the Nationalist Party, led by Chiang Kai-shek, was defeated in the civil war.) Chen considers it unreasonable that democratic Taiwan is being pressured and accused of jeopardising peace when the real threats to peace is the 600 Chinese missiles aimed across the Strait at Taiwan.

Beijing will no doubt continue to demand that Washington pressures Chen to tread carefully down the path of constitutional reform. Convincing Washington that it must apply pressure on Chen not to "rock the boat" has become an important part of Beijing's strategy in dealing with Taiwan. When relations between China and Taiwan became strained during the election campaign in Taiwan in the latter half of 2003, Washington succeeded in making Chen change the content of the referendum so that the voters were not asked to take a stand on the new constitution but to answer relatively generally worded questions. It was very

important for Beijing to obtain a public assurance from the United States that Washington would not approve of any efforts by Taiwan's president to change the constitution.

Washington's role will be decisive in the future, too. To ensure peace in the Taiwan Strait it is essential that the United States (and the rest of the world) continues to insist that it will not tolerate the use of force by Beijing to coerce Taiwan and at the same time make it clear to the Taiwanese that Washington will not recognise *de jure* independence of Taiwan. But in addition, the Americans will have to keep walking an increasingly narrow tightrope in order to ensure that both sides remain moderate. Washington was not particularly pleased to see Chen be re-elected because, as a representative of the Bush administration put it: "Chen has betrayed our trust by promoting his own agenda too persistently, ignoring our protests and disregarding the stability of the area." According to the representative, the United States is naturally wary of interfering in the choices of a democratic society, but Washington intends, also in the future, to "resist any action likely to threaten the stability of the Taiwan Strait."²⁹

Taiwan is dependent on the support of the United States. The conciliatory tone adopted by Chen Shui-bian in his inaugural speech can be interpreted as a necessary concession by Chen to improve the island's relations with Washington. In the months leading up to the Taiwanese presidential election Washington's and Taipei's relations were strained, not only because of Chen's referendum plans, but also because of Taiwan's unwillingness to buy arms from the Americans. Although Bush decided in 2001 to extend the list of "weapons necessary for the defence of Taiwan", despite Beijing's protests, in reality Taiwan has not bought the disputed military equipment. According to a Pentagon representative, the Americans are frustrated by the fact that Taiwan's military leadership and political elite blindly trust that the United States will come to their aid in the event of an attack. For this reason Taiwan is investing neither money nor human resources in its defence forces or in strategic training. According to Taiwanese sources, the lack of strategic thinking is due mainly to the internal disputes among Taiwan's air, naval and land forces and to a tug-of-war going on between the military leadership and Chen Shui-bian's administration.³⁰ In July 2004, Chen Shui-bian took another step to improve his administration's relations with



Washington by asking the Taiwanese legislature to approve a special budget for the purchase of an advanced arms package from the United States.³¹ U.S. arms sales to Taiwan will remain a contentious issue between Beijing and Washington.

If Chen's critics are right, Chen intends to – regardless of the promises made in his inaugural speech – do everything in his power to cement Taiwan's separate status during his last term of office. (In Taiwan the president may only hold office for two terms.) This will inevitably lead to a crisis in the Taiwan Strait. No one can say for sure where the limit of Beijing's tolerance lies. There is no certainty about Beijing's military power, but according to many Western estimates, by the end of this decade China will be sufficiently armed to launch a full-scale attack on Taiwan.³² However, even if Beijing resorts to force, occupying Taiwan is not regarded as its primary objective. The goal would be to create havoc in order to break the will of the political establishment in Taiwan in order force Taiwan's leaders to talks on reunification. A blockade of Taiwan or strikes aimed at the island's telecommunications network combined with commando attacks would lead to chaos in Taiwan. How the United States would react in this situation is open to speculation, despite George W. Bush's insistence that the US would do "whatever it takes" to defend Taiwan in the event of an attack by China.³³

Most outsiders following the situation in the Taiwan Strait agree that Beijing is extremely wary of a situation where it would feel compelled – in order to save face after issuing threats – to use force in order to halt developments in Taiwan. The most worrisome development for Beijing's leadership would be to notice that the rest of the world was considering recognising Taiwan's independence. This is why the assurances of outsiders, and particularly Washington, are so important for Beijing.

According to the gloomiest predictions, Chen will make a surprise initiative that is offensive to China shortly before the Beijing Olympics, to be held in the summer of 2008, when China's leaders would presumably refrain from using force against Taiwan for fear of condemnation by the rest of the world. The Beijing Olympics are viewed in China as an opportunity to present China to the world as a modern major power. To many Chinese, hosting the Olympics is proof that the more than a hundred year-long era of humiliation, during which China was weak and looked

down upon by foreigners, is finally over and that China has attained the status it deserves among respected major powers.

However, the Olympics also offer Beijing an opportunity to make a gesture of goodwill, as Hu Jintao's call to win the hearts of the Taiwanese would imply. By allowing one Olympic event – say baseball – to be organised by the Taiwanese, Beijing would demonstrate in a concrete way that “One China” encompasses the people living on both sides of the Taiwan Strait. Baseball is extremely popular in Taiwan, but a rather unknown sport in mainland China. If *ping-pong* sparred on Chinese-American relations in the 1970's and football increased grassroots understanding between former enemies Japan and Korea during the World Cup Championships in 2002, why could baseball not contribute to creating a positive atmosphere in the Taiwan Strait in the summer of 2008?³⁴

Beijing could also promote a different attitude in Taiwan toward mainland China by inviting a Taiwanese to join one of China's space flights during the next few years. In general, mainland China should accept the participation of Taiwanese in international conferences and similar events, as Taiwan's continued isolation will only in the long run have an adverse effect on China itself. Now that China is a respected member of the international community the leadership in Beijing has every reason to adopt a more gracious, pragmatic, and flexible approach, allowing Taiwan much more international cultural (if not political) space.³⁵ The suspicions felt by ordinary Taiwanese toward Beijing's intentions could also be addressed by a goodwill visit of a high-level Chinese leader to Taiwan, without conditions. For example, Prime Minister Wen Jiabao has proved himself to be a skilful and charismatic diplomat in difficult situations.³⁶

Sharing Olympic glory and participating in joint space flights will of course not resolve the fundamental differences of opinion on Taiwan's political future. Such efforts would, however, be a means to create an atmosphere of trust and goodwill. Both are needed before negotiations between the two parties can be set in motion.



In the Long Run: A “Greater Chinese Union”

Beijing has offered Taiwan a model of reunification known as “one country, two systems”. The model entails a federation that allows the autonomous area (Taiwan) far-reaching rights to make decisions concerning society, but obligates it to abide by decisions of the sovereign power (Beijing) in matters of foreign and security policy. According to Beijing, the model guarantees Taiwan the right to protect its own political system and way of life, which differ from those of mainland China. Although it incorporates farther-reaching privileges, the model is similar to that which served as the basis for uniting Hong Kong with China in 1997.

Taiwan rejected the “one country, two systems” model as far back as 1994, describing it as the biggest obstacle to reunification.³⁷ Taiwan sees the model as restricting its freedom and bringing it under the control of an unpredictable regime. After the presidential elections of March 2004, Chen Shui-bian repeated his stand: the Taiwanese will never accept the “one country, two systems” model because it would reduce Taiwan to an administrative region of China. Indeed, it would be unreasonable to expect the Taiwanese to accept a reunification model that would weaken their current position and would not provide the protection of international law. Nothing would prevent Beijing from going back on its word regarding Taiwan’s right to genuine autonomy.

Regardless of political views, Taiwanese often say that reunification would have to offer Taiwan something that it does not already have today. A comparison with Hong Kong nearly always prompts the response: “Taiwan is not Hong Kong.” There never has been a democratic system of government in Hong Kong, not at present nor under British rule; the Taiwanese have struggled for political reforms for the last twenty years, and they are proud of their democracy. Understandably, they do not accept the idea

of becoming dependent on a government that, if it so wishes, resorts to measures of a police state to deal with its citizens. Besides, Beijing's actions in Hong Kong during the past few months have further convinced the Taiwanese that the Chinese leaders will not allow the coexistence of genuinely different political systems within the framework of the "one country, two systems" principle. The leadership in Beijing has rejected efforts of Hong Kong citizens to independently implement political reforms that would allow voters to directly elect Hong Kong's Chief Executive and all members of the Legislative Council. Taiwan's president Chen Shui-bian referred to the recent events in Hong Kong immediately after his re-election and stated that they demonstrate that "the 'one country, systems model' has totally failed, and we will not accept it under any circumstances".³⁸

Beijing realises the problematic nature of the "one country, two systems" concept. Several Chinese mid-level officials and leaders of research institutes acknowledge this in informal discussions. In February 2004, a member of China's State Council working on Taiwan affairs said that "minor changes have occurred in the thinking of several senior figures during the past year". New concepts are being considered and analysed.³⁹ However, China's top leadership is still not ready to take the decisive step and publicly propose a new model or even hint at the possibility of another solution. One reason is prestige. Both parties believe that during the past few years, they have put forward new, generous proposals, but the other side has either turned these down or ignored them. Nevertheless, China's top leadership has stated on many occasions that everything is negotiable as long as Taiwan does not pursue independence.

If Beijing wants progress on the long road to reunification, it must give up the "one country, two systems" concept and accept a new kind of approach. The international community, including the European Union, has a role to play to affect this process. The European leaders could, when meeting Chinese leaders, point out that the "one country, two systems" model is a non-starter and emphasise the importance of finding a new concept in order to achieve a sustainable solution. Representatives of the Bush administration have underlined this to their Chinese counterparts since 2000.⁴⁰

According to Taiwan's National Reunification Guidelines, which were approved in 1991 and are still in force, reunification

presupposes the establishment of democracy and rule of law in mainland China to enable the implementation of a "one country, one system" model. It is noteworthy that a research report published in mainland China in December 2003 comes to the same conclusion. The report states that the Communist Party must in the long run find other than ideological means to legitimise its rule, and this development will inevitably lead to the legalisation of a multi-party system in China. When that happens, the report argues, the "one country, two systems" model will no longer be required for reunification – it will be possible to implement unification according to the principle of "one country, one system".⁴¹

If the Taiwanese today had to choose a model of reunification – and as stated above, reunification is not their wish in the short term – the only realistic concept would be a union of two equal parties. Lien Chan, chairman of the Nationalist Party KMT, proposed a confederation model in 2001. The confederation option outlined by Lien would constitute an interim solution. In the long run, the objective would still be reunification based on the principles of democracy, freedom and mutual well-being. Lien suggested that a dialogue be started on the basis of the 1992 consensus (there is only "one China", although the parties interpret the concept differently), after which a Taiwan Strait 'Peace Zone' be established to form a basis for the establishment of a federation.⁴² China does not approve of the confederation model because of the "one China" principle – according to Beijing sovereignty cannot be divided.

Over the years, countless models for reunification have been proposed as a solution to the impasse in the Taiwan Strait.⁴³ However, no concept agreeable to both parties has been derived to address the fundamental problem of sovereignty. Beijing does not accept equality as a starting point (union, confederation, etc.); from Taiwan's point of view, only a federation or union of equal parties is acceptable. It is fashionable among researchers to demand "innovative", "novel" and "unbiased" approaches to the problem – on a political level, neither side has shown any signs of this. Before there is political will to compromise, there will be no trust either. Without trust, political integration will not take place.

In the long term, the only conceivable peaceful solution to the so-called Taiwan question would be a loose political integration,

loose enough to provide Taiwan not only with credible guarantees that its political system will be safeguarded, but also with opportunities to participate in the international community more actively than today. In other words, in order to achieve its vital goal of reuniting mainland China and Taiwan, Beijing would have to accept both a loose framework for political integration and an unorthodox (but so far undefined) solution to the sensitive question of sovereignty in order to make room for Taiwan in the international community. Taiwan for its part would have to refrain from talk about independence and accept that its fate is linked, in one form or another, with that of mainland China.

The key to solving the Taiwan question could be found in the traditional Chinese approach to power and acknowledgement of a ruler's legitimacy. The vast, multicultural Chinese empire was for centuries partly ruled by means of complex and ceremonial protocol. Social institutions and ceremonies were the glue that held the Chinese together for thousands of years, even when China was conquered by foreigners at various times (e.g. the Mongolians, Manchus). The Chinese identity did not require conversion to a rigid dogma, or a confession of faith or acceptance of a certain ideology, but rather it emphasised orthodox behaviour and observance of rituals. In simplified terms it can be said that correct behaviour was institutionalised in imperial China. Acknowledgement of the emperor's legitimacy relied explicitly on the acceptance and performance of these rituals. Form was more significant than content – orthopraxy was more important than orthodoxy.⁴⁴

One model that has been proposed is that of a "Greater Chinese Union", which would nominally function as a form of unifying structure between China and Taiwan. Both parties would still be responsible for governing their own territories – exactly as in the current *de facto* situation. The "Greater Chinese Union" could have all the ceremonial trappings of a sovereign state, such as its own flag and national anthem. A supreme council, composed of Chinese and Taiwanese representatives, would formally be in charge of the "Greater Chinese Union". Meetings of the council could be held annually on various historical anniversaries to discuss, for example, new co-operation projects. The "Greater Chinese Union" would represent China in the United Nations. In the General Assembly and Security Council, Beijing would be the Greater Chinese Union's sole representative, but Taiwan could be

active in the UN's sub-organisations (UNICEF, WHO, UNDP, etc.) as a separate delegation under the name "Taiwan, Greater Chinese Union". On the same asymmetrical principle, Taiwan could also function in other international organisations.⁴⁵

To make the "Greater Chinese Union" or any other political integration possible, even in the long term, much more than closer economic integration must take place on either side of the Taiwan Strait. Beijing places unwarranted trust in the magic of economic forces. Mainland China must implement genuine political reforms. Taiwan's democracy must become more mature. There is a need on both sides for visionary and bold leaders, who are courageous enough to steer public opinion towards acceptance of realistic compromises. In the case of China, such a leader would pursue a policy that would not merely advocate an extremely loose framework for political integration, but would also accept a more active role for the Taiwanese in the international arena. Hu Jintao's idea of winning the hearts of the Taiwanese is a step in the right direction, but the idea needs to be realised by concrete measures. As for Taiwan, a visionary leader would emphasise that geographical realities have to be acknowledged and underline a multi-dimensional identity, part of which consists of Chinese identity and cultural tradition. If Lee Teng-hui was able to get his concept of a "new Taiwanese" accepted in the 1990s in order to reduce friction between the "mainlanders" and the "Taiwanese", another type of leader could perhaps create a new concept of a "multi-Chinese identity" focusing on the benefits of cooperation. However, time is running out. The longer China is perceived as a threat and an adversary that looks down on Taiwan, the further the Taiwanese will proceed in developing an identity of their own.

In any reunification model, the concern felt by the Taiwanese for their own security must be addressed. Prior to the Taiwanese presidential elections on 20 March 2004, Chen Shui-bian made a peace proposal, in which the idea of a demilitarised zone in the Taiwan Strait was one component.⁴⁶ Today, Beijing rejects the idea of demilitarisation, but in the long term, an arrangement similar to the Åland Islands model could be a part of a political solution, as long as the status of Taiwan can be secured through security guarantees, either by the US alone or by the entire international community through the UN.⁴⁷ Any political model

of integration will require international guarantees. Although in public Beijing is still adamant that reunification is an issue to be dealt with by Chinese and Taiwanese, mainland Chinese officials working on the Taiwan question have, in unofficial discussions, implied that Beijing is prepared to make concessions on this point, too, if it would lead to political integration.⁴⁸

The interests of the United States play as central a role in outlining a long-term solution to the Taiwan question as they do in considering scenarios for the near future. George W. Bush stated clearly, in December 2003, that the United States is in favour of continuing the *status quo*. This is the objective of Washington's policy. According to some observers, a reunified China is not in the interests of the United States, even though representatives of the Bush administration in Washington deny this and affirm that they will accept any solution the parties agree on unanimously. According to a high-ranking official of the Bush administration, it is mistaken to think that a reunification could be prevented if both parties were in favour of it. "If Taiwan is comfortable with the mainland, what could we do about it? We ourselves would, with all probability, be comfortable too with that kind of China," the official said.⁴⁹

In time, it is possible that United States' support for Taiwan will weaken. As China's influence grows, Beijing will exert more and more pressure on Washington to push the Taiwanese toward the negotiation table. Were political reforms to be implemented in the next 20 years with the same success as the economic reforms of the past 20 years, China would, by the year 2025, be a much more pluralistic and open society. The notable differences between the political systems of mainland China and Taiwan today would be far less significant. And if cooperation between Washington and Beijing becomes even closer, China's importance for Washington will grow, making it more attractive for Washington to eliminate a major cause of friction in the relations between the two countries. Several China scholars have warned of the risks for Taiwan of becoming marginalized.⁵⁰ Moreover, a younger generation of political decision-makers in the United States, who did not grow up during the Cold War, may, in 20 year's time, not necessarily regard Taiwan as worth defending.

Whether China will change and adopt more pluralistic political values is, of course, debatable. But whether China is

ruled by the Communist Party or by some other elite, it would not lead to a change in Beijing's view of the basic premises for Taiwan's future. It is unrealistic to imagine a Chinese government that would be willing to give up the goal of reunification and accept a fully sovereign state of Taiwan recognised by the international community. But the rest of the world's approach toward China's uncompromising stance on Taiwan's sovereignty could change if China's favourable development were to drastically slow down and if the country were to become weak. China's demands would not necessarily be taken into consideration to the extent that they are today. When the Soviet Union's power was at its peak, the rest of the world would not support the independence of the Baltic states or Ukraine, for example. After the collapse of the Soviet Union, the situation changed more or less overnight.



The Taiwan Question and the European Union

During the past few years, Europe's relations with China have become closer. Interaction between China and the EU as well as between China and individual EU states has gained momentum at all levels and in all fields.

When European Commission President Romano Prodi visited Beijing in October 2003, three agreements were signed. They reflect the increasing importance attached to EU-China relations. The first agreement provides for China's participation in the European Galileo satellite navigation system.⁵¹ The second agreement concerns consultation to co-ordinate the parties' decisions on industrial policy. The third agreement makes it easier for Chinese tourists to visit 15 European countries (including Finland), and it is therefore realistic to expect that the number of Chinese tourists will increase considerably, already next year.

Both China and the EU are determined to deepen their relations even further. The heads of almost all the EU states have visited Beijing during the past three years. Javier Solana, EU High Representative for the Common Foreign and Security Policy, is known to have made a particular effort to establish good personal relations with the Chinese leadership. For example, he reportedly maintained regular telephone contact with China's former Foreign Minister Tang Jiaxuan and this pursuit of personal dialogue has continued with Foreign Minister Li Zhaoxing.⁵²

China is a significant market for the EU; above all as a market that is expected to grow for many years, if not for several decades. For some EU states, for France in particular, China is also an increasingly important political partner, seen as a counterbalance to the United States. The joint naval exercise off China's coast, held by France and China in March 2004 was part of France's recent efforts to strengthen cooperation with China.

The EU is important to China for several reasons:

- The EU is expected to become China's most important trade partner (overtaking the US and Japan) within the next five years⁵³;
- Beijing prefers a multipolar international system to a unipolar system dominated by the United States;
- The EU member states do not apply as strict regulations on exports as the United States, which enables European companies to sell China technology that US companies cannot sell (export restrictions applying to dual-use technology).⁵⁴

China issued its first "EU Policy Paper" in October 2003.⁵⁵ It states that the common ground between China and the EU far outweighs their disagreements. The EU is expected to become China's largest trading and investment partner. The section of the paper on political relations stresses that the "One China" principle is an important cornerstone underpinning China-EU relations, and that the proper handling of the Taiwan question is essential for the steady growth of China-EU relations. It explicitly points out that the EU should:

- prohibit visits by any Taiwan political figures to the EU or its member countries, under whatever name or pretext, and refrain from engaging in any contact or exchange of an official or government nature with Taiwan authorities;
- not support Taiwan's accession to or participation in any international organisation whose membership requires statehood; EU exchanges with Taiwan must be strictly unofficial and non-governmental;
- refrain from selling Taiwan any weapons, equipment, goods, materials or technology that might be used for military purposes.

The EU countries have no military interests in East Asia. Unlike the United States, the EU has no commitment to defend Taiwan. This is why China-EU relations lack the discord that is a constant irritant in US-China relations. In a policy paper on the shared interests and challenges in EU-China relations issued by the EU in September 2003, the Taiwan question is mentioned, stressing EU insistence that a peaceful resolution be reached through dialogue. In addition, it states that the EU underlines its interest in developing closer links with Taiwan in non-political fields, including multilateral contexts, in line with the EU's "One China" policy.⁵⁶

In reality, however, both the EU headquarters in Brussels and

individual EU states are very cautious about developing relations with Taiwan. Since there is no Taiwan lobby promoting Taiwan's interests in most of the national parliaments of the EU countries, Beijing, due to its increasing global influence, has been able to put pressure on the political leaders of EU countries and persuade them not to comply with Taiwan's efforts to open up more space for itself in the international arena.

When Taiwan's President Lee Teng-hui began to stress Taiwan's special status in relation to China in the mid-1990s, Beijing's representatives made increasing efforts to restrict the freedom of action of Taiwan's representatives abroad. In other words, the more the Taiwanese have expressed their desire to be treated abroad as citizens of a democratic society that deserves respect and is separate from China, the more Beijing has exerted pressure on foreign representatives. The only significant factor that has changed is the influence of China's pressure. The more important China has become as an economic superpower and as an increasingly significant player in international politics, the more inclined the representatives of other countries and international organisations have been to cave in to Beijing's demands.

For the last couple of years, diplomats of the People's Republic of China working in Europe have been even more vigilant than before to ensure that Taiwan's representatives are not allowed to participate in international functions, not even in events organised by non-governmental organisations (NGOs). Today, China gets its way considerably more often than in the past by putting pressure on the authorities of the host countries. Chinese diplomats are known to make vague threats. These imply China's intention to only conduct trade with countries that respect Beijing's views on the situation in the Taiwan Strait and consistently follow the "One China" policy.⁵⁷

An example of China's efforts to use its influence to isolate Taiwan internationally was the invitation extended to Taiwan's President Chen Shui-bian by the European Parliament to visit the Parliament on March 26, 2003. Both in its public comments and behind the scenes, China strongly disapproved of the visit and said it was contradictory to the "One China" principle. A week before President Chen's scheduled trip to Brussels, the Taiwanese were forced to cancel the trip, as the Belgian Foreign Ministry denied Chen a visa.⁵⁸ The Taiwanese expressed regret

about the decision and pointed out that Dalai Lama and Yasser Arafat, among others, have given speeches at the European Parliament.⁵⁹ There are numerous examples of Taiwanese scholars being excluded from international conferences and seminars. One recent one is the international conference on Asian and European security organized by the Asia Europe Foundation (ASEF) in April 2004 to which Taiwanese representatives were not invited at the request of the Chinese.⁶⁰

EU's embargo on arms sales to China

China's "EU Policy Paper" concludes with a sentence calling for the EU to lift its ban on arms sales to China. The EU and the United States imposed an embargo on arms sales in 1989 to protest the Beijing government's decision to use force against unarmed civilians in suppressing the Tiananmen democracy movement in June 1989.⁶¹ The United States opposes lifting the embargo on arms sales and has tried to influence EU representatives by appealing to the situation in the Taiwan Strait – it is believed that Beijing will in any case gain the upper hand in the arms race in the Taiwan Strait by the end of this decade. If China were able to acquire European weapons technology, the balance would tip more rapidly and even more clearly in China's favour.

The EU summit in March 2004 failed to reach a consensus on lifting the ban on arms sales. According to EU diplomats working in Beijing, it is possible that the ban will be lifted at the EU summit in December 2004, but more probably later on, in 2005. Javier Solana is known to support the lifting of the embargo.⁶² The European Parliament, on the other hand, voted against lifting the embargo by a clear majority in December 2003 (373 votes against, 32 votes for, 29 abstentions).

Many Western diplomats working in Beijing point out that the embargo on arms sales is a good example of how skilful China is in exploiting internal disagreements within the EU. Many EU countries were taken by surprise when Italian Prime Minister Silvio Berlusconi (who at the time was also head of the country holding the EU Presidency) talked about lifting the embargo on arms sales when he visited Beijing together with Romano Prodi, President of the European Commission, in October 2003.

At that time, the EU member states had not yet seriously discussed the matter among themselves. A diplomat who participated in the visit said that Berlusconi went much further in his commitment to lift the embargo in his discussions with his Chinese hosts than could be inferred from his comments to the media.⁶³

Next, when visiting China in December 2003, German Chancellor Gerhard Schröder stated that Germany and France are willing to end the ban on arms sales. French President Jacques Chirac confirmed this when he hosted Chinese President Hu Jintao's visit to Paris in January 2004. Chirac said: "The arms embargo on China makes no more sense today."⁶⁴ This gave way to a retort that circulated among EU diplomats in Beijing at the beginning of 2004: "Of course it no longer makes sense – France has never been too worried about whether the embargo on arms sales is in effect or not." In private discussions, European diplomats and commercial representatives working in China often say that the French have actively sold dual-use technology to the Chinese for the past 5 to 8 years, regardless of the ban on arms sales.⁶⁵ French companies are not the only ones who have ignored the embargo. According to statistics compiled by the UN, besides France, at least Germany and the UK have sold "bombs, ammunition and mines" to China in 2002, despite the embargo.⁶⁶ In addition, the definition of dual-use technology has always been open to varying interpretations. The EU regulation on exporting dual-use items and technology was adopted in 1995 and it is a legally binding EU law. However, the Code of Conduct on Arms Exports, agreed on by the EU states three years later, is not legally binding.

France and Germany have their own vested interests in ending the ban on arms sales. In fact, the strong public support voiced by France's and Germany's political leaders for lifting the embargo is believed to have increased these two European countries' standing in Beijing.⁶⁷ France and Germany have several significant tenders under consideration in China, in the energy sector, for example. Both these countries also want to ensure that their companies win the bid to construct a high-speed train (Beijing-Shanghai line). France aspires to steadily increase overall sales of Airbus planes to the Chinese.

EU enlargement was one reason why Germany and France were in such a hurry to resolve the embargo issue. It was generally acknowledged that after May 1st, 2004 it would be more difficult

to lift the embargo, as many new EU member states are more susceptible to US concerns and pressure, thus making them opponents of lifting the embargo.⁶⁸

Furthermore, it is possible that France wanted to curry Beijing's favour before the launch of a satellite, sold by the French to Taiwan, which is designed to perform remote sensing. ROCSAT 2 has not received much publicity, but it is a good reminder that at least French representatives of the armaments industry see both China and Taiwan as lucrative markets.⁶⁹

Diplomats of several smaller EU countries complained in Beijing in February 2004 that the way in which France and Germany had "sabotaged" the process of lifting the arms sales embargo has caused disdain in foreign ministries around Europe. Some thought that it was too early to lift the embargo and pointed out that the embargo was the only "stick" that the EU had at its disposal in its dealings with China. At the same time, they also pointed out that China was skilfully pursuing its own "stick and carrot" policy. Others saw the importance of relations with China as growing to such an extent that it was indeed time to consider abandoning the embargo. The only view shared by all was that the haste with which Italy, Germany and France had acted had substantially weakened the EU's position at the negotiating table.⁷⁰

According to EU sources, in meetings with European diplomats in Beijing, Chinese officials have stressed the importance of lifting the arms sales embargo. On the other hand, American diplomats have actively put pressure on representatives of EU member states to ensure that the embargo will remain in place.

American diplomats have actively put pressure on representatives of EU member states to ensure that the embargo will remain in place. The arms embargo issue is a source of deep concern in Washington. During the autumn of 2004, American political observers warned that the troubled relationship between Europe and the United States is in danger of becoming even more tense. The U.S. reaction to a EU decision to end the ban "would be starkly and unequivocally negative."⁷¹ From the US point of view, Taiwan-China is the issue in the international arena with the "most potential to cause real harm," according to Richard Haas, President of the Council on Foreign Relations in Washington DC.⁷² The notion of American soldiers possibly confronting

Chinese soldiers, armed with European military equipment, is looked upon as a viable concern.

EU member states have discussed possible terms and conditions that China should be expected to meet before the embargo on arms sales can be lifted. Most of the proposals are unrealistic, for example, the condition that China should abolish the death penalty. A proposal worth consideration, but a measure requiring a lengthy process, is the demand that China ratify the UN Covenant on Civil and Political Rights. (China has signed the Covenant, but not yet ratified it.) The Chinese authorities have indicated that they intend to move forward in this regard, but that ratification will require amendments to China's constitution, which will take time.⁷³

The meeting of the EU Foreign Ministers in January 2004 discussed the embargo on arms sales. It was decided to commission three research reports for the meeting to be held on April 26, 2004. The topics of the reports are EU-China relations, the human rights situation in China, and examination of the EU's Code of Conduct and how it could be strengthened. No report was directly commissioned on the impacts that lifting the embargo might have on Taiwan's situation, although according to a representative working for the European Commission in Beijing "the issue of Taiwan is always implicitly present when the embargo on arms sales is being discussed."⁷⁴

The EU member states that support lifting the embargo appeal to the EU's Code of Conduct, saying that it in itself prevents Europeans from selling weapons that could be used for suppressing internal conflicts and exercising external aggression. In addition, weapons cannot be sold to a country where there have been serious violations of human rights; i.e. on the basis of this Code of Conduct alone, certain types of weapons could not be sold to China. From the standpoint of those in favour of ending the ban, lifting the embargo would be a symbolic act, which China deserves now that it has become an economically and politically important global player. China's view is that the embargo on arms sales cannot remain in place, if the EU genuinely wants to develop a strategic partnership with China. Besides China, the countries on the EU arms embargo list are looked upon as international outcasts (Myanmar, Zimbabwe, Sudan).⁷⁵

Trade between Finland and China 2001-2003

	exports, mil. euro	% of total exports	change %	imports, mil. euro	% of total imports	change %	total trade value, mil. euro
2001	1257,1	2,6	-14		3,1	-2	163,8
2002	1201	2,5	-5	1244	3,5	13	-44
2003	1277	2,8	5	1570	4,3	25	-293

Trade between Finland and Taiwan 2001-2003

	exports, mil. euro	% of total exports	change %	imports, mil. euro	% of total imports	change %	total trade value, mil. euro
2001	234,3	0,5	-41	311,7	0,9	-4	-77,4
2002	140	0,3	-40	265	0,7	-16	-124
2003	296	0,6	111	260	0,7	-2	37

Trade between Finland and Hong Kong 2001-2003

	exports, mil. euro	% of total exports	change %	imports, mil. euro	% of total imports	change %	total trade value, mil. euro
2001	472,9	1	-5	119,8	0,3	-24	353,1
2002	533	1,1	13	92	0,3	-24	441
2003	408	0,9	-24	100	0,3	9	308

Source: Finnish customs statistics

On the other hand, the report on the Code of Conduct commissioned by the EU Foreign Ministers states that the Code has traditionally been regarded as applying to the sales of traditional weapons and not necessarily to the sales of advanced technology designed for surveillance and the control of missile systems, which is China's primary interest. According to a European expert familiar with China's military needs, in order to modernise its missile systems, China is in urgent need of the most advanced communications technology that falls under the category of dual-use technology.⁷⁶ This is something that Russia cannot offer China; China continuously buys more traditional military equipment from Russia.

Table 4

Finland's exports to mainland China, Taiwan and Hong Kong combined comprised 4.3% of Finland's total exports.

The countries that are sceptical about lifting the embargo on arms sales believe that compliance with the EU's Code of Conduct and the regulation on dual-use technology are not monitored in the EU member states, certainly not in the same way as they are in the United States, where every sale that may include dual-use technology is scrutinised and requires an export licence. Those who are opposed to lifting the embargo point out that there are European companies that might be willing to sell China dual-use technology and take the risk of being caught for infringement of the Code of Conduct.⁷⁷ They appeal to the situation in the Taiwan Strait and say that lifting the embargo would weaken Taiwan's ability to defend itself. The opponents also believe that since the embargo on arms sales was imposed due to flagrant violations against human rights, China should make concrete headway in the area of human rights before the embargo is lifted.

The lifting of the embargo on arms sales is supported by France, Germany, Italy, Spain and the Netherlands. The Dutch Parliament voted in favour of a resolution opposing the lifting of the embargo on December 19, 2003, but subsequently the government has implied that it supports ending the embargo. It is assumed that the UK was at first in favour of lifting the embargo, but that it is now opposes it due to pressure from the US.

Sweden's situation is the most complex: it does not want to break EU consensus, but the governing Social Democrats do not want to be "beat up on by the Folkpartiet and other opposition parties" in parliament either.⁷⁸ Unlike Finland, Sweden has a rather active Taiwan lobby in parliament. The opposition parties, spurred on by the Folkpartiet, have continuously demanded that the Social Democrats adopt a more resolute stance toward human rights issues in China and toward the Taiwan question. In January, the Folkpartiet's leader demanded that Sweden oppose lifting the embargo on arms sales.⁷⁹

Finland has followed France's lead on the embargo issue, though it has kept a low profile. According to a representative of the Finnish Foreign Ministry, Finland's support for lifting the embargo is based on the view that the Code of Conduct is a more efficient tool for controlling weapons exports than an embargo on arms sales imposed in the emotionally turbulent situation following the events of 1989. In Finland's view, ending the embargo would not mean that weapons could freely be exported

to China. Finland has not taken any stand on the controversy regarding the fact that the Code of Conduct is not legally binding, nor on the question of whether compliance with the Code of Conduct or the regulation on dual-use technology is monitored in EU countries. The latter also applies to advanced technology that can be used for military purposes.⁸⁰

Finland's choices

From Finland's point of view, there are three central questions related to the so-called Taiwan question:

- What policy should Finland pursue within the EU to promote stability in the Taiwan Strait?
- Is it in Finland's interest to try to influence the Taiwan question?
- Does Finland have purely economic interests with regard to China and Taiwan, or should the fact that Taiwan is a democracy influence its policies?

The impact of an armed conflict between China and Taiwan would affect China's stability, economic growth, and modernisation efforts and therefore, even though Taiwan is situated far from Europe, the effects of a military clash would also be felt in Finland. From Finland's point of view, the most negative consequences would be economic ones. An escalation of tensions leading to a serious crisis is naturally not in anybody's interest.

Only a serious crisis would force EU decision-makers to scrutinise their Taiwan policy in greater detail. At present, the EU has only one guiding principle: recognition of the "One China" principle. European leaders have not re-examined their Taiwan policy so that it would take into account the impact of recent developments in Taiwan on the "One China" principle. As the primary interests of every EU country in China are economic, economic issues determine the policies of each country.

None of the EU countries would be ready to sacrifice much for Taiwan's democracy. In the words of a Finnish Foreign Ministry official: "The situation would be rather similar to that of Finland in the Winter War; should war break out in the Taiwan Strait, other countries would convey sympathy, but would not be forthcoming with any concrete help."⁸¹

However, if China were to use force against Taiwan, there would be subtle differences within the EU when countries considered possible punitive actions against China. It can be assumed that Sweden, Denmark, and the United Kingdom would support the harshest criticism and the strictest punitive measures, whereas France, Germany, Italy, and Spain would be the most cautious. Finland has followed France's policy on the arms sale embargo issue, but if a serious crisis were to break out, a discussion would presumably take place in Finnish Parliament as to "how cynical a choice Finland could afford to make."⁸²

What policy should Finland pursue within the EU to promote the maintenance of stability in the Taiwan Strait? Finland should alone, and as a member of the EU, firmly adhere to its stand that, on the one hand, it opposes the use of force by Beijing to resolve the Taiwan question, and on the other hand, that it has no intention of recognising Taiwan's independence. In addition, Finland should encourage Beijing to adopt a new approach toward Taiwan's future facilitating the replacement of the present reunification model ("one country, two systems") with a more appropriate model for political integration, one that conforms to the realities in Taiwan today. Since in off-the-record discussions officials in Beijing have indicated China's readiness to adopt a more open-minded attitude, both toward developing a new model and toward outsiders playing a role in reducing tensions, even a small country like Finland could, in its own modest way, influence the situation.

It is outdated to assume that Chinese representatives will be offended by attempts to discuss delicate issues, such as human rights violations in China or options for resolving the Taiwan question. Today, these are routine topics of conversation when Chinese leaders meet their foreign counterparts. The people responsible for China's foreign policy are experienced government officials, well-versed in the art of debate. During the past few years, China's foreign policy has become more liberal. China actively strives to create an image of itself as a country that is becoming a great power by peaceful means. Especially with regard to Taiwan, Chinese officials candidly admit that the question is of paramount importance to China. They have also acknowledged that outsiders have their own interests in helping to maintain stability in the Taiwan Strait. This means that, as long as Taiwan's

independence is not considered an option, anything can be discussed – and should be discussed.

There is no reason for Finland to turn its back on Taiwan. It is much more constructive to encourage the Taiwanese to accept that, in one form or another, their destiny is linked to that of mainland China. This is a geographical reality. However, it does not mean that the Taiwanese can be expected to accept a model of political integration that does not genuinely guarantee their right to continue living in a free, democratic society. As stated earlier in this report, international guarantees are a minimum requirement.

There is no reason why Finland should adopt the lowest of profiles of the Nordic countries in its relations with Taiwan. Finland could make efforts to strengthen non-political relations, as proposed in the EU policy paper of 2003. Finland is extremely careful in its dealings with Taiwan, unnecessarily fearful of China's reactions. Finland's Taipei office was unoccupied for a long time; at the moment Finland is represented in Taiwan by a trade official.

The Finnish government should raise its profile in Taipei. A retired ambassador would be a suitable, unofficial representative of Finland to head the Finnish office in Taipei, which would primarily concentrate on economic and cultural relations. He or she could also be responsible for reporting on political and economic developments in Taiwanese society. Sweden's Taipei office is headed by a long-serving career diplomat, who has formally resigned from the Swedish Foreign Ministry. Germany, France and the UK each have Foreign Ministry representatives in charge of their Taiwan offices.⁸³ The European Commission opened its European Economic and Trade Office in Taiwan in 2003.

In discussions with Chinese authorities it is evident that Finland is known for its role as a mediator; above all, former President Martti Ahtisaari's efforts during the Kosovo crisis are often spontaneously brought up in connection with Finland. On the other hand, several Taiwanese researchers and officials are aware of Finland's political history and like to point out similarities between Finland's political history and Taiwan's current situation: in both cases, a well-educated small population living in a democratic society has experienced pressure from a large neighbour in which the Communist Party holds absolute power.

Finland's most valuable contribution could be to provide a forum that would initially enable regular meetings between Chinese

and Taiwanese researchers and experts. Today, mainly American research institutes, universities and organisations provide settings for discussions to take place between representatives of both sides of the Strait. The United States, however, is not an outsider in the Taiwan question, and therefore it would be desirable that European research institutes, universities and organisations would facilitate similar seminars including Chinese and Taiwanese researchers and officials. In China and Taiwan, researchers and specialists have their own channels through which they can convey possible new ideas to decision-makers in their own societies.

The question whether it is in Finland's interest to try to influence relations between Taiwan and mainland China, or whether Taiwan's democracy is of importance is more problematic, and the answer is not as clear-cut. By following France's lead, the Finnish government can hope to benefit from being viewed as a favourable partner by the Beijing leadership, i.e. to possibly help Finnish companies to win bids in projects in which Beijing's decision-makers have a say. Such projects are usually associated with sectors that are still controlled by the state, such as the energy sector and public transport, or in conjunction with huge infrastructure projects that are wholly or partly funded by the state.

On the other hand, one should keep in mind that China's economic growth is, to an increasing extent, driven by the private sector and joint ventures involving foreign companies and the Chinese. Chinese authorities have less influence on the decisions of the private sector; though, in the private sector too, obtaining permits and securing loans are still dependent on the good will of the authorities.

In discussions with Finnish and other European diplomats about possible "retaliatory actions" by China, China's actions against Denmark in 1997 are almost without exception mentioned.⁸⁴ The United States persuaded Denmark to propose a resolution condemning China's human rights record in the UN Commission on Human Rights, which meets annually in Geneva. As was to be expected, China was furious. Beijing warned Denmark that its actions would "become a rock that will smash the Danish government's head."⁸⁵ Even though the United States and the majority of the EU states supported Denmark, China's intimidation tactics against other countries resulted in the rejection of the resolution. Four EU states – Spain, Italy, France

and Germany – voted against it. Finland voted with the majority in favour of the resolution condemning China's human rights record.⁸⁶ Not a single commercial contract is known to have been lost due to the actions of the Finnish government. On the contrary, a representative of the Chinese Foreign Ministry who visited Finland with China's Deputy Prime Minister at that time assured the Finnish government that Chinese-Finnish relations would remain on track regardless of Finland's stance.⁸⁷

Naturally, the exact price of Denmark's actions is not known; according to an estimate by a Danish researcher on China, representatives of Danish businesses lost deals amounting to a total of DKK 1.5 billion (USD 235 million at the 1997 exchange rate).⁸⁸ However, on the basis of Denmark's export statistics, the value of Danish exports to China fell between 1997 and 1998 by just one fifth of this estimate, DKK 319 million (USD 50 million). The decrease from 1997 to 1998 was some 13 per cent. In 1999 Denmark's exports to China picked up again and the value was almost the same as in 1997. In 2000 exports grew considerably, and the total value exceeded that of 1997 by DKK 1 billion.⁸⁹

On the basis of Sweden's export statistics, one can conclude that Swedish companies have not suffered at all from the Swedish government's decision to adopt a more stringent policy toward China than France in human rights issues or on the Taiwan question. In 1998, Sweden's exports to China grew 33 per cent compared to the previous year.

An individual company may report a single deal that it assumes to have lost on account of the Chinese authorities. China wants to avoid dependence on any single company or any single country in every sector, and therefore favours competitive bidding among foreign companies. What is lost today can be regained tomorrow in cases where China wants to reprimand the country of a bidder.

Swedish and Danish diplomats and political leaders have admittedly been chastised by Chinese authorities in meetings between representatives of the countries. There have been events in Beijing to which Swedish and Danish diplomats have not been invited, to signify China's disapproval. However, according to Swedish diplomats working in Beijing, it is difficult to point to a business transaction that a Swedish company has lost merely on account of the country's political choices.

When a country's trade and industry representatives presume

that they have fallen into disfavour in Beijing, an undefined cloud of fear hangs in the air, especially since political considerations override economic goals in China. However, with the exception of the case of Denmark in 1997, it is impossible to credibly say whether falling in to disfavour is merely a suspicion or whether it has ever actually been the case.

It should be noted that exports to China from the EU states mentioned above account for only a small proportion of total exports from these countries: the proportions in 2003 were 2.8% for Finland, 2.75% for Germany, 2.14% for Sweden, 1.4% for France and 1.14% for Denmark. At least so far, European exports to China, the country commonly referred to as a market of over a billion people, are still modest when compared to total exports of European countries.

Every EU state wants to improve its economic relations with China. This is China's goal, too. But China also wants to be respected as a major power in the field of international politics. Simultaneously, it continuously seeks to resolve the most severe problem affecting its external relations, the unresolved future status of Taiwan. By encouraging genuine dialogue and supporting the initiation of new political integration concepts, Finland can win China's confidence and, in its own small way, promote peace in the Taiwan Strait.



DO YOU WANT TO KNOW MORE?

The International Crisis Group's (www.crisisweb.org) four-part Taiwan Strait report series, published in 2003 and 2004, provides an in-depth overview of the complexities behind the tensions in the Taiwan Strait. The first report is a background study, describing how the 'One China' formula has eroded (I), the second report examines the risk of military confrontation and how this might be contained (II), and the third report analyses the present political situation (III). The fourth report takes the long-term perspective and discusses the prerequisites for a political settlement and what a political solution might look like (IV).

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Richard C. Bush, *Untying the Knot. Making Peace in the Taiwan Strait*, Washington DC: Brookings Institution Press 2005. American specialist on the China-Taiwan relationship analyses the prospects for peace in the Taiwan Strait as well as the role and options of the United States in conjunction with Taiwan's unresolved future.

Jay Taylor, *The Generalissimo's Son. Chiang Chiang-Kuo and the Revolutions in China and Taiwan*, Cambridge, MA: Harvard University Press 2000. A fascinating biography of Chiang Kai-shek's son and successor weaved together with an account of Taiwan's transformation to a democratic society.

Denny Roy, *Taiwan. A Political History*, Ithaca, NY: Cornell University Press 2003. A concise overview of Taiwan's modern history.

Joakim Kreutz, "Reviewing the EU Arms Embargo on China: the Clash between Value and Rationale in the European Security Strategy", *Perspectives. The Central European Review of International Affairs* 22/ 2004. A detailed discussion of the dilemma facing the EU collectively and EU states individually when contemplating ending the arms embargo on China.

Robert Niblett, "The United States, the European Union, and Lifting the Arms Embargo on China", *EuroFocus*, vol. 10, no. 3, 30 Sept 2004, Washington: Center for Strategic and International Studies <http://www.csis.org/europe/eurofocus/v10n3.pdf> An assessment of the momentum within the European Union to lift the arms embargo on China from the point of view of the United States and an evaluation of what measures the EU should take to soften the negative impact that ending the ban will have on the trans-Atlantic relationship.



References

¹ Specialists from mainland China (Chu, Shulong; Jia, Qingguo) and Taiwan (Lai, I-Chung; Su, Chi) as well as from Finland (Jakobson, Linda), France (Cabestan, Jean-Pierre), Great Britain (Tsang, Steve) and the United States (Harding, Harry; Lampton, David M.) gave talks at the seminar “The Volatile Taiwan Strait: Can Peace be Achieved?” in Helsinki 12 May 2004. For abstracts and summaries of papers presented at the seminar, see website: http://www.upi-fiia.fi/english/navigation/events_frameset.htm.

² Beijing has retained the right to use force against Taiwan in four instances: if the island were to proclaim independence; if widespread unrest were to break out on the island, were the island to fall into the hands of a foreign power or – in a stance made by Beijing in 2000 – were Taiwan to endlessly prolong negotiations on reunification.

³ In the referendum, the voters were asked whether Taiwan should allocate more funds to defence if China refuses to remove the missiles targeted at Taiwan and whether Taiwan’s leaders should pursue political negotiations with mainland China. The opposition parties urged voters not to take part in the referendum. As a result, only about 45 per cent of the electorate participated in the referendum. Because Chen Shui-bian received 50.1 per cent of the votes in the presidential election, and the opposition candidate, Lien Chan, 49.9 per cent, one can assume that approximately five per cent of Chen’s voters favoured him as president but opposed provoking China and did not support his referendum initiative.

⁴ Interview in Beijing on March 16, 2003.

⁵ Taiwan still governs the small islands of Matsu (Mazu) and Quemoy (Jinmen), which are situated more than 150 kilometres from Taiwan’s main island but only a few kilometres from the mainland. These islands have fewer than 30,000 inhabitants in total.

⁶ Since the Singapore meetings, whether or not the two parties agreed to interpret “One China” in their own way, often referred to as the “1992 consensus” (a reference to the agreement to hold the 1993 Singapore talks), has been contested by both sides. For example, after taking office in 2000, Taiwan’s President Chen Shui-bian said that Taipei and Beijing did not reach a consensus on the “one China” issue in 1992. According to Chen, Taiwan does not accept Beijing’s claim that the “one China principle” is a consensus between both sides and Beijing does not agree with Taipei’s take of “one China, respective interpretations.” China News Agency 21 October 2000, <http://www.fas.org/news/taiwan/2000/taiwan-001021-chn.htm>. See also *Taiwan Strait I: What’s Left of ‘One China’?* ICG Asia Report no. 53, Brussels: International Crisis Group, 6 June 2004, p. 7-8, 16; Denny Roy, *Taiwan. A Political History* (Ithaca: Cornell University Press, 2003), p. 219-220.

⁷ Full text of Jiang Zemin’s proposal available at http://www.gwyth.gov.cn:8088/detail.asp?table=JiangEP&title=Jiang+Zemin%27s+Eight%2Dpoint+Proposal&m_id=3. In April 1995 Taiwan’s President Lee Teng-hui responded with his own proposal of “Six Principles”. Lee insisted Beijing accept that there are two Chinese governments.

⁸ Jean-Pierre Cabestan, “Integration without Reunification?” *Cambridge Review of International Affairs*, vol. 15, issue 1, 2002, p. 95.

⁹ To ensure clarity, two terms are used in this section: “mainlanders” and “Taiwanese”. In Chinese the “mainlanders”, who emigrated to Taiwan in the 1940s, are called *wai sheng ren* (literal translation: external province person(s)), whereas the term *ben sheng ren* (local province person(s)) is used for the “Taiwanese”, who have lived on the island for several generations. In turn, the “Taiwanese” can be divided into two main groups. The majority originally came from the province of Fujian on the other side of the Strait, and their descendants speak as their mother tongue “the Taiwanese language” (*Minnan*) which resembles the Fujianese dialect. A smaller part of the “Taiwanese” population is made up of the *Hakka* minority, who also has its roots in Fujian or the adjacent province of Guangdong. Some Hakkas are ethnically non-Chinese. Hakka people have their own dialect, *Hakka*. “Mainlanders” mainly speak “standard Chinese” (Mandarin) at home; nowadays more or less all people living in Taiwan can also speak Mandarin. In 2000, Taiwan’s population was 22 million: 14% were “mainlanders” (*wai sheng ren*), 75% were *Minnan* Taiwanese and 10% *Hakka* Taiwanese. The proportion of the indigenous population, the Aborigines, is less than 1%.

¹⁰ Interview in Taipei in February 2000.

¹¹ Roy, *Taiwan. A Political History*, *op. cit.*, p. 212.

¹² The body overseeing Taiwan’s cross-Strait relations, the Mainland Affairs Council (MAC), has studied Taiwanese opinions on reunification for several years. See <http://www.mac.gov.tw/english/index1-e.htm>, <http://www.mac.gov.tw/english/english/pos/9211/p9211e.htm>, http://www.mac.gov.tw/english/english/pos/9211/9211e_2.gif.

¹³ On the website of the body overseeing Taiwan’s cross-Strait relations, the MAC, there is a table showing visits to mainland China by Taiwanese. The first statistics are from 1988. By the end of 1995, more than 10 million visits by Taiwanese to mainland China had been recorded (the same person might have visited China several times): <http://www.mac.gov.tw/english/english/foreign/28.gif>.

¹⁴ Interview with Su Chi in Taipei, March 9, 2000. At the time, Su was the chairman of Mainland Affairs Council MAC, the body overseeing Taiwan’s cross-Strait relations.

¹⁵ The retort was made by Ambassador Sha Zukang, a member of the Chinese delegation headed by Minister of Health Wu Yi at the World Health Assembly (WHA). See video clip: http://gptaiwan.org.tw/~cylin/China/2003/2003_05_19.htm.

¹⁶ George W. Bush’s administration relaxed many of the strict rules on formalities regarding Taiwan’s political leaders maintained by his predecessors. When Chen Shui-bian travelled to the celebrations of Panama’s 100th anniversary in November 2003, he stopped for 44 hours in New York as a transit passenger. For the first time a Taiwanese president was allowed to hold a press conference on US soil, allowed to make a public speech to hundreds of supporters, and allowed to freely meet congressmen at his hotel (and at a dinner he hosted on a cruise on the Hudson River). During Chen’s previous visit, he was kept under virtual house arrest at his hotel, and a few congressmen had to sneak in through the hotel kitchen to see him. In Panama, Secretary of State Colin Powell shook hands with Chen and agreed to pose in the same picture with him. According to a high-ranking representative of Bush’s administration, the meeting had not been planned in advance, but on the other hand, “the US Secretary of State has no reason to avoid meeting Taiwan’s President by disappearing round the corner if he approaches, and the US government does not intend to treat Taiwan’s President as an international outcast” (telephone interview with a representative of Bush’s administration working in Washington, January 8, 2004). See Susan V. Lawrence, “United States and Taiwan: Diplomatic But Triumphant Progress”, *Far East Economic Review*, November 13, 2003.

¹⁷ On 4 November 2004 the Taiwan High Court rejected an appeal filed by the KMT presidential candidate Lien Chan and his running mate James Soong (PFP) to try to have the March 20 presidential election result nullified (“Court upholds Chen’s election victory”, *Taiwan News*, 5.11.2004).



Taiwan's Unresolved Status

¹⁸ John F. Kennedy beat Richard Nixon by an equally small majority, 0.2 per cent, in the US presidential elections in 1960.

¹⁹ An unaffiliated civic movement urged people to abstain from voting as a protest against the corrupt political system. More than 300,000 votes were rejected either because the ballot slips were unclear or left blank. See "A Dark Horse in Taiwan Poll", *Far East Economic Review*, January 22, 2004.

²⁰ Philip P. Pan, "Election in Taiwan is a Vote on China", *Washington Post*, March 19, 2004. The study was carried out by Chu Yun-han of Academia Sinica, Taipei.

²¹ See "KMT adapts to win back voters", *Taipei Times*, November 17, 2003; Chris Taylor, "Taiwan's Seismic Shift", *Asia Wall Street Journal*, February 4, 2004.

²² The referendum asked whether Taiwan should invest more in defence if China does not remove the missiles targeted at Taiwan, and whether Taiwan's leadership should aim at starting political negotiations with mainland China. Only about 45 per cent of the voters took part in the referendum.

²³ See e.g. Richard Baum, "China Puzzle", Knight-Ridder Syndicate – Sunday Perspective, April 4, 2004. Baum was one of the 50 Western observers who were invited to follow Taiwan's presidential elections. Baum wrote that he was impressed by the open and fair election process and by the fact that the majority of the post-election demonstrations were organised and peaceful.

²⁴ In his inaugural speech, Chen Shui-bian alluded to this: "I am fully aware that consensus has yet to be reached on issues related to sovereignty, territory, and the subject of unification/independence; therefore let me explicitly propose that these particular issues be excluded from the present constitutional re-engineering project." Jean-Pierre Cabestan, China-Taiwan relations after Chen's Inauguration: "Toward a Hands-on-Role for the US?" *China Brief*, vol IV, issue 11, May 27, 2004 http://www.jamestown.org/publications_details.php?volume_id=395&issue_id=2967&article_id=236781.

²⁵ Interviews with mainland China officials and researchers working on the Taiwan question, in Hong Kong, March 17, 2004, June 12, 2004; and in Beijing, April 2, 2004, July 19, 2004.

²⁶ See e.g. Andrew Thompson and Zhu Feng, "When all else fails. Beijing's conservative stance on Taiwan", *China Brief*, vol. 4, issue 14, July 8, 2004 http://www.jamestown.org/publications_details.php?volume_id=395&issue_id=3011&article_id=2368221; Joseph Kahn, "Former Leader is Still a Power in China Life", *New York Times*, July 16, 2004.

²⁷ Officially, there are no direct transportation routes for people, cargo and mail going across the Strait. All three must go via a third destination, usually Hong Kong, Macau, or Japan. However, direct sea links, commonly referred to as part of the mini-links between Taiwan and mainland China do exist between the outer Taiwanese islands of Matsu (Mazu) / Quemoy (Jinmen) and Fujian province in mainland China. In addition, in April 1997 the first direct cross-Strait shipping began between two mainland ports (Fuzhou, Xiamen) and Kaohsiung in Taiwan for cargo being transhipped through Taiwan (i.e. applicable to goods not ultimately destined for the Taiwanese market). This continues, officially, on a trial basis (Author's correspondence with Su Chi, former chairman of the Mainland Affairs Council in Taiwan; see also "Direct Straits shipping urged", *China Daily Online*, 18 Dec 2003, http://www.chinadaily.com.cn/en/doc/2003-12/18/content_291608.htm , "Full Text of 'Three Direct Link' Policy", Taiwan Affairs Office of the State Council, China http://www.gwytb.gov.cn:8088/detail.asp?table=Trade&title=Cross%2Dstrait+Trade&m_id=8).

²⁸ The constitution has been changed several times during the past few years, but in Chen's view it is still unsuitable for a democracy and is an outdated relic from the earlier one-party system. It is almost impossible for Chen to have the constitution

changed by the Taiwanese parliament (Legislative Yuan) because according to the constitution of the Republic of China (article 174), three-quarters of the members of parliament would have to vote in favour of the change. At the moment Chen's party, the DPP and its ally the TSU (Taiwan Solidarity Union) do not even have a majority in parliament, although the parliamentary elections to be held in December 2004 may change the situation. See Keith Bradsher, "Taiwan Passes Independence Referendum Law", *New York Times*, November 27, 2003; George Wehrfritz, "Taiwan: Rocking the Boat", *Newsweek*, December 22, 2003; Ralph Cossa, "Taiwan Referendum: Waving A Red Flag," CSIS Pacific Forum, PacNet no. 48, December 3, 2003.

²⁹ Interview with a representative of the Bush administration in Shanghai, April 16, 2004.

³⁰ Interviews with representatives of the USA's and Taiwan's armed forces and of both countries' defence officials, in the USA May 29–30, 2003 and in Taipei March 29, 2004.

³¹ As this FIIA report was going to print, the opposition legislators prevented the passing of the procurement bill in the Legislative Yuan. The bill is expected to be debated and voted on again after the December 2004 legislative elections ("Special arms budget blocked by blues again", *Taipei Times*, 10 Nov. 2004, <http://www.taipetimes.com/News/front/archives/2004/11/10/2003210424>).

³² See e.g. Bernard D. Cole, "Shifting Power Balance in the Taiwan Strait", *China Brief*, vol. IV, issue 7, April 1, 2004.

³³ Quote from George W. Bush in his reply to a question on Taiwan in ABC's TV broadcast "Good Morning America", April 25, 2001.

³⁴ Linda Jakobson, "Playing Ball across the Taiwan Strait", *International Herald Tribune*, March 6–7, 2004, [http://www.iht.com/ihsearch.php?id=508936&owner=\(IHT\)&date=20040305141530](http://www.iht.com/ihsearch.php?id=508936&owner=(IHT)&date=20040305141530), published in Finnish translation in *Helsingin Sanomat*, March 17, 2004.

³⁵ Eric Teo Chu Cheow, "Rising Chinese Nationalism Over The Taiwan Question", *China Brief*, vol. 4, issue 8, April 15, 2004, http://www.jamestown.org/publications_details.php?volume_id=395&issue_id=2935&article_id=236611.

³⁶ *Ibid.*

³⁷ Sheng Lijun, *China's Dilemma. The Taiwan Issue*, London: L.B.Taris Publishers, 2001, p. 101. In November 2003, the "one country, two systems" model was supported by 7 % of respondents in a poll conducted by the body overseeing Taiwan's cross-strait relations, the Mainland Affairs Council (MAC), while 71 % were opposed to it. Jason Dean, "The Strait Grows Wider", *Far East Economic Review*, March 4, 2004.

³⁸ Interview granted by Chen Shui-bian to *Washington Post* on March 29, 2004 in its entirety at <http://www.washingtonpost.com/wp-dyn/articles/A33322-2004Mar29.html>.

³⁹ Interviews held in Beijing in March 2003 and February 2004.

⁴⁰ Interviews with officials of the Bush administration in Washington DC in April 2003. The interviews were a part of Linda Jakobson's work for the International Crisis Group, resulting in the drafting of a report discussing future political solutions in the Taiwan Strait. See *ICG Taiwan Strait Report IV: How an Ultimate Political Settlement Might Look*, Brussels: International Crisis Group, Asia Report no. 75, February 26, 2004, p. 23. http://www.crisisweb.org/library/documents/asia/taiwan_strait/075_taiwan_strait_iv_ultimate.pdf

⁴¹ The report was drawn up by members of the prestigious Qinghua University, Chu Shulong, Gu Lijun and Bo Wang: *The Cross-Taiwan Strait Relation: Past, Present, and Future*, Beijing: Institute of Strategic Studies, School of Public Policy and Management, Qinghua University, 2003.

⁴² "A Brief on the 'Confederation' Concept in the Draft Platform of the Kuomintang Party", Taipei: National Policy Foundation, July 2001, www.gio.gov.tw/taiwan-website/5-gp/election/major/major02b.htm.

⁴³ In their article, published on April 12, 2004, David M. Lampton and Kenneth Lieberthal further develop the idea presented by a number of both Western and Taiwanese researchers that a provisional agreement should be reached to maintain stability in the Strait. A major feature of these proposals, made over the past years, has been that the situation in the Taiwan Strait should be frozen for several decades, during which China would refrain from the use of force and Taiwan would promise not to declare sovereignty. These proposals are outdated, since Taiwan's president Chen Shui-bian has repeatedly stated that Taiwan is already a sovereign, independent state and therefore, no declaration of sovereignty is required. The proposal by Lampton and Lieberthal proposes that Taiwan promises not to take additional steps to further cement its independence by any juridical act provided that Beijing promises not to invade the island. "Heading Off the Next War", *Washington Post*, April 12, 2004; the last part of a 4-part report series on the Taiwan Strait by the International Crisis Group, based in Brussels, proposes a "Greater Chinese Union" as a model of sustainable political integration: *ICG Taiwan Strait Report IV: How an Ultimate Political Settlement ...*, *op. cit.*; see also Gareth Evans, "A 'Greater Chinese Union' with Taiwan?", *International Herald Tribune*, March 12, 2004 (Evans is Chief Executive of the ICG); Linda Jakobson, "Taiwan's Challenge to China and the World – Part II: A 'Greater Chinese Union' offers best political solution", *YaleGlobal*, March 15, 2004, <http://yaleglobal.yale.edu/display.article?id=3520>; both the ICG Taiwan Strait Report IV and James Seymour's article "Chen Shui-bian's inauguration speech: How he might delight almost everyone" (*Apple Daily*, May 10, 2004) propose a model of integration based on the autonomy of Taiwan in the spirit of the Åland Islands or Greenland; Jyrki Kallio and Mikael Mattlin have proposed a solution to the Taiwan question based on the confederation model, which "due to political sensitivities, however, cannot be called a confederation" in their article "Making Language Accord with the Truth of Things: A Basis for a Cross-Strait Political Solution", *Issues & Studies* 39, no. 4 (December 2003); Canadian Jeremy T. Paltiel's solution to the sensitive question of sovereignty is based, among other things, on the proposal that both parties recognise the "one China" principle while at the same time recognising each other's constitutions. "Dire Straits: Rescuing the Taiwan problem from the zero-sum game of international sovereignty", *China Perspectives*, no. 34, March–April 2001.

⁴⁴ *ICG Taiwan Strait Report IV: How an Ultimate Political Settlement ...*, *op. cit.*, p. 10–14; see also Thomas Bartlett, "The Role of History in China's View of the World Today", *Pacific Review*, vol. 13, no. 1, February 2001, p. 118; Linda Jakobson, *A Million Truths. A Decade in China*, New York: M. Evans, 1998, p. 202–203; James W. Watson, "Rites or Beliefs? The Construction of a Unified Culture in Late Imperial China" in Lowell Dittmer & Samuel S. Kim (ed.), *China's Quest for National Identity*, Ithaca: Cornell University Press, 1993, p. 93; Robert P. Weller, *Alternate Civilities. Democracy and Culture in China and Taiwan*, Boulder: Westview Press, 1999, p. 26–27.

⁴⁵ *ICG Taiwan Strait Report IV: How an Ultimate Political Settlement ...*, *op. cit.*; see also Evans, "A 'Greater Chinese Union' ...", *op. cit.*; Jakobson, "Taiwan's Challenge to China...", *op. cit.*

⁴⁶ Jason Dean, "Taiwan's Chen Softens Stance. Ideas for Better Relations With China May Not Be Enough to Ease Tensions", *Asia Wall Street Journal*, February 4, 2004. Chen presented his idea of a "structure of peace and stability" that would create a basis for political negotiations between the parties in February 2004.

⁴⁷ A federacy defines the present relationship between Denmark and Greenland, as well as between Finland and the Åland Islands. Despite obvious differences relating to size and population, there are some similarities between the China-Taiwan and the Finland-Åland cases. The people inhabiting the Åland Islands have a strong local identity that sets them apart from a mainland-Finnish identity; they speak a different language (Swedish) than the majority of Finns. Mainland-Finns are not allowed to own land in Åland. Åland has its own parliament, its own tax laws and its own general legislation, but in terms of foreign affairs adheres to Helsinki.

The Åland Islands have been demilitarised because of their strategic location. Secondly, demilitarisation is guaranteed by international treaty. *ICG Taiwan Strait Report IV: How an Ultimate Political Settlement ...*, *op. cit.*, p. 11-12; see also abstract of Linda Jakobson's talk "A 'Greater Chinese Union' – Form Rather than Substance" at international seminar "The Volatile Taiwan Strait: Can Peace be Achieved?" at the Finnish Institute of International Affairs, Helsinki, May 12, 2004, http://www.upi-fia.fi/english/navigation/events_frameset.htm.

⁴⁸ Interviews held in Beijing in March 2003 and February 2004. Before the presidential election in Taiwan in March 2003, officials of the Chen Shui-bian administration indicated that Chen intended to ask the United States to act as a mediator in order to start political discussions between Beijing and Taipei. Previously Taiwan has objected to the idea of the United States pressuring it into negotiations, but according to the officials of the Chen administration, it would be a different matter if the initiative came from the Taiwanese. As stated earlier in this report, Beijing has adopted a new attitude toward the role of the United States to ensure the *status quo* is not changed in the Strait: pressuring Washington to influence Chen Shui-bian is a key feature in Beijing's present Taiwan policy. Interviews with officials of the Chen administration in Taipei on March 29, 2004; see also Kathrin Hille, "Taiwan plans new China talks with US help", *Financial Times*, February 29, 2004, <http://news.ft.com/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1077690775947>; Joseph Kahn, "Taiwan casts U.S. as broker with China", *International Herald Tribune*, April 28, 2004.

Already in October 2002, Jiang Zemin, then president of China, also referred to the interests of outside parties regarding the Taiwan question, in particular those of the United States, during a meeting with President George W. Bush in Texas. According to some outside observers, comments made by Jiang were significant, since China's senior leadership had not previously acknowledged the possible role of external parties in solving of the Taiwan question. "Jiang Claims Unification in U.S. Interest", Agence France Press, October 26, 2002.

⁴⁹ Interview with a high-ranking official of the Bush administration in Washington, April 7, 2003, see note 15. *ICG Taiwan Strait Report IV: How an Ultimate Political Settlement...*, *op.cit.*, p. 23; see also Chas W. Freeman Jr., "America and China in the Century Ahead: Enemies or Friends", presentation in the conference "FACES 2004: On Common Ground" at Stanford University, California, April 13, 2004.

⁵⁰ See e.g. abstract of David M. Lampton's talk "Cross-Strait Relations: The Present and Near Term: A Washington View" at international seminar "The Volatile Taiwan Strait: Can Peace be Achieved", The Finnish Institute of International Affairs, Helsinki May 12, 2004 http://www.upi-fia.fi/english/navigation/events_frameset.htm

⁵¹ <http://europa.eu.int/abc/doc/off/bull/en/200310/p104048.htm>. However, it is not yet certain if the Chinese will be allowed access to the most sensitive coordination codes. The total value of the system, to be completed in 2008, is USD 4.2 billion; the total contribution by the Chinese is envisaged at USD 236 million or some 5 percent.

⁵² Interviews at the European Commission in Brussels, March 3, 2003; interview with EU representative in Paris, Sept 16, 2004.

⁵³ "Sino-European Relations: It's More than Love", *Far East Economic Review*, February 12, 2004; the estimate was made by Franz Jessen, deputy head of the European Commission's delegation in Beijing.

Trade between the EU and China amounted to USD 87 billion in 2003; the EU and China are each other's third-largest trading partners. In 2004, the value of the trade is expected to rise by 25 per cent. "China, EU Pledge to Become 'Big Partners'", Associated Press, October 30, 2003.

⁵⁴ An internationally well-known Chinese economist working in Hong Kong, who meets with China's top leadership regularly, said that the Chinese prefer Europeans to Americans as business partners for three reasons: 1. at the political level, relations

between China and the European countries have become closer; he mentioned German Chancellor Schroeder's annual visits to Beijing; 2. Europeans offer considerably cheaper loans than the Americans ("soft loans" with non-existent interest); 3. Europeans do not adhere to export restrictions as strictly as the Americans, who review each sale individually. Interview in Hong Kong, March 13, 2004.

⁵⁵ In English: <http://www.fmprc.gov.cn/eng/wjb/zzjg/xos/dqzzywt/t27708.htm>.

⁵⁶ Commission of the European Communities, Policy Paper "A maturing partnership – shared interests and challenges in EU-China relations", COM (2003) 533 fin 10/09/03, p. 10, http://europa.eu.int/comm/external_relations/china/com_03_533/com_533_en.pdf.

⁵⁷ This, like other points in the report referring to diplomats and officials of the EU individual states, is based on 15 interviews with diplomats and officials of six EU member states in Beijing, February 16–19, 2004, July 19, 2004; in Brussels, March 3–4, 2003; and in Hong Kong, January 6 and 8, 2004; see also e.g. Robert Marquand, "China Throwing Diplomatic Elbows to Isolate Taiwan", *Christian Science Monitor*, December 19, 2003, <http://www.csmonitor.com/2003/1219/p07s02-woap.html>; Frank Ching, "How to win over Taiwan", *South China Morning Post*, March 24, 2004.

⁵⁸ See e.g. "China's pressure forces Chen to cancel Europe trip", *Taipei Times*, March 17, 2004 <http://www.taipeitimes.com/News/front/archives/2003/03/17/198361>. EU Foreign Ministers have reportedly agreed among themselves that Taiwan's President and Vice President as well as the Prime Minister, Foreign Minister and Defence Minister of Taiwan are not to be granted a visa, not even for a private visit. See e.g. Yuchun Lan, "The European Parliament and the China-Taiwan Issue: An Empirical Approach", *European Foreign Affairs Review* 9, 2004, p. 131.

⁵⁹ *Ibid.*, p. 131.

⁶⁰ The conference "New Security Challenges for Asia and Europe" was co-hosted by the Asia Europe Foundation (ASEF) and the China Institute of International Studies (CIIS) in Beijing 21-23 April 2004. According to several European representatives of ASEF, the Chinese co-hosts refused to invite Taiwanese scholars to the conference. Many participants, both Asian and European, observed that while Chinese participants actively promoted a multilateral approach when discussing security challenges on the Korean Peninsula, they outright rejected this approach in discussions concerning the Taiwan Strait. Chinese participants at the afore-mentioned conference insisted that the tension in the Taiwan Strait is an internal Chinese affair. Interviews in Beijing 21-23 April 2004. (Linda Jakobson participated in the conference as an invited representative from the Finnish Institute of International Affairs.) At the same time as the ASEF-CIIS conference, the Boao Forum of Asia was being held in Hainan, China. An Indonesian participant took up the question of Taiwan's future and advised the Chinese hosts to understand other Asians' concerns that tensions might lead to an armed conflict in the Taiwan Strait. The Chinese speakers at the Boao Asia Forum did not mention Taiwan and no Taiwanese were present (Allen T. Cheng, "Beijing struggles to win over wary neighbours", *South China Morning Post*, 25 April 2004).

⁶¹ See e.g. Robert Wielaard, "EU May Lift Embargo on Arms Sales to China", Associated Press, January 23, 2004.

⁶² BBC: "EU works to end China's arms embargo", <http://news.bbc.co.uk/go/pr/fr/-/2/hi/europe/3515856.stm>, March 16, 2004.

⁶³ Interview at the European Commission's Delegation in Beijing, February 17, 2004.

⁶⁴ "Arms embargo on China makes no more sense: Chirac", *People's Daily Online*, January 28, 2004, http://english.peopledaily.com.cn/200401/28/eng20040128_133361.shtml

⁶⁵ Senior Researcher Jean-Pierre Cabestan, who headed the French China Research Centre CEFC in Hong Kong for several years, writes about French breaches of the

embargo on arms sales in his article "Taiwan's Challenge to China and the World - Part I", *YaleGlobal*, March 12, 2004, <http://yaleglobal.yale.edu/display.article?id=3504>. Cabestan mentions the decision France made in the early 1990s to ignore Beijing's threats and to sell six La Fayette warships and 60 Mirage 2000 jet fighters to Taiwan and states that France's present policy may be seen as a manifestation of a similar "shopkeeper diplomacy"; weapons are sold in order to keep the French armaments industry alive. On the other hand, he continues, the energetic efforts by the French to lift the embargo on arms sales must also be seen as part of Chirac's geopolitical strategy. According to Cabestan, the fact that Germany supports lifting the embargo should be understood in the context of Germany already having strict national regulations in place restricting arms exports.

⁶⁶ Petteri Tuominen, "EU-maat ovat myyneet ammuksia Kiinaan" [EU countries have sold ammunition to China], *Helsingin Sanomat*, April 15, 2004. Finland is also mentioned in the UN report as a country that has sold ammunition for small weapons to China during recent years.

⁶⁷ Interviews at the European Commission's Embassy in Beijing and at six European embassies in Beijing and the US Embassy in Beijing, as well as at six European Consulates General and US General Consulate in Hong Kong in February and March 2004. Referring to France and Germany, several European and American diplomats in Beijing said that "they've already won a lot of points" in their relations with Beijing. Gudrun Wacker elaborates on the embargo debate and the EU's rules regarding arms sales in her article "Should the EU Arms Embargo Against China Be Lifted?" SWP Comments, Berlin: German Institute for International and Security Affairs, 2004. http://www.swp-berlin.org/common/get_document.php?id=824&PHPSESSID=90ed6ee0506d6eb4d181e65e8b3760ed. Joakim Kreutz discusses the dilemma EU faces collectively and the EU states individually when contemplating the EU arms embargo against China in his article, "Reviewing the EU Arms Embargo on China: the Clash between Value and Rationale in the European Security Strategy", *Perspectives. The Central European Review of International Affairs* 22/2004. See also "Axel Berkofsky, "EU unlikely to lift China arms embargo soon", *Asia Times*, May 1, 2004 <http://www.atimes.com/atimes/China/FE01Ad06.html> ; "China, France Sign Airbus, Satellite Deals", *China Daily*, June 13, 2004 <http://china.org.cn/english/2004/Jun/98091.htm>; "French bid for closer ties pays dividends" *South China Morning Post*, June 17, 2004.

⁶⁸ The embargo on arms sales to China is not included in the EU's official list of embargoes on arms sales. For details, see Kreutz, "Reviewing the EU..." *op. cit.*, pp. 46-47. The EU declaration regarding the arms embargo on China is not legally binding. In contrast, the US arms embargo that followed the Chinese government's violent suppression of the Tiananmen democracy movement is enacted into law (Robert Niblett, "The United States, the European Union, and Lifting the Arms Embargo on China", *EuroFocus*, vol. 10, no. 3, 30 Sept 2004, Washington: Center for Strategic and International Studies, <http://www.csis.org/europe/eurofocus/v10n3.pdf>).

It is still unclear how the new member states in the EU will interpret the embargo and to what extent they will comply with it. During the past years, China has modernised its military equipment by buying not only from Russia but also from Eastern European countries. For example, in February 2004, a Czech company sold China an advanced radar suitable for military purposes.

⁶⁹ The French company Astrium built the ROCSAT 2 satellite, which includes a remote sensing instrument, see <http://www.nspo.gov.tw/e50/home/>. The satellite was launched on 20 May 2004.

⁷⁰ Interviews at the European Commission's Embassy in Beijing and at the embassies in Beijing and the Consulates General in Hong Kong of six EU member states in February and March 2004.

⁷¹ Niblett, "The United States, the..." *op. cit.*, p. 6.

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⁷² Richard Haas, "By invitation", *Economist*, 6 Nov. 2004. Haas was in charge of policy and planning at the US State Department 2001-2003.

⁷³ EU diplomats have also discussed putting forward the demand that China release the 500–600 political prisoners convicted for their participation in the Tiananmen democracy movement of 1989. Another demand might be that China allow the founding of a trade union independent of the Communist Party. These are both likely to be as unrealistic as the demand that China abolish the death penalty.

⁷⁴ Interview at the European Commission's Embassy in Beijing, February 17, 2004. See also e.g. Robert Wielaard, "EU May Lift Embargo on Arms Sales to China", Associated Press, January 23, 2004, <http://www.washingtonpost.com/wp-dyn/articles/A42922-2004Jan23.html>.

⁷⁵ China specialist David Shambaugh of George Washington University in the US shares the view that lifting the embargo would largely be a symbolic act. "Lifting the China arms embargo is only symbolic", *Financial Times*, March 4, 2004.

⁷⁶ Interviews with two EU representatives and a European military attaché who had read the reports, March 26, 2004. In March 2004, the reports were classified as confidential. However, several European representatives both in Beijing and in Europe were willing to discuss the reports.

⁷⁷ Interviews in Beijing with representatives of EU member states in February 2004. See also Roger Cliff & Evan S. Medeiros, "Keep the embargo on arms for China", *International Herald Tribune*, March 23, 2004; Wacker, "Should the EU Arms Embargo...", *op. cit.*, p. 4.

⁷⁸ Interview with a representative of the Swedish Foreign Ministry in February 2004.

⁷⁹ In the Swedish Parliament Foreign Minister Laila Freivalds had to reply on February 13, 2004 to a question submitted by the leader of the Folkpartiet, Lars Leijonborg, on January 20, 2004, as to why Prime Minister Göran Persson had not clearly opposed lifting the embargo at the EU meeting held in December 2003. Leijonborg also asked what measures the Swedish government intended to take to ensure that the embargo on arms sales would not be lifted before there was a solution to the Taiwan question in sight and before there was marked improvement in the human rights situation in China. <http://www.riksdagen.se/debatt/fragor/ip.asp?rm=0304&nr=232> ; <http://www.svenska-freds.se/kampanj/>

⁸⁰ Interviews with representatives of the Finnish Foreign Ministry in February 2004.

⁸¹ Interview with a representative of the Finnish Foreign Ministry in February 2004.

⁸² Interview with a representative of the Finnish Foreign Ministry in February 2004.

⁸³ Tang, "EU's Taiwan policy in the light...", *op. cit.*, p. 522. The German Institute in Taipei has even been headed by a person holding the title of ambassador.

⁸⁴ Interviews at the European Commission's Embassy in Beijing and at the embassies in Beijing and Consulates General in Hong Kong of six EU member states in February and March 2004.

⁸⁵ Ann Kent has described the threats and retaliatory actions by China in conjunction with the events of 1997 in her book *China, the United Nations, and Human Rights*, Philadelphia: University of Pennsylvania 1999, p. 76–77. The quotation is from the article by Stephen Mufson, "China Cautions U.S., Denmark Against Human Rights Criticism", *Washington Post*, April 11, 1997. See also Kjeld Erik Brodsgaard, "Denmark's China policy 1950-2000" in Bertel Heurlin & Hans Mouritzen (ed.) *Danish Foreign Policy Yearbook 2000*, Copenhagen; Danish Institute of International Affairs 2000, p. 149–156; "Denmark incurs China's wrath; A strongman's last hurrah", *US News & World Report*, April 28, 1997, <http://static.highbeam.com/u/usnewsampworldreport/april281997/denmarkincurschinaswrathastrongmanslasthurrah/>.

⁸⁶ Jyrki Raivio, "EU:n ulkoministerikokouksessa kiisteltiin Kiinan tuomitsemisesta"



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⁸⁷ Johanna Mannila, “Kiinalaisvieras: Ihmisoikeuslausumalla ei vaikutusta Suomen ja Kiinan suhteisiin” (Chinese guest: Stance on human rights will not effect Finnish-Chinese relations), *Helsingin Sanomat*, April 9, 1997.

⁸⁸ Telephone interview with a Danish researcher, March 26, 2004.

⁸⁹ Information on trade included in this report is from the export statistics of the countries in question; see www.statembargok.dk for Denmark; www.scb.se for Sweden; www.finpro.fi for Finland; www.destatis.de for Germany; www.dree.org for France.

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Taiwan's Unresolved Status Visions for the Future and Implications for EU Foreign Policy

Linda Jakobson

Diverging views on the future status of Taiwan have the potential of leading to an armed conflict involving China, Taiwan and the United States. How China manages its relations with Taiwan will decisively affect the country's stability and the Chinese Communist Party's modernisation drive. In the worst-case scenario, Taiwan could derail China, the effects of which would be felt in Europe as well.

Beijing has not given up its goal of uniting China and Taiwan. Nor have Chinese leaders given up their threat to use force to prevent Taiwan's *de jure* independence. At the same time, democratisation in Taiwan and the strengthening of a separate Taiwanese identity have led many Taiwanese to question the desirability of reunification.

The United States' actions are crucial. On the one hand, Washington seeks to strengthen its relations with Beijing. Both countries need one another. On the other hand, the United States can hardly abandon democratic Taiwan. Nevertheless, as China becomes more influential, the US and other countries, notably the EU, will be more susceptible to Beijing's pressure than in the past.

The report describes the changed environment in the Taiwan Strait and assesses the implications for relations between mainland China and Taiwan. The report includes sections on the short-term outlook as well as on possible political solutions in the long term. It also analyses the China-EU relationship in light of the Taiwan question and probes the relevance of the Taiwan Strait for Finland.

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