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### **EU'S COMMITMENT TO THE 'ONE-CHINA POLICY': TRADE- AND SECURITY TRADE-OFFS ?**

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#### Europe's Marginalization from Asia in the 1950s:

Since the end of the European colonial "core-empires" in Southeast Asia, the Dutch East Indies in 1949, French Indochina in 1954 and British Malaysia and Singapore in 1957-1959, European countries ceased to have security interests in the East. The Dutch made a doomed attempt in 1962 to block the Indonesian takeover of Dutch New Guinea by sending a naval taskforce led by their last aircraft carrier. The carrier, Karel Doorman, didn't come into action, because the US Kennedy administration pressurized the Dutch into ceding control of New Guinea to the United Nations prior to an Indonesian-organized "plebiscite" in 1969. The British maintained a garrison in Hong Kong until the handover to China in 1997, but it had no strategic meaning. After the Korean War in 1953 and the establishment of an independent Malaysia in 1957, Britain came into limited military action once more when it gave some help during the early sixties in repelling Indonesian infiltrators from North-Borneo during Soekarno's "Konfrontasi", an attempt to smash the Malaysian Federation. Britain steered fully clear from the major trouble center in Asia, Vietnam. "This withdrawal was signalled in Hong Kong first by the reduction of the garrison to a level compatible only with the maintenance of internal security, and later in 1958, by the closure of the naval dockyard. From that date, Hong Kong was an appendage without any strategic significance, from which decreasing commercial advantage was to be expected".<sup>1</sup>

During the Cold War, the United States was the premier guarantor of strategic stability in East Asia, based on a nuclear US-Soviet "Balance of Terror". China was surrounded by a fragile multilateral military pact, the "Southeast Asian Treaty Organisation" (SEATO – disbanded in 1977) and a number of bilateral security treaty-arrangements with South-Korea, Japan, Taiwan (until 1979), Thailand, the Philippines (until 1990) and Australia. In geostrategic terms, Europe was marginalized from Asia.

#### "Dutch Courage"

Twice, European countries made new "military" forays with political repercussions into East Asia, but their motivations were not strategic but just commercial. The sole Dutch impetus to sell submarines to Taiwan in 1981 was to save the naval shipbuilding arm of a moribund Rotterdam conglomerate, RSV. The Dutch cabinet desperately tried to persuade the Chinese government that jobs came before the "*one-China principle*" or "*policy*". China was in no mood to relent and downgraded diplomatic relations to "charge-d'affaires" level. The fiasco delayed the entry into China of large Dutch multinationals like Philips and Royal Dutch/Shell by three years and apart from the

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<sup>1</sup> Frank Welsh, *A History of Hong Kong*, London 1993, p. 453.

ambassador, I was also declared PNG. The Taipei government was extremely pleased by what senior government officials described to me as *‘Dutch courage’*, not knowing what the historical meaning of this idiom was. The jubilant atmosphere in Holland was best aphorized by the politician Frits Bolkestein, in his farewell interview as European Commissioner in the Herald Tribune last month described as an “elegantly direct raptor”. During the parliamentary debates in 1982 he spoke the memorable words:

*‘Better one Taiwan bird in the hand than ten Peking ducks in the air’.*

Thus was the mood in the early 1980s. China was still of marginal commercial interest and the trade-volume of several European countries with Taiwan, including Holland exceeded trade with China.

A flurry of Taiwanese military and civilian delegations to Holland followed and vice-versa and there seemed to be fantastic prospects for half a dozen multi-billion dollar orders for the once flourishing, but recently ailing Dutch naval shipbuilding industry. Holland really caught a bout of Taiwan fever and at the height of it, KLM Royal Dutch Airlines was allowed, against the vehement protests of Beijing, to establish the first highly profitable direct airlink from Europe to Taipei. **A furious Chinese government accused Holland of violating China’s sovereignty over the airspace over its Taiwan province.**<sup>2</sup> When the new cabinet under Ruud Lubbers by the end of 1983 had to decide on building more warships for Taiwan and face a new confrontation with China, Lubbers declined to engage in any further military deals with Taiwan and agreed to sign a communiqué with the Chinese government to that extent. Bolkestein had become the minister for Foreign Trade in his cabinet and he was the first one to be sent to China to “kowtow”. A new ambassador was appointed and I was readmitted to China as well. When I asked Bolkestein why the Taiwan option had not been pursued more vigorously, he said: “As you know I would have advocated that, but in the Dutch domestic political configuration it was not possible”. He spoke the sort of prescient words: “You need *‘French guts’* for that and we don’t have that in Holland. We are a *‘low-voltage’* society”<sup>3</sup> It was obvious that major multinationals had helped persuade the Dutch government, that if they wanted to have a fair share of the potentially huge China-market, *normalized* diplomatic relations were essential. **Perhaps more important, from a viewpoint of global politics and multilateral diplomacy, it was an anomaly that the Dutch were the only European *odd man out* in relations with China, something that had to be redressed.**

### French Guts !

In the early 1990s the French under president Francois Mitterand did show their guts by concluding two large arms sales to Taiwan, first a \$ 2.5 billion deal with Thomson-CSF, now Thales, for six grossly overpriced Lafayette frigates with a promise of future sales of French missiles, Mirage 2000-5 warplanes and a variety of weapons that other suppliers could not deliver. Beijing did not oppose the deal vehemently as it had done ten years before with the Dutch for a variety of reasons. Long secret French-Chinese negotiations

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<sup>2</sup> KLM had to pay a price for its “transgression”. It was the last major European airline to open routes to Beijing and Shanghai as late as 1996.

<sup>3</sup> Interviews of the author with Frits Bolkestein in 1981 and 1984.

were held. One initial result of these negotiations, made public in Paris at the time was that the frigates would be unarmed so as to mollify Beijing. The more sinister content of the negotiations came out into the open only ten years later after a long investigation by Taiwan's Control Yuan. The French prime minister, Edith Cresson, notorious for unaccountability during her tenure at the European Commission afterwards, had authorized her foreign minister Roland Dumas, who initially opposed the deal, to make all the top-secret details available to Beijing.<sup>4</sup> Kickbacks of up to \$ 500 million had been paid to various parties in France, China and Taiwan through Dumas' mistress Christine Deviers-Joncour, a lobbyist for the oil-company Elf-Aquitaine, that was often used by the Foreign Ministry for "special services". A captain of the Taiwanese navy, Yin Ching-feng, in charge of investigating the irregularities was murdered in December 1993 and **four French people died under suspicious circumstances**. The whole sordid affair degenerated into the biggest political corruption scandal in France since World War II.<sup>5</sup> In Taiwan it was kept under covers, because the island was in an incipient stage of democratization and the deeply divided civilian government didn't exercise real control over the military establishment

The frigate deal had no connection with French national security considerations or concern for regional security in East Asia, the prime motive force was just business with the added greed of the French political and business elites for kickbacks. This applied to the next big French-Taiwanese arms deal as well, but this time there were other, trans-Atlantic – again, non-security – factors at work.

"Taiwan wants to pay ..."

U.S. President Ronald Reagan seriously considered to supply Taiwan with large numbers of F-16 fighters planes already in 1981 but he was dissuaded from doing so by his Secretaries of State and Defense, Al Haig and Cap Weinberger, who argued that if the US wanted to effectively deal with the "evil empire", the Soviet Union, it needed China on its side. **With the end of the Cold War in 1991, the need for strategic cooperation with China was much reduced. Moreover, China was still reeling of the Tiananmen-aftermath, under international ostracism over its massacre of the protesters and several Western governments thought that they could now afford to ignore Beijing's sensitivities.**

The French aircraft manufacturer Dassault had been chasing a deal for up to 120 Mirages. President George H.W. Bush had been reluctant to approve a military deal with Taiwan that exceeded anything in size that had been concluded since 1979, the year of the establishment of full diplomatic relations. After all Bush Sr. had been the US "pre-ambassadorial" envoy (Chief Liaison Officer) to China under president Nixon, had developed personal rapport with the senior leadership and he was reluctant to offend a historical figure like Deng Xiaoping. For reasons of continuity, Taiwan preferred the F-16 over the Mirage 2000-5, but Bush Sr. was slow in making up his mind. His dim prospects in the 1992 election against Bill Clinton and the activism of a top Texas Democrat tipped the balance.

Senator Lloyd Bentsen (D-Texas), the vice-presidential running mate of Michael Dukakis in the 1988 presidential election, issued a statement on August 21, urging that the United

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<sup>4</sup> Thomas Crampton, Taiwan cites betrayal by France over frigates, International Herald Tribune, March 21, 2002.

<sup>5</sup> Brian Hsu, Lafayette Frigate Scandal witness comes to Taiwan, Taipei Times, March 14, 2000.

States drop its ban on the sale of fighter aircraft to Taiwan. “Taiwan wants to pay over \$5 billion to buy up to 180 F-16s. ... The Cold War is over ... Taiwan is moving toward democracy; China is not. The Bush Administration should change its outdated policy so that Texas defense workers are not needlessly penalized”. Bentsen warned that just in the very month of August 1992 5.800 jobs had been lost at General Dynamics in Fort Worth, Texas, the manufacturer of the F-16. “At least 3,000 of those jobs could have been saved if not for a U.S. government ban on the sale of F-16s to Taiwan”. The key-paragraph in Bentsen’s statement revealed the cut-throat competition between the French and American aircraft manufacturers:

Taiwan has stated its strong preference for F-16s. But in the face of repeated rejections from the United States, they are considering a \$7.2 billion purchase of 120 French Mirage jet fighters. The deal with France would include the tie-in purchases of high-speed rail and nuclear power equipment valued at an additional \$18 billion. If the sale of F-16s remains blocked, Taiwan will still modernize its aircraft, France will reap the profits and jobs of a \$25 billion sale and communist China will enjoy seeing its rival slighted. The only loser will be the United States and the American workers who lose jobs because the government stubbornly clings to worn-policies.

Bush Sr. yielded. On 2 September 1992, while visiting the General Dynamics Plant at Fort Worth, Texas, he announced that he would authorize the sale of 150 F-16B aircraft to Taiwan. Jobs in Texas, profits for the arms industry and enhancing his prospects to get reelected were the major considerations. Whether Taiwan’s emerging democracy, the external security of Taiwan or regional stability in East-Asia figured at all, they were minor considerations. In that sense, the US, despite all its claims of ‘higher standards’ doesn’t differ from Europe.

The French were fast in responding. On September 10 it was announced in Paris that the French government was giving approval for the sale of 60 Mirages 2000-5, instead of the original target of 120. Taipei had been using the negotiations with the French to put pressure on Washington to come to a conclusion and once Bush Sr. had made up his mind they used the F-16 deal to bring down the price of the Mirages. Taiwan didn’t really need 150 F-16s plus dozens of Mirages, but for political reasons – strengthening relations with a leading European power and one of the largest arms exporters in the world as it hoped – it decided to buy 60. Beijing took more drastic action against France this time. It ordered the French Consulate General in Guangzhou closed and excluded major French corporations from bidding for large projects, one of them the underground railway system for Guangzhou in which the Consulate should have been instrumental. In the aftermath, the French in 1994 also had to sign a communiqué, similar to the one Holland signed in 1984, pledging to refrain from further arms sales to Taiwan.

Delivery of the Mirages was completed in 1999 and this marked the end of the French-Taiwanese arms-sales relationship. During the intermittent years, it had transpired that \$ 410 million had been paid in kickbacks as part of the Mirage deal. The trials of the beneficiaries of the frigate deal, foremost former Foreign Minister Roland Dumas, then the 75 year old president of the *Conseil Constitutionnel* and his former mistress Christine

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<sup>6</sup> US Congress, Senator Bentsen urges F-16 sale to Taiwan, August 21, 1992, Tracking number 240085.

Deviens-Joncour were still to begin.<sup>7</sup> Some 20 light sentences were handed out but the French public knew that no justice had been done and no more transparency had been achieved in the corrupt dealings of the French elite. As the Paris-based editor of the International Herald Tribune David Ignatius wrote, the investigating magistrate Eva Joly was put on the defensive for overzealousness. **‘It’ s as if Joly had netted a load of fish, which are now left to rot in the sun while the French public politely holds its nose.”**<sup>8</sup>

Bush II will defend Taiwan “whatever it takes”

The next controversy in potential European arms sales to Taiwan was in April 2001, but it didn’t go beyond terse exchanges between at least two European capitals, Berlin and The Hague on one side and Washington on the other. **The Bush Jr. administration had been shifting to full unilateralist mode for two months, since its inauguration in January and would show its robust rightwing manhood by rejecting the prudence that president Clinton had shown towards China, particularly during his second term.** Bush would favor Asian democracies, including non-sovereign, non-recognized Taiwan despite the wrath from Beijing that this would incur. Bush Jr. said on CNN that he would do “whatever it takes to defend Taiwan” and offered the island the largest arms package since the F-16 deal, authorized by his father in 1992, including eight Diesel-powered attack submarines as the crown-jewels of the package. The US hadn’t built such vessels in four decades and had used only nuclear-powered submarines since the 1960s. The Pentagon, headed by a group of reckless neo-conservative civilians – Rumsfeld, Wolfowitz, Feith - committed the enormity of announcing that technology or blueprints for the subs could be obtained in Germany or Holland, whereas these two countries hadn’t even been consulted. Berlin and The Hague instantly and publicly ruled out any role in the deal and reaffirmed their commitments, made earlier - also in the case of Germany<sup>9</sup> - that they would not engage in arms sales to Taiwan.

Chinese officials have made it quite clear to all countries with significant arms industries that friendly relations and lucrative trade and investment ties with the PRC are contingent on the willingness of those countries to end military sales to Taiwan. Few governments are willing any longer even to contemplate defying Beijing’ s wishes. The Dutch cabinet confirmed this while the Foreign Minister answered questions from Parliament in December 2001, whether the Dutch “Moray Technology” could be used to have America build submarines for Taiwan. The Minister answered that approval of the Netherlands State would be needed for the use of this technology and that “this approval would not be granted for the use of a possible American supply of submarines to Taiwan”.<sup>10</sup> Up to the present day it is still not clear how the United States will honor its promise to supply eight diesel-electric submarines to Taiwan. A recent US naval study highlights how

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<sup>7</sup> In March 2000, just before her trial, Deviers-Joncour had been brought to Taiwan during the presidential election campaign by the New Party, a maverick pro-reunification splinter of the Kuomintang. Joncour told a press-conference for the international media that she had come to seek help, but the NP was using her to further damage the electoral prospects of the corrupt Kuomintang. Deviers-Joncour had just published a brief memoir entitled: ‘La Putain de la Republique’ (The Whore of the Republic).

<sup>8</sup> David Ignatius, True Crime: The Scent of French Scandal, Legal Affairs, May/June 2002.

<sup>9</sup> Germany agreed to stop arms sales to Taiwan in 1993; Ted Galen Carpenter, China trying to choke off arms sales, The Taipei Times, 15 November 2000.

<sup>10</sup> Proceedings of the Second Chamber of the Dutch Parliament.

decisively important the subs are for Taiwan and how irresponsible the Bush administration was in rashly offering Taiwan the submarines in 2001 in defiance of Chinese objections, while three years hence it still doesn't know how to deliver.<sup>11</sup> Two Naval War College specialists, Lyle Goldstein and William Murray point out that China, in case of a crisis may well consider an undersea blockade of Taiwan that would cut off Taiwan's lifelines. An American president may face both political and military difficulties if he would decide to intervene. If the DPP gains a majority in the Legislative Yuan three weeks from now and feels emboldened to take some further steps on the road towards formal independence, i.e. official name-change of the state and announce the drafting of a new constitution, China could contemplate limited military action, short of missile attacks or an invasion. According to Goldstein and Murray, China could field 50 to 60 submarines in the very familiar waters around Taiwan, blockade its ports and demand negotiations on some vague version of the 'One China Principle'. Would Bush in such a limited crisis intervene and get domestic support? Once the decision to intervene is made, the US will not be assured of a quick victory. America's subhunting capabilities have atrophied since the Cold War, and although the Navy has begun to rebuild them, Goldstein and Murray aren't optimistic. The U.S. nuclear-powered sub fleet no longer operates diesel submarines even for training purposes, and there is evidence that U.S. commanders may be losing some of the skills required to combat these manoeuvrable and very quiet vessels. "American intervention against a Chinese blockade "could be a tremendous strategic, tactical, or operational disaster," Murray concludes.<sup>12</sup>

Due to the refusal of Holland and Germany to transfer their submarine technology to the US, Washington has now offered Taiwan a cheaper and faster alternative: the US would buy old second hand Sauro-class submarines from Italy, refurbish them in American docks and then resell them to Taiwan by 2006-2007, whereas new ones would only be delivered in 2013. Taiwan so far has refused this.<sup>13</sup>

### The EU's *Common Foreign and Security Policy*

The message of this latest episode of European refusal to become an auxiliary subcontractor for American arms sales to Taiwan is crystal clear. The European Union collectively and its member-states individually and bilaterally have been building a comprehensive, multidimensional relationship with China over the last few years, which is conducive to the strategic goals of the Union's *Common Foreign and Security Policy*. Weighed against the larger goals of the global EU-China relationship, supplying arms to Taiwan is *local shopkeeper-business*. One French commentator correctly described the prowling arms dealing relationship with Taiwan of the early 1990s as *shopkeeper-diplomacy*.<sup>14</sup> But more recently, he also described the deepening French-Chinese relationship under president Jacques Chirac as "*a classical example of shopkeeper-*

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<sup>11</sup> The US navy study is quoted in: Trevor Corson, Straitjacket, The Atlantic Monthly, December 2004.

<sup>12</sup> Ibid.

<sup>13</sup> Wendell Minnick, Submarine decisions show lack of creativity, Jane's Defence Weekly, October 16, 2004.

<sup>14</sup> Jean-Pierre Cabestan, France's Taiwan Policy: A Case of Shopkeeper Diplomacy, Hong Kong Baptist University Conference Paper, 22-23 June 2001

*diplomacy*".<sup>15</sup> As if nothing had changed since the ostentatious venality of the Mitterand years, followed by Chirac's revival of the old Gaullist vision of French-European independence of an overly dominant United States. A major pillar of this vision was a *global strategic Sino-French (European) partnership*, agreed upon during Chirac's China visit in 1997. Coincidentally, this was the year of the foundation of the *'Project for the New American Century'*, the bigotted, biblically inspired American right-wing blueprint for long-term military domination of the world during the 21<sup>st</sup> century. The fact that this project was launched four years before "9-11" highlights that the radical, even revolutionary shift in U.S. foreign policy under the Bush administration was not at all triggered by the Al Qaeda attacks on New York and Washington in 2001, but was the long premeditated brainchild of the misguided neo-conservative philosophers of global chaos.

Regardless of Chirac's previous somewhat dubious reputation and his domestic record in France, in recent years he has gained in respect as the standard-bearer of opposition against George W. Bush, whose reckless military adventurism, disdain for international law and condescension for old allies and friends has made him the most despised American president in living memory among a large majority of Europeans and others worldwide. Even Colin Powell, the supposedly moderate face of the Bush I administration has been publicly lecturing the Europeans not to lift the arms embargo to China, while his cabinet colleagues are warning the Taiwanese government not to keep delaying a \$ 18.2 billion arms package, agreed to by Bush in 2001, and even threatening them with unspecified negative consequences. In October, Taiwan's Legislative Yuan again rejected the package as too expensive. The package consists of 12 Orion submarine hunting aircraft, eight submarines (for which no builder has been found yet), six Patriot missile batteries etc. Everything is grossly overpriced and considering that delivery time is 15 years, it has no relevance for Taiwan's current or mid-long term defence needs, at best only long term, but by the time of the finalization of the deal, the war will have been fought and some kind of accommodation between China and Taiwan is likely to have been reached. Taiwan's politics and public opinion have been polarized as never before. Government surveys show a majority supporting an arms race and opposition surveys show a majority opposing it.<sup>16</sup>

"America's important strategic interest is to keep Taiwan beyond the control of the PRC"

The sale of 150 F-16 fighter planes by president George H.W. Bush in 1992 was primarily motivated by employment and profit considerations for the US arms industry and triggered a new phase in the arms race between China and Taiwan. The blatant pressure of senior American officials on Taiwan to start payments for the \$ 18.2 billion mammoth deal that president George W. Bush approved in 2001, but still hasn't been concluded illustrates that pecuniary considerations prevail over supposed concern for Taiwan's defense or democracy.

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<sup>15</sup> Katrin Bennhold, French go for the big stakes in China talks, International Herald Tribune, October 5, 2004.

<sup>16</sup> Edward Cody, Politics puts hold on Taiwan arms purchase. \$ 18.2 Billion Deal for US Weapons Stalled Despite American Warning of China Threat, Washington Post, October 10, 2004.

More revealing in this regard is a paper by John Tkacik of the Heritage Foundation, a right-wing think tank that is particularly influential during the Bush era. Tkacik departs from the accepted position of six previous U.S. administrations that as long as Taiwan's *anschluss* with China is peaceful, there is nothing that America could, or should, do about it. Tkacik advises that Washington policy-makers should not ignore America's important strategic interests in keeping Taiwan well beyond the control of the People's Republic of China. First, keep 'island -Asia' out of the hands of 'mainland -Asia'. Below are selected paragraphs from Tkacik's policy -paper:

The United States is the globe's preeminent naval power, and security of the sea lanes is essential to its national security. (...) Taiwan is a link in that 'island -Asia' chain. Without it, the back door to the Pacific is opened for China's large and modern surface and submarine fleets. The U.S. Pacific Command will benefit from early warning coverage of Chinese military deployments that will be available from advanced radar stations in Taiwan. (...) American naval planners closely monitor Chinese ship movements through Japanese and Taiwan waters reportedly because they "consider Taiwan as part of the 'First Island Chain' of defense." (...)

Second, the United States has a robust intelligence sharing relationship with Taiwan. Clearly, a Taiwan regime which acknowledges Beijing's suzerainty would break that relationship. Of course, the details are secret. There have been sporadic reports in the Taiwan press about intelligence cooperation between the United States and Taiwan that has been in place for over twenty years. It includes a "major signals intelligence facility in cooperation with the U.S. National Security Agency (NSA) on Taipei's suburban Yangmingshan Mountain" that is identified as a "data processing center."

Third, Taiwan is one of the top importers of U.S. defense equipment. American defense industries benefit from a pay-as-you-go relationship with Taiwan, which has been America's second best customer (after Saudi Arabia) for defense equipment and services every year for the past ten years. That includes 2002, when Taiwan's defense procurement slumped. (...) In April 2001, President George W. Bush approved an arms package worth over US\$20 billion for Taiwan, an amount that will surely take over a decade to digest. The increasing Chinese military threat to Taiwan made it easier for the Bush administration to justify providing Taiwan with ever higher levels of technology. As such, Taiwan has become an important partner in financing American defense research and development. There is every indication that the United States would welcome Taiwan's participation in the next generation "Joint Strike Fighter" program as a development partner. (...) In the event of Taiwan's political union with China, whatever the form, how would Taiwan handle the sensitive technology used in these systems ?

Fourth, Taiwan possesses advanced technology infrastructure. Taiwan has perhaps the world's most advanced semiconductor fabrication infrastructure, and has the capacity to produce defense critical electronics components. Much of this has been declared defense-critical in the United States and U.S. policy prohibits its export to China.

Tkacik concludes his report as follows: "Washington policy makers should consider the impact of their messages on America's broader strategic interests in Taiwan. The best message may be no message at all."<sup>17</sup>

In other words continue the duplicity, deception and breach of faith in the (misguided) belief that China will swallow this indefinitely.

EU-Taiwan "Quasi-Official" Relations :

On March 10, 2003, the European Commission announced that it had opened an office in Taipei, so as to strengthen relations between the EU and Taiwan in areas such as trade,

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<sup>17</sup> John Tkacik, Taiwan's Presidential Countdown; What does it mean for the U.S., China Brief, The Jamestown Foundation, May 6, 2003.

investment, economic co-operation, research and education. Commenting on the event, Commissioner for External Relations Chris Patten said: "The opening of the European Economic and Trade Office in Taipei confirms the steady development of commercial ties between the European Union and Taiwan. The volume of our bilateral trade and investment flows makes Taiwan an important economic partner for the EU. We look forward to the strengthening of this partnership".<sup>18</sup>

The opening of the representative office had been preceded by a spate of Taiwan-friendly activity in the European Parliament. The EP had adopted a number of resolutions in recent years, culminating in the *Report of the European Parliament on the Commission Communication on Europe and Asia: A Strategic Framework for Enhanced Partnerships of September 4, 2001*. This report reflected the strong pro-Taiwan sentiment in the Parliament, similar to a pervasive current in the United States Congress, partly based on traditional anti-communism, partly on liberal concerns for Human Rights and democratization, but among a minority of hardliners, the determination to prepare for a future confrontation with China. Although national parliaments in Europe have small pro-Taiwan lobbies, inspired by traditional affinity for Taiwan's old anti-communist right wing ideology rather than by appreciation of its more recent democratization, at the European Parliament level, the pro-Taiwan crowd has an important extra focus: the desire of the European Union to play a more prominent role in global diplomacy and multilateral security.

Earlier in the year (2001), the European Parliament had demonstrated its anti-China bias in a most counter-productive way by appealing to the International Olympic Committee not to award the 2008 Games to Beijing. The American House of Representatives, until then the world's premier bastion of China-bashing had refrained from doing so. In its July 2002 'Report on a Strategic Framework for Enhanced Partnerships' the European Parliament also went beyond the usual parameters of the U.S. Congress vis-à-vis Taiwan. The EP report urged the Council and the Commission to find ways to involve Taiwan in ASEM as its participation could help foster democracy in the region (Italics added) and contribute to the resumption of a genuine dialogue between Beijing and Taipei with a view to developing cross-strait relations. The report further recommended that the political pillar of the ASEM process should include a comprehensive approach on

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<sup>18</sup> IP/03/347 - Brussels, 10 March 2003. A backgrounder elaborated on the unique nature of the EU-Taiwan relationship: The EU, like most other countries, follows a "One China policy" and thus has no diplomatic relations with Taiwan. It supports the resolution of differences over sovereignty between Taiwan and mainland China by peaceful means, through constructive dialogue. It rejects the use of force as well as the threat of force between the two sides, and insists that any arrangement between Beijing and Taipei can only be achieved on a mutually acceptable basis. The EU treats Taiwan as a separate economic and commercial entity, and encourages the healthy flow of trade and investment between Europe and Taiwan. This was the basis for Taiwan's accession to WTO as a "separate customs territory" on 1 January 2002, which was strongly supported by the EU. The EU has solid relations with Taiwan in "non-political" areas, such as economic relations, science, education and culture, and is ready to reinforce these wherever there is a mutual interest. Relations reflect the importance of Taiwan as an economic partner. Taiwan is the EU's third largest trading partner in Asia, after Japan and the People's Republic of China, with a total trade volume in 2001 of over €37 billion. The Commission holds annual Consultations with Taiwan, alternately in Brussels and Taipei, which cover the entire breadth of the relationship. The last round of Consultations took place in Brussels in June 2002.

conflict prevention and peace keeping, e.g. supporting political dialogue between North and South Korea, as well as between the People' Republic of China and Taiwan. It urged the Commission to propose that a dialogue be started within ASEM on security matters with a view to defining conflict prevention mechanisms. The report also expressed concern at the arms build-up between China and Taiwan and called for a withdrawal of all missiles and the gradual disarmament of the coastal provinces across the Taiwan Straits. **On top of that, the EP called on the Commission to initiate the process of negotiation which will lead to an EU-Taiwan free trade agreement.**<sup>19</sup>

Why did the European Parliament take outspoken positions – i.e. on the Olympics - and stronger pro-Taiwan views, i.e. on enhancing Taiwan's international status than the U.S. Congress ? The EP probably knew or should have known that these positions are very offensive and totally unacceptable to China. Their assertiveness may have been stirred by the ambition to add some flesh and bones to the watery soup of the Common Security and Foreign Policy. They obviously want Europe to play a more prominent role not just in trade and investment in East Asia but also in regional security, not only in conflict prevention and peacekeeping on the Korean Peninsula and in the Taiwan Straits, but even in peace-making.

How far would the European Parliament be willing to push ? The U.S.-Taiwan relationship is based on the "Taiwan Relations Act" of 1979, a domestic law. engineered in flagrant violation of international law by Congress against the wishes of the Carter Administration. The Act stipulates: 1. that the U.S. will consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes a threat to the peace and security of the Western Pacific and of grave concern to the U.S.; 2. The U.S. will provide Taiwan with arms of a defensive character and, 3. maintain the capacity of the U.S. to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people of Taiwan.

**The European Parliament has repeatedly echoed concern about China's threat, demanded withdrawal of Chinese missiles, called for dialogue and appealed for a peaceful solution. The EP has opposed the lifting of the EU arms embargo on China but it has never hinted that it would consider allowing memberstates to supply arms to Taiwan. Neither has it advocated that the EU should play an auxiliary role in defending Taiwan, something the U.S. has demanded from Japan and Australia. Nor did the EP express any view on the colossal \$ 18.2 billion US arms deals underway with Taiwan. And not at all has it ever appealed to Taiwan to be more prudent, to pursue dialogue with China not as a ritual, but to accept some loose version of the "one China principle".**

Considering the EP's Taiwan -friendly activism, would it contemplate a modified European version of the American "Taiwan Relations Act" as a foundation for the Union's interest in the political and security aspects of the Taiwan question ?

**Within months of the opening of the European Trade Office in Taipei, the EU had its first serious trade spat with Taiwan. Taiwan's China Airlines had purchased 12 Airbus A 330 aircraft and was expected to equip the planes with British Rolls Royce engines, but after**

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<sup>19</sup> European Parliament, Report of the European Parliament on the Commission Communication on Europe and Asia: A Strategic Framework for Enhanced Partnerships of September 4, 2001; 1999-2204 Session, 16 July 2002

one year of negotiations the engine contract was awarded to General Electric, which also got the deal to supply the engines for six Boeing 747-400. The European Commission said bluntly that the decision by Taiwan "appears to be taken on grounds other than purely commercial". As a result, "it cannot but have a significant impact on relations between the EU and Taiwan", the spokesman added.

An analyst said aircraft deals "can be fiercely political". "Given that Taiwan wants good relations with as many countries as possible, you could imagine they were trying to have the US supply the engines and the Europeans at least some of the aircraft," he added.<sup>20</sup> It is obvious that the United States as the premier arms supplier of Taiwan demands priority rights in case there are conflicting offers from Europe, especially if tentative Boeing deals are challenged by Airbus.

### The EU as a model for integration

The European Parliament's activism has endeared it to Taiwan, but its calls to involve Taiwan in ASEM – in the present circumstances – can only be conceived as acceptable to China if the island agrees to *sub-sovereign* status, that means under the "One-China formula". Some MEP have insisted that Taiwan has the full right to self-determination, that it should be a member in ASEM and certain other organizations in the same way that both Taiwan and Hong Kong are members of WTO.<sup>21</sup> **China has time and again made it abundantly clear that the WTO, like APEC is not an organization of sovereign states but of "economies"**. The road towards Taiwan's membership was paved by astute British diplomacy during the 1982-1984 negotiations on Hong Kong's future status. Hong Kong is a member of these two organization as a Special Administrative Region of China, but its chief-executive in terms of protocol is treated like any head-of-state. Taiwan is a member of WTO as a "separate customs territory" and of APEC as "Chinese Taipei" and only a senior political or civilian figure from Taiwan below the president can represent Taiwan in the assembly or at summits. Taiwan's nomenclatura is literally carved in stone or copper on the frontgate of its delegations and no insistence of the European Parliament will change this reality.

**ASEM is a political forum of sovereign states. The EP advocates the participation of "democratic countries like India and Taiwan" in ASEM. According to the EP, "the participation of Taiwan in ASEM could be a step forward towards the resumption of a genuine dialogue between Beijing and Taipei with a view of developing cross-Straits relations". In other words, Europe could be a facilitator or even a mediator in cross-Straits dialogue. It is highly unlikely that this scenario would materialize. The U.S. has been involved in Taiwan since 1950 and present-day Taiwan, a relatively developed economy and an electoral but dysfunctional democracy, is largely a creation of the U.S. The U.S. is occasionally distancing itself from the current D.P.P government's independence-agenda<sup>22</sup> but there is no consistency. On the one hand the U.S. State**

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<sup>20</sup> Judy Dempsey, Taiwan warned over aero-engines deal, Financial Times, August 21, 2003.

<sup>21</sup> Su Hungdah, Institute of European and American Studies, Academia Sinica, EP Policy towards Taiwan in 2002-2003: Some Inspiration for the Emerging EU Common China Policy, January 2004.

<sup>22</sup> President Bush criticized president Chen Shui-bian in December 2003 with Chinese premier Wen Jiabao at his side for attempting to "unilaterally change the status quo, which we – the U.S. – oppose. Secretary of

Department is implementing the “one China policy”, on the other the Pentagon is expanding arms sales and has resumed overt cooperation with the Taiwan military to an unprecedented degree. A role for the EU might be conceivable if the current low-level proto-crisis escalates into a full-scale confrontation in which Europeans might act as a moderating force, similar to the EU mission to Pyongyang, led by Swedish prime minister Goran Persson in 2001 to calm the furore over George Bush’s derailment of South-Korea’s “Suns hine” policy.

Even independent commentators in Taiwan recognize that the EU needs China’s support to give substance to its Common Foreign and Security Policy. Maintaining friendly relations with China will help the EU in expanding its say in global affairs and promote its economic interests, particularly in the Asia-Pacific region. China also expects to strengthen ties with the EU, in a move to attract foreign capital and European technology, as well as to reduce U.S. unilateralist hegemony in the world at large.<sup>23</sup>

At least one member of the European Parliament has strongly spoken out against Taiwan’s independence agenda. Glyn Ford, a British Labour MEP wrote an article in the *European Voice Weekly* in February 2004, which was posted on Qianlong, a Chinese website. Ford was quoted as saying Taiwan’s seeking for “independence” will inevitably trigger an arms race in the region of East Asia, and thereby jeopardize the EU-China partnership. “The EU should not encourage any destabilizing factors affecting the status quo of the Taiwan Straits, the article said. Taiwan should merge with the mainland, instead of promoting “Taiwan independence” through interest groups within the EU or the United States. Going in for “Taiwan independence” would eventually harm the interests of all sides. Ford also suggested that the EU should resolutely resist any attempt to give disguised recognition of Taiwan as an “independent state”.

Once cross-Straits dialogue resumes – on the basis of a highly flexible “one China principle”, the EU as the standard-bearer of the world’s most successful model of interstate integration and sovereignty-dilution, could play an important role as a facilitator in guiding China and Taiwan towards a new type of a loose union in which collective sovereignty is shared. The European Parliament should persuade both sides towards this goal and stop encouraging Taiwan separatism in any form.

## Conclusions

The European Commission, the Council of Ministers and the majority of memberstates have meticulously observed some form of a “one China policy” that comes close to China’s “one China principle” ever since the then European Economic Community established official relations with China in 1975.

Only two memberstates, Holland and France engaged in major arms deals with Taiwan and despite their emphatic explanations that these deals did not imply recognition in any form of Taiwan as a state, for China these acts were gross violations of the “one China principle”, that these European states had committed themselves to in some form or other

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State Colin Powell rebuked Chen in interviews with a Chinese and a Hong Kong t.v. station in October 2004 that Taiwan was not an independent, sovereign country.

<sup>23</sup> Yachung Chang, EU’s China Policy and its Possible Impact on Taiwan, Nanhua University, Taiwan, 15 November 2003.

and constituted gross interference in the domestic affairs of the People's Republic. A third country, Germany considered arms supplies to Taiwan as well but in the end decided to refrain from them, apparently not so much out of concern for commercial repercussions, but primarily for legalistic reasons, i.e. the sanctity of international law. The Dutch and French decisions to renege on their diplomatic commitments were based on purely domestic considerations, i.e. employment, survival of military industries, profits and in the French case kickbacks for sections of the political and industrial elites. Some rightwing Dutch politicians insisted in 1981 that Taiwan's "democracy" should be supported against China's communist dictatorship, but this was not persuasive since Taiwan was still a repressive even murderous authoritarian polity in the early 1980s. At the time of the French decisions, Taiwan's democratization was also hardly a factor because it had just begun.

Strategic and/or security considerations, either regional or bilateral concern for Taiwan's defence played no role in either Dutch or French decisions. So the issue of trade- and security trade-offs did not arise. In their negotiations with the Taiwanese, the Dutch submarine-dealers specifically demanded additional "compensation -orders" for the damage that Chinese retaliation would cause to Sino-Dutch trade and the Taiwanese complied. The entry of major Dutch multinationals into China was delayed and complicated for several years and KLM could not start flights to Beijing and Shanghai until 1996.

How much commercial damage was wrought on bilateral trade is difficult to calculate. In both the Dutch and French cases, the "low tide" lasted about three years. Trade was never drastically reduced. There were only fewer new deals, fewer visits by trade- and other delegations and high level contacts between diplomats and senior officials were restricted. In any case, both Holland and France felt after a "reflective interval" that they could not afford abnormal, downgraded, damaged relations with China for the long term and both were willing to renounce future arms deals with Taiwan in exchange for instant normalization of relations with Beijing.

Finally, it is important in this context to reflect on the extent to which Taiwan's permanent and sole arms supplier, the United States engages in commercial and security trade-offs. After the termination of the official US Taiwan defence alliance in 1979, the United States continued to supply arms to Taiwan, invoking "legal obligations", contained in the Taiwan Relations Act, a domestic law, initiated and adopted by the U.S. Congress in blatant violation of international law and of a series of bilateral agreements with the People's Republic of China. Each time the United States engaged in a major arms deal with Taiwan, China retaliated in its own ad hoc way. Usually it supplied arms to "states of concern" hostile to the United States, sometimes it took an attitude of non-cooperation in the area of non-proliferation, other times non compliance with the Missile Technology Control Regime. The latter was the case after the F-16 deal in 1992, authorized by president George H.W. Bush. The decisive considerations behind this deal were not to safeguard the security of Taiwan, but to maintain employment levels at General Dynamics in Fort Worth, Texas, to keep GD profitable, and to prevent France from becoming the major supplier of fighter planes to Taiwan.

The rationale for the current \$ 18.2 billion arms deal under way is not to defend Taiwan, but to extort money from Taiwan to subsidize American arms manufacturers and military research and to keep Taiwan under long term American military domination. Anticipating an “Armageddon -style” conflict between good-and-evil, hardline right-wing ideologues at the Heritage Foundation, The Weekly Standard and elsewhere advocate now openly that the U.S. should use any means to keep Taiwan permanently separated from China at any price. In several branches of the government, such as the Pentagon and vice-president Cheney’s office the same policies are being promoted, but not openly. Outright pro-Taiwan and clear anti-China policies have not been implemented systematically during the first Bush-term and the president himself has distanced himself openly from Taiwan a year ago and moved somewhat closer towards China.

Taiwan’s DPP-government has changed the rules of cross-Straits politics radically by taking the standard position now that it will not and doesn’t have to declare independence, because it is already an independent and sovereign state and only has to consolidate that independence and sovereignty. Sometimes openly, sometimes surreptitiously, Taiwan is moving further down the road towards full separation, and each time China issues a warning the Taiwanese are yelling “Uncle” at the United States: “China is threatening us” . Despite all the encouragement that president Bush has given to the Taiwanese during his first year in office, despite all the ambiguity that other branches of the U.S. government, especially the Pentagon, have shown, despite all the incitement certain groups in Congress, the right wing and religious forces have given to Taiwan hardliners, plus the incitement of right wing groups in Japan and the support of the European Parliament, outgoing Secretary of State Colin Powell has recently told the Taiwanese in the most straightforward manner that the independence-game should be over.

Answering a question of Hong Kong Phoenix T.V. about president Chen Shui-bian’s position that Taiwan doesn’t have to declare independence, “because it is already an independent and sovereign state”, Powel said: “Well, they can make these sorts of statements but our policy is clear. There is only one China. Taiwan is not independent. It does not enjoy sovereignty as a nation, and that remains our policy, our firm policy. And it is a policy that has allowed Taiwan to develop a very vibrant democratic system, a market economic system and provided great benefits to the people of Taiwan. And that is why we think it is a policy that should be respected and should remain in force and will remain in force. ...”<sup>24</sup>

Meanwhile the Pentagon is pushing its \$ 18.2 billion arms deal and threatening Taiwan with sanctions if it doesn’t expedite payments. China is retaliating in its own way against the arms deal, i.e. by making its support for the nuclear disarmament of North-Korea conditional on some kind of American disengagement from Taiwan. How, when and to what degree ? Too early to tell, but Taiwan’s DPP government may have to prepare for another Nixon-style blow during Bush’s second term

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<sup>24</sup> I will further elaborate on Powell’s statement in my paper for the Madrid session.