

Series Editors: Dr Willem van der Geest and Dr Paul Lim

On The Future Outlook for Taipei-Beijing Relations

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Abstract

To make educated guesses about the relationship between the PRC and RoC as it might most likely develop over the next 20 years, involves looking at the region (East and Southeast Asia), the USA and the international environment. China analysts express extremely diverging opinions about its future: China is a threat. China is threatened. Proponents of China as a threat refer to its militant rhetoric, including military force against Taiwan, its vigorous armament, its stance on the South China Sea (Paracel, Spratly Groups) and other flashpoints. Other analysts see China as threatened by its environmental problems, uncontrolled migration, endemic corruption, tremendous problems with privatisation of state enterprises, centrifugal tendencies, widening regional inequality, stifled political change, difficulties of reconciling domestic adjustment with WTO rules, growing financial non-performance and the weak tax base of the state, etc.

Forecasts about Taiwan's future seem easier to make because we are dealing with a more open society. However, here too correct predictions are difficult: Some hail Taiwan as a case of successful economic and political transformation, whereas others stress its weakening economy and political fragility. Against this background, the author elaborates sixteen possible future scenarios for the cross-straits relationship -- ranging from armed conflict and war to a wise and harmonious federalism. Some of the key determinants as well as the dangers and opportunities are analysed.

Whatever happens between Taipei and Beijing is of relevance to Europe. The author argues that Europe may have quite a unique role to play. The EU in East Asia is less dominant, less ideology driven as a „crusader“, hopefully more understanding and might be in a better position than any other actor, including the USA and Japan, to play the role of a honest broker.

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Fellow at Harvard University and from 1989 to 1992 he served as project director in the realm of development co-operation, based in Manila, Philippines. Among other topics he is interested in the process of normalization between divided nations which can be seen in publications such as the book he edited, *United We Stand – Divided We Are. Comparative Views on Germany and Korea in the 1990s*. Hamburg: Abera, 1998, and the article: “From Division through Normalization to Unification. A comparative View on Developments in Germany and Korea.” *Korea Observer*, Vol. 32, No. 1, Spring 2001, pp. 13-58.

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On The Future Outlook For Taipei-Beijing Relations.

Werner Pfennig

I. Introductory Remarks

The topic of this paper might be associated with crystal-ball gazing or reading the tea leaves. In order to avoid disappointments and to explain my modest intentions, some remarks and clarifications seem to be appropriate. The possible development of future Taipei-Beijing relations will be looked at and it will be asked what the relevance of as well as for Europe could be. Taipei, Beijing and Europe are geographical names, they will be used here as synonyms for Republic of China (ROC), People's Republic of China (PRC) and European Union (EU).

Future outlook means to make educated guesses about the relationship between the PRC and ROC as they might most likely develop over the next 20 years. By doing so we of course should not only be looking at strictly bilateral relations, because the region (East and Southeast Asia), the USA and the international environment certainly matter.¹ All this, of course, is very tricky business. Today's predictions, even presented with caution and qualifications, can look already tomorrow quite absurd.

Relevance means having a bearing upon or relating to something; it is a synonym for important, for applicable. But the term as such does say anything neither about the quality, nor about the magnitude or the stretch of impact.

Taipei-Beijing relations and their relevance for Europe appear to primarily encapsulate the question: If something happens between the PRC and Taiwan, what will be the effects on the EU? Certainly not everything that might possibly happen between them will have a bearing upon Europe. Therefore, what will be of interest are those developments that are likely to affect the EU.

Relevance, as understood in this paper, is a more neutral term as juxtaposed to consequence. The difference is the need and the urgency to react. If the word consequence is used it seems to imply something has happened between Taipei and Beijing that needs a reaction from the EU. It may be a verbal reaction but it could be more, depending on the degree of immediate impact and of anticipated implications.

Furthermore, one should pose the question whether "relevance" here is strictly understood as being one way or is it bi-directional? If it is, then one may very well ask, how might the development of the EU effect future Taipei-Beijing relations?

All these terms just touched upon harbour a certain vagueness which is further complicated by the time frame, as the topic is about "future outlook." Nobody is qualified to exactly forecast what kind of future PRC, ROC and EU we will be dealing with in about 20 years from now.

¹ For a thoughtful analysis see here Dosch, Jörn, "Relations of the US and the EU with East Asia: A Fresh Look at Actors, Strategic Interests and Institution-Building." *Panorama*, 1/2001, pp. 13-42.

II. On the Difficulty to make reliable Forecasts

The leading actor in China undoubtedly still is the Communist Party; but we are well advised to remember what party it was 20 years ago and how it has changed ever since. Similarly, twenty years ago few would have dared to predict a president on Taiwan coming from the Democratic Progressive Party. In Europe at that time, peaceful German unification with membership in NATO, most of the EU having one currency and the Soviet Union being non-existent, all this would have been daydreams or nightmares, depending on which one would have talked to.

To have a realistic idea about the future course of the People's Republic of China seems to be as important as it is intricate. As Gary Klintworth stated "(N)o subject has generated more debate ... than questions about China's future - its prospective role as the world's next superpower, and whether it is or is not likely to be a threat to the region."² Forecasts about China's most likely future are difficult to make and tend to be characterized by extremes which can be summed up in the diverging opinion: China is a threat. China is threatened.

Proponents of the first assessment would list among others: militant rhetoric, the Taiwan-Missile Crisis in 1996,³ continuous threat to use military force against Taiwan, vigorous armament programmes, maintaining the South China Sea (Paracel, Spratlys) as a flash point and a policy of needling here weaker opponents (The Philippines, for example). To be fair, this can be contrasted by the constructive role China played in the UNCTAD mission in Cambodia, with China's very helpful role in bringing about initial normalization on the Korean Peninsula,⁴ her participation in the ASEAN Regional Forum (ARF), the idea of merging ASEAN and China to a free-trade area, the flexible policy *vis-à-vis* Hong Kong, the participation of Chinese medical personnel in East Timor, China joining the "International Coalition Against Terrorism" after September 11, 2001, etc.

Advocates of the thesis that China herself is threatened would undoubtedly mention: Environmental problems, uncontrolled migration, endemic corruption, tremendous problems with privatization of state enterprises, centrifugal trends within China, widening gaps between rich and poor regions, need for political change, problems of how to reconcile domestic adjustment with demands to conform to WTO rules, growing financial need and at the same time less financial means of the state,⁵ etc. This can be contrasted by the drastic measures against corruption, by a multitude of carefully and cautiously executed political reforms, by the sober and professional negotiation process about WTO membership and above all by the acute awareness of the urgency of problems at hand.

² Klintworth, Gary, "China: Status Quo Power Or Regional Threat." *The Journal of East Asian Affairs*, XII/2, Summer/Fall 1998, pp. 364-383.

³ See here Ross, S. Robert, "The 1995-96 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force", *International Security*, 25/2, Fall 2000, pp. 87-123. Dreyer, June Teufel, "Flashpoint in the Taiwan Strait", *Orbis*, 44/4, Fall 2000, pp. 615-630.

⁴ For the broader dimension see Yi, Xiaoxiong, "Dynamics of China's South Korea Policy: Assertive Nationalism, Beijing's Changing Strategic Evaluation of the United States, and the North Korea Factor." *Asian Perspective*, 24/1, 2000, pp. 71-102. Lee, Chae-Jin, "The Evolution of China's Two-Korea Policy," in Han Bae-Ho and Chae-Jin Lee, eds., *The Korean Peninsula and the Major Powers*, Seoul 1998, pp. 115-146.

⁵ Problems of corruption and the inefficient tax system are examined in Gamble, William, "The Middle Kingdom Runs Dry", *Foreign Affairs*, 79/6, November-December 2000, pp. 16-21.

It is safe to assume that the connection between domestic reform and international co-operation is well known to China's leadership. Jiang Zemin at Deng Xiaoping's eulogy in February 1997 said: "Opening up to the outside world is an essential condition for China to achieve its socialist modernization. Comrade Deng Xiaoping emphasized repeatedly that the current world is an open one, that China's development is inseparable from the world, and that it is imperative to pursue the policy of opening up to the outside world on the basis of persisting in self-reliance."⁶

Forecasts about Taiwan's future seem to be slightly easier to make because as compared to China we are dealing with a more open society. However, here also correct predictions are difficult. Taiwan is hailed as a country that has most successfully achieved economic and political transformation.⁷ The election of a member of the opposition as president, Chen Shui-bian, is rightly seen as a symbol of political maturity.⁸ Taiwan's quick recovery after earthquakes and other disaster is also seen as an indication of its economic strength, vitality and flexibility. Despite international isolation Taiwan has developed an impressive system of indirect contacts, is an important global player in economics, and is a crucial investor in Southeast Asia. On the negative side we have a president (Chen Shui-bian), who at the beginning of his term, had no majority in parliament and who has problems with his own party. During the first year in power the DDP looked like a party experienced and appreciated at local level but inexperienced with national and international issues and constraints. This has changed with the December 2001 elections. The DPP is now the strongest party in Parliament and gets additional support from the Taiwan Solidarity Union. This could bring to an end the political stalemate and should enlarge the radius of action for the president, although Hermann Halbeisen calls it a "shift of weight and no changeover of power"⁹ whereas others, however, think these elections have greatly changed Taiwan's political landscape.¹⁰ Despite economic problems on Taiwan, the election results from December 2001 gave the island more self confidence and self-confidence is a precondition in the search for confidence building at home and abroad. The Chen Shiu-bian Administration received a badly needed boost with the election and Beijing will have to recognize that democracy is more firmly rooted on Taiwan than perhaps was previously thought.

Relations between Beijing and Taipei certainly have a complicated history.¹¹ Taiwan, so many of her history conscious people feel, has been looked down upon, has been treated shabbily, and had even been given away by Beijing. China has overcome weakness and has recovered from humiliation, yet, in the perception of many Chinese, is still denied her proper place among the leading countries of the world. Taiwan has suffered under dictatorial rule, has undergone fundamental economic and political reform, is a proud democracy, a leading international trader and technological innovator, and yet is isolated internationally. The island is not being courted but threatened by an enormously big

⁶ Jiang Zemin's Eulogy of Deng. *News from Xinhua News Agency*, February 25, 1997.

⁷ See, for example, Tsai, Wen-hui, "Socio-Economic Changes and Modernization in an Age of Uncertainty: Taiwan in the 1990s and its Future Challenge." *Maryland Series in Contemporary Asian Studies*, 1/2001 (162).

⁸ Robinson, James A. and Deborah A. Brown, "Taiwan's 2000 Presidential Election," *Orbis*, 44/4, Fall 2000, pp. 599-614.

⁹ Halbeisen, Hermann, "Gewichtverschiebungen, aber kein Machtwechsel. Ereignisse und Konsequenzen der Dezemberwahlen." *Freies Asien*, Vol. 43, Nr. 7/2001, p. 1.

¹⁰ Rigger, Shelley, "Taiwan's political landscape transformed." *Taipei Journal*, January 11, 2001, p. 7

¹¹ On the development of the Communist Party's position on Taiwan see Rudolph, Jörg-Meinhard, *Die Kommunistische Partei Chinas und Taiwan (1921-1981)*. Munich 1986.

mainland¹² to who's economic development the island has contributed so much. As far as their relationship is concerned, Taipei feels treated badly, Beijing does not feel respected and both think, respectively hope, that time is on their side.

III. On The Future Outlook

Even after years of impressive contacts (trade,¹³ visits, etc.) the situation between Taiwan and China is still characterized by substantial non-relations. What needs to be emphasized is the fact that Beijing-Taipei relations are not exclusively an inner-Chinese affair. Beijing indirectly recognizes this, because these relations are discussed almost continuously with the USA. Furthermore, there is the Taiwan Relations Act,¹⁴ there is the vital interest of Japan, and the stability of the whole region depends on non-violent (peaceful) relations across the Taiwan Strait. Pondering about a future outlook means to consider likely scenarios. For such exercise Tom Hart recommends to distinguish between conflict complexes, conflict, and issues as well as disputes.¹⁵ Such categorization reflects the degree of danger, of urgency, the capacity for dangerous escalation, and the involvement of major actors. My short list ranges from very negative and dangerous to very positive and, at least to me, desirable.

Conflict Complexes (dangerous but not very likely)

- ?? The political and economic situation of the PRC becomes increasingly difficult and hard-liners play the nationalistic card *vis-à-vis* Taiwan. The chauvinistic sentiment flourishes (also among young people) on the mainland and is met with defiance on Taiwan which in return fuels militaristic thinking on the mainland.
- ?? Military action, a quick decapitating strike,¹⁶ an invasion of Taiwan, and the United States are taken by surprise.¹⁷
- ?? China attacks and Taiwan declares independence. This is promptly exploited by militant Uighur nationalists in Sinkiang who engage in terrorist activities and even in Tibet some frustrated young people resort to force. Consequently almost all Chinese rally to the flag and support their leaders. The UN is inactive, the international community finds itself in a fix between upholding the right of self-defence, condemning terrorism, and debating the need for as well as the impossibility of humanitarian intervention. Japan keeps mum and makes all efforts possible not to be affected.
- ?? Military action but no victorious *blitzkrieg* for China. The United States get involved militarily.

¹² There are different views on China's real intentions and capabilities; see O'Hanlon, Michael, "Why China Cannot Conquer Taiwan." *International Security*, 25/2, Fall 2000, pp. 51-86.

¹³ For trade between both sides see table 1.

¹⁴ For a comprehensive assessment see, for example, Chang, Jaw-Ling Joanne and William W. Boyer, eds., *United States-Taiwan Relations: Twenty Years After The Taiwan Relations Act*, *Maryland Series in Contemporary Asian Studies*, No. 1, 2000, Baltimore. Chiu, Hungdah, Hsing-wei Lee and Chih-Yu T. Wu, eds., *Implementation of Taiwan Relations Act: An Examination After Twenty Years*. *Maryland Series in Contemporary Asian Studies*, No. 2, 2001, Baltimore.

¹⁵ Professor Hart did this in his paper on "Northeast Asian Conflict Scenarios and the Role of the Major Powers" which he presented at the 3rd Europe-Northeast Asia Forum organized by Stiftung Wissenschaft und Politik and Korean Institute for International Studies and held in Berlin (13-15 December 2001).

¹⁶ It seems to be part of military mentality to include such thinking. The quickness, so the calculation goes, would find the US totally surprised and ill prepared. In these circles there appears to be a tendency to doubt US resolve to help Taiwan militarily under such a scenario.

¹⁷ The potential danger here is aggravated by the possibility that parts of the higher echelons of the People's Liberation Army, while acknowledging military capacity and technological superiority of the US, may question the political resolve of Washington to fight for Taiwan.

- ?? Efforts to further politically isolate and economically strangle Taiwan.¹⁸
- ?? Escalation of subversive activities with the effort to bring down the stock market and the currency and to dishearten the population of Taiwan, to make people there fatalistic and submissive.
- ?? With an economically weakened and politically fragmented Taiwan, Beijing confronts the rest of the world with the rhetorical question: “Who wants to die for Taiwan?” (This question is preferably to be asked during an election year of the USA).
- ?? Successful economic reforms make China a producer of a variety of products (good quality, reasonable prices). There is also a vast market and a strong purchasing power, above all, the mainland becomes an economic rival to Taiwan, a more interesting place to do business with. Shanghai overtakes Hong Kong as economic and financial hub and in a number of crucial economic sectors parts of China outstrip Taiwan.

Conflicts (likely but with growing potential for positive developments)

- ?? Continuation of the *status quo* between Beijing and Taipei with increased economic interaction but little substantial political contacts.
- ?? Improvement of the *status quo*, direct economic and initial political contacts provide the ground for a *modus vivendi* which nourishes a process of normalization.
- ?? Both sides gradually appreciate the benefits of positive interdependence facilitated by globalization and joint membership in the WTO. Trade, visits, etc. are now performed directly, no longer via Hong Kong.
- ?? Normalization helps to see the wisdom of co-operation and both sides reach an agreement (perhaps unofficially) similar to the “Basic Treaty” signed between the two Germanys in 1972. (Prior to this, a secret understanding has been reached that for a certain period of time Beijing will not use force and Taipei will not declare *de iure* what it *de facto* already is, namely independence.)

Unlikely to happen soon but desirable

- ?? Normalization between the two Koreas continues and offers a chance for a completely new realignment in East Asia. Beijing continues to slowly establish and test a more decentralized political system and is learning positive lessons with the arrangement between the PRC and Hong Kong.
- ?? The international community (FN difficult to say who that primarily might be) feels that the stand off between China and Taiwan is a disturbing and unnecessarily irritating alien element of the international system and is detrimental to political and economic co-operation in general and to improved co-operation with and within the Asia Pacific Region. Facilitating efforts on many (primarily unofficial) levels by Nordic Countries et al. help to bring forward new ideas and formulae, and help to open channels of communication that make it possible for both sides to start constructive dialogues.
- ?? Positive results from economic integration between parts of China and Taiwan as well as positive results from co-operation within the WTO framework initiate thinking about a common market between China, Hong Kong, Taiwan and Singapore. Both, Beijing and Taipei start (on different levels) to discuss with ASEAN the costs and benefits of establishing a joint free-trade area.
- ?? China is moving towards a loosely structured federal system and there is countless interaction with Taiwan.
- ?? Over the years economic and cultural interaction between China, Taiwan, Hong Kong, Singapore, (overseas Chinese communities in Southeast Asia and elsewhere), etc. demonstrate

¹⁸ Taiwan’s geographical location is a mixed blessing, easy to defend and easy to hurt (interruption of lifelines).

clearly the benefits of this *modus vivendi*, all this is further appreciated because there is growing mobility and free travel. This increased networking in East and Southeast Asia could eventually promote the idea of a complacent (benevolent) “Greater China” as a loose political holding company.

?? In twenty or thirty years from now a new generation is no longer influenced and handicapped by contradictions and antagonisms of the past. A more rational view prevails which helps to reach compromises because priorities have changed and correlations as well as opportunities are seen more clearly. Questions of division and unification do not matter as strongly as they did in the past, they are no longer treated as quasi religious matters but are looked at with a more relaxed and future oriented perspective.

?? Taiwan joins a new federal Chinese system and the mainland has transformed profoundly. “The Taiwan of today might be the People’s Republic of tomorrow.”¹⁹

This list of scenarios of course is an open-ended one. What matters are linkages between political and economic, between domestic and international development. Among the many contextual variables two will be briefly mentioned here:

1. Reform and authority maintenance.
2. Relations between centre and provinces in China and Taiwanization

Reform and authority maintenance

China’s leaders know they have to reform their country and in order to do so successfully they want to stay in power, want to maintain their authority. But they also fear (esp. the old guard) that too much reform will damage authority. For quite some time China’s leadership is aware of this daunting challenge. There is no realistic alternative to the continuation of economic reform. China needs an annual growth rate of about 6% for stabilization and problem solving, which means these 6% are not freely disposable. China’s reformist politicians and the population alike are to be commended for what they have achieved in their impressive pursuit of modernization and opening up of the country. Hong Kong and its relationship with China i China’s reformist politicians and the population alike are to be commended for what they have achieved in their impressive pursuit of modernization and opening up of the country. Hong Kong and its relationship with China are governed by the “One Country Two Systems” rule. In many parts of China proper we have something like “One Country Many Systems” with the crucial proviso that the authority of the Communist Party is not to be questioned.

In 1991 Yang Shangkun quoted Deng Xiaoping in his speech marking the October 10, 1911: “In the final analysis we must convince the people who do not believe in socialism, by the results of our own development.”²⁰ In the Soviet Union the results of socialist development lastly were unconvincing. The regime did not pass the basic test of legitimization: it was unable to feed its own people. China’s leaders have carefully studied the reasons for the demise East Germany, of the Soviet Union and what caused the disintegration of Yugoslavia. China’s leaders (at least the group around Deng Xiaoping) are to be commended that even prior to this study they started to implement reforms from 1979 onwards. There are no objective figures that tell us how many people in China still believe in socialism, but it can be assumed that in the future their numbers may further decrease. This puts even

¹⁹ Weggel, Oskar, „Wie geht es weiter mit Taiwan? Zukunftsperspektiven lang- und mittelfristiger Natur,“ Fabrowsky, Anne and Carola Milbrodt, eds., *Taiwan nach den Präsidentschaftswahlen vom März 2000*, Berlin 2000, p. 58.

²⁰ Text provided by Embassy of the People’s Republic of China.

more strain on the performance of the system. About ten years ago, in 1991, Lee Kuan Yew had this comment to make: "... by educating a large class of managers and technicians to run a modern industrial society, they can't maintain one-party dictatorship for long. So at some stage -maybe 10 years, maybe more- either they change their political system or they stagnate. But they can't afford to stagnate because their people are aware of how others are living, thanks to the information age."²¹

China's leadership wants no stagnation, pursues domestic reforms, engages in international co-operation and increasingly tries to come to terms with interdependencies. About 40% of China's GDP growth depends on foreign trade. China wants to co-operate within the WTO. Taiwan business has accumulated to 2000 invested a contracted amount of 47 billion US\$ on the mainland.²² "Mainland China has attracted 34.34% of Taiwan's total foreign investment such that it became the foremost destination for Taiwan's foreign investment."²³ Because trade across the Taiwan Strait is mostly indirect via Hong Kong (smuggling notwithstanding), costs are higher than they would be in normal and direct transactions. Both sides would benefit from direct trade, because transport costs would be about one third lower. Economic problems on Taiwan have led many people to the conclusion that the island's economy should integrate even more into China's economy, which is supposed to be the only growth area in East and Southeast Asia. This assessment of the situation has some plausibility but a draining of resources and potential must be avoided. Taiwan's leadership will have to continue maintaining the delicate balance between dependence and interdependence.

Relations between Centre and Provinces in China and Taiwanization

Beijing seeks a working concept of decentralization. China has problems with some of its regions, and I dare to call it the last big colonial empire. There are ongoing debates within China and abroad on the seriousness of centrifugal forces between centre and provinces.²⁴ "The People's Republic has been splintered into an extremely wealthy coastal strip -essentially one big export processing zone- and an increasingly impoverished interior ...Whereas the coast has rich and cosmopolitan cities that are among the finest in the world, the interior claims a moral superiority that comes only from its assertion of cultural purity; the interior is the 'true' organic China."²⁵ There are fears that danger is coming from two different directions: the country is losing its cohesion because of forces from within and because of infringements on sovereignty coming from abroad. If the trend just described is a real one, parts of China may become more international while others stress their "Chineseness" and cultural purity. What are likely consequences if and when this happens almost simultaneously with increased Taiwanization? So far the ambiguity of Taiwan's status and identity was helpful for survival. "Yet while Taiwan is unambiguously a Chinese place, it has a Taiwanese identity that is distinct and separate from the mainland."²⁶ One of the accomplishments of Lee Teng-hui was the "domestication" of the Kuo Min Tang.²⁷ Recent developments, perhaps more strongly since 1996, the presidency of Chen Shui-bian, and the elections in December 2001 may have contributed to a process which

²¹ Interview with Lee Kuan Yew, *Time*, November 4, 1991, p. 30.

²² *Cross-Strait Economic Statistics Monthly*, May 2001, table 10. p. 26.

²³ *Ibid*, p. 15.

²⁴ For an early comment see Sun, Lena H., "Thinking the Unthinkable in China: What if the Provinces Became Independent?" *International Herald Tribune*, Oct. 10, 1991.

²⁵ Oakes, Tim, "China's Provincial Identities: Reviving Regionalism and Reinventing 'Chineseness'", *The Journal of Asian Studies*, 59/3, August 2000, p. 667.

²⁶ Klintworth, Garry, "Taiwan's International Identity: 400 Years in the Melting Pot", *The Journal of East Asian Affairs*, X/72, Summer-Fall 1996, p. 392.

²⁷ 85% of the KMT members are Taiwanese.

started with increased reflections of Taiwan's identity, then led to Taiwanization and may even foster a Taiwan nationalism, and to all this China unintentionally contributed. If the present policies pursued by Beijing: isolation of Taiwan, formal insistence on a monopoly on how to interpret the "One China" principle and above all, the threat to use force, all this may help accomplish precisely, what Beijing wants to avoid. It will drive Taiwan further away from appreciating and maintaining its cultural roots and will be unintentionally beneficial to further Taiwanization. These mixed results of an inflexible policy have been described by a scholar from Finland: "The Taiwanese identity is still primarily a social identity, which builds on the common fate of the Taiwanese and the divergent internal development in Taiwan and in Mainland China in the past 50 years. Because of this character, it is plausible that the more Mainland China is perceived as a threat and the bigger the differences between the people on the two sides of the Strait are perceived as, the stronger the Taiwanese identity will become. On the other hand, a conciliatory politics and further reintegration between the two sides would probably have the opposite effect, perhaps even leading to a weakened Taiwanese identity."²⁸

These developments just touched upon will definitely have a bearing on future Taipei-Beijing relations. While it is extremely difficult to make predictions it is easier to comment on positive and negative aspects of a possible scenario.

Dangers

Beijing pursues an active course of unification, not ruling out the use of force or working on a destabilization of Taiwan. Taiwan is in a delicate and highly vulnerable position. International diplomatic representation is important for democracies and here Taiwan has a problem which is not of its own making but is a severe handicap. More than perhaps other countries, it depends on economic development and foreign trade. In 1999 it had a total trade value of US\$ 232 billion,²⁹ constituting 79% of the GNP.

China's leaders are confronted with a host of problems (unemployment, environment, corruption, uncontrolled migration, etc.). Structural reform on Taiwan might stall. All this can easily lead to frustrated expectations of the population which might be fertile ground for unhealthy nationalism, chauvinism on the mainland, political fragmentation and Taiwanization on the island. Under such a scenario escalation of words can be the prelude to military action. Already increased tension would force the USA and Japan into action but it is extremely difficult to say, what kind of action. Tensions over a longer period of time would also have repercussions on South-east Asian development as Taiwan's investment here plays a crucial role.³⁰ Almost immediately the international market for computer chips would be affected. Taiwan Semiconductor (TSMC) is the leading manufacturer of computer chips in the world, and world-wide computer industry depends on TSMC. This prominent position of Taiwan may change because the island is "... hampered by a lack of space for expansion. Companies there may look to China as the next logical geographical location to extend their manufacturing capacity. ... Still China has a long way to go."³¹ Even while things are certain to change in key sectors of the economy Taiwan will still play an important role. If and when that role is

²⁸ Mattlin, Mikael, "Strengthening Taiwanese Identity: A Threat to the Stability of the Taiwan Strait?" *NIASnytt* 1999, No. 1, p. 13.

²⁹ In 2000 the figure was 288 billion US\$ as compared to the 474 of the PRC.

³⁰ For Taiwan's position in the region see Klintworth, Gary, *New Taiwan, New China. Taiwan's Changing Role in the Asia-Pacific Region*, Melbourne 1995.

³¹ *Far Eastern Economic Review*, November 23, 2000, p. 48.

interfered with, even stopped, there would be almost automatically widespread consequences, and Beijing is aware of this.

The atmosphere still is dominated by suspicion despite many changes or precisely because of these changes. It is difficult, for example, to judge signs of mobility. Supposedly about 300,000 people from Taiwan have moved (temporarily?) to Shanghai. The number of people from China on Taiwan is estimated to be at least 20.000.³² They just come and go without control and even without concrete knowledge of the island's authorities. Are these early positive signs of normalization, is it an opportunity for co-operation or will it be an irritant, a growing problem?

Opportunities

Opportunities will be there when both sides see the wisdom of a co-operative *modus vivendi* and engage in a policy of normalization with the future option of peaceful unification. The great obstacle is to find the right formula. The search for such a formula takes place at a time of continued reform efforts on both sides. To pursue their policies both need a suitable environment. Hopefully there will be further democratization on Taiwan which may be, as has been mentioned already, accompanied by an increased Taiwanization. In a positive sense Taiwanization can improve self-confidence on the island which must continue to be nurtured by economic success and backed up by a sense of being protected credibly. Further economic reform and cautious political reform in China can improve the image of the Communist Party which here also means we would observe justified self-confidence. Such developments on both sides, substantiated by economic co-operation will reinforce normalization and will provide the ground for confidence building.

On Taiwan there is a growing sense of urgency to come to terms with China. A unilateral declaration of independence and fast track unification are no big issues but securing and improving the *status quo* certainly are; an understandable desire or demand for more political autonomy and a larger scope for manoeuvre internationally. On the other hand it has to be acknowledged that the vast majority of the population in China feels strongly about reunification, here the leadership has to comply, yet by the same token it is this very leadership that can create, direct, and defuse political moods.

In think tanks, advisory bodies, and other closed circles (more openly on the island) on both sides of the Taiwan Strait there is a search for new formulae and creative thinking is done.³³ This is to be encouraged and facilitated in a discreet, understanding, and impartial way. These ideas and initiatives have to be nursed carefully because it is still not clear what kind of creative thinking is permitted, encouraged and feasible (to whom?).

Generally speaking, there is some reason for optimism. In the past, at times, Chinese leadership was verbally radical but there always was a very sober risk calculation. A more recent phenomenon is the very nationalistic attitude of young people, but they have lots to lose (material benefits as they had never before).

Beijing has been flexible and innovative ("One Country Two Systems" concept but less so with the interpretation of "One China"). Hong Kong's development as a Special Administrative Region of the

³² These are estimates from various sources; I am in no position whatsoever to verify such figures.

³³ On contents and role of intellectual debates in China since 1988 see Heberer, Thomas and Nora Sausmikat, „Politische Diskurse, Intellektuelle und politischer Wandel. Diskurswandel in China seit 1998 und seine Implikationen.“ *Asien*, Nr. 82, January 2001, pp. 35-60.

PRC is a very good example. It should be noted that economic and financial constraints notwithstanding, the Hong Kong formula constitutes quite a compromise; with it Beijing implicitly admits that socialism is not superior. This arrangement cannot be transferred easily (Macao being the exception) and is no model acceptable to Taiwan but it should be emphasized that in its essence and with its underlying philosophy it is the most extensive federal system in existence world-wide. This concept can serve as an interesting case to study for many countries which are beset with economic, ethnic and religious clashes.

China's leaders are in the process of getting used to democracy on Taiwan. Both sides appear to be content with the *status quo*, although to a greatly varying degree. Furthermore, both interpret the *status quo* differently, and here Beijing has a tremendous advantage as most governments around the world subscribe to its position. With their communiqués to establish diplomatic relations they certified: there is only one China, Taiwan is part of China, and this China is the People's Republic. It appears to be ironical that Beijing does not grow tired of instructing the rest of the world that the "Taiwan Question" is an inner Chinese affair that brooks no outside interference, while there is a constant demand for the official international approval to its interpretation of the "One China Principle." If the international community wants to contribute to the search for an improved *modus vivendi*, to a normalization process between both sides, then China is to be respected while Taiwan is to be protected. This, among other things, would require a different attitude *vis-à-vis* the presently prevailing interpretation of the "One China Principle." This applies also to Taiwan's somewhat downgraded membership of the WTO which China regards more or less as an internal affair and interprets it as being completely in line with the concept of "One Country Two Systems," which is applicable already to Hong Kong and Macao, and meant to be available to Taiwan any time. Other members should see to it that Taiwan gets fair treatment within the WTO framework.

It cannot be ruled out that China reaches an understanding of shelving the question of sovereignty and actively co-operates with other states in the development of the resources of the South China Sea. Such co-operation would make the region (including Taiwan) a strong but highly attractive business partner, an enormous and varied market. It should be a welcome political and business partner for the EU *vis à vis* USA and its through NAFTA substantiated position. Parallel to this there might be continued normalization on the Korean Peninsula. "Sunshine Policy" as initiated and pursued by Kim Dae-jung should not only to be seen as a complicated process between the two Koreas but as a unique opportunity for a complete realignment in East Asia.³⁴

Globalization and joint membership in the WTO should offer both, Beijing and Taipei, new opportunities for mutually beneficial co-operation. Much hope is pinned on such a scenario, but here again; it is difficult to make predictions. Lynn T. White put it this way: "Taiwan's leaders are ambivalent about their global environment, because it contains two parts: mainland China, which threatens them intensely, and the rest of the world, whose trade and potentially protective functions are welcome."³⁵ In the long run, however, joint membership should offer both sides opportunities for a whole range of contacts of a new quality and experiences of positive interdependence. Historical, cultural, and psychological factors will continue to play an important role, however, because of WTO membership Taiwan may be deprived of some of its economic advantages when China will be more open also to others.

³⁴ On possible opportunities see, for example, Park, Yong-ahn, "Building a New Silk Road: Reconnecting the Trans-Korean Lines." *East Asian Review*, 12/3, Autumn 2000, pp. 103-119.

³⁵ White III, Lynn T., "Globalization and Taiwan", *Asian Perspective*, 23/4, 1999, p. 98.

Undoubtedly there will be new parameters. "... there seems little doubt that participation in WTO will, over time, have considerable impact on China's political system."³⁶ The impact, Joseph Fewsmith thinks, will "be both considerable and positive" but he adds a note of caution, because "[u]nfortunately, getting there will not be easy."³⁷

The need for normalization and remaining doubts

Normalization between divided nations is a long process moving through different stages and is characterized by success as well as by setbacks.³⁸ This process, however, is a precondition for peaceful reunification but it does not necessarily have to result in unification. To start normalization unilateral initiatives are needed. The stage of immobility and suspicious, even hostile, coexistence can be overcome by a successful search for a *modus vivendi* which needs on the one side the courage to start such a process and on the other side the courage to open-mindedly examine the new policies of the adversary. When beneficial results have been achieved for both sides, this process can eventually lead to substantial normalization. Such a development between divided countries needs for quite some time prior concessions which depend on the vision and political will of the leadership. However, pretty soon it also requires enough supportive behaviour of the population. To maintain momentum and to sustain such a policy, sooner or later there must be some visible reciprocity. It is important to reach a stage in the process of normalization where economic contacts are decoupled from political developments, which means they can be continued despite (temporary) political tension. In the realm of economics there is some visible reciprocity as far as the Chinese case is concerned. Despite a lack of legal guarantees investment from Taiwan on the mainland is still on the rise and Taiwan's trade balance definitely benefits from products manufactured on the mainland but sold on international markets.³⁹ In the Korean case this is far more difficult. Unilateral initiatives have been taken in the form of Kim Dae-jung's "Sunshine Policy." There are impressive results on the symbolic level but little has been achieved in terms of substance. To the people in the South fair reciprocity is not yet visible.

Chen Shui-bian made lots of compromises, has shown respect for China and an understanding for Beijing's constraints but something should also be given to Taiwan. Beijing was very helpful in improving relations between both Koreas and facilitated greatly efforts to make the summit meeting in Pyongyang possible. If normalization on the Korean peninsula really makes progress this will provide most valuable learning experiences. However, so far any similarities or parallels are denied by Beijing as Korea is regarded being an entirely different case. In his first press-conference as president, Chen Shui-bian, made reference to developments in Korea, the meetings of the two Kims in Pyongyang had taken place a week earlier. The idea was, what is possible in Korea should also be possible here and Chen Shui-bian invited Jiang Zemin to a meeting and said that form, venue and time of the meeting did not matter to him.⁴⁰ Beijing rejected the idea.

³⁶ Fewsmith, Joseph, "The Political and Social Implications of China's Accession to the WTO." *The China Quarterly*, September 2001, Nr. 167, p. 591.

³⁷ Ibid.

³⁸ I tried to list and explain important stages of this process between divided nations in Pfennig, Werner, "Normalization and Confidence-Building between Divided Nations: The German Experience and its Relevance to Other Areas", Institute for National Development, ed., *In Search of Peaceful Coexistence between Taiwan and China: Strategies and Approaches*, Taipei 1998, esp. pp. 91-96.

³⁹ For a comparison see Yen, Chen-shen, "Socioeconomic Exchanges and Official Talks Between the Two Chinas: Implications for Inter-Korean Relations", *Issues & Studies*, 31/4, April 1995, pp. 98-112.

⁴⁰ See *China aktuell*, June 2000, p. 640f.

In the past there was little flexibility with the “One China Principle.” “In late August 2000, Chinese Vice-Premier Qian Qichen, when meeting with Taiwan visitors, did not reiterate Beijing’s position that Taiwan is part of China but adopted a more flexible stance, asserting that ‘Taiwan and the mainland are both parts of one China.’ However, when Taiwanese President Chen Shui-bian was asked about the new Chinese formulation, he dismissed it by pointing out that the official Chinese media, when reporting on the meeting, had not mentioned Qian’s statement. Taiwan, too, has learned that Beijing speaks out of both sides of its mouth.”⁴¹ The failure to mention something in the official media does not make the formulation unsaid. But unfortunately up to now there is no visible consistent line followed by Beijing and whatever verbal flexibility there might be, it has not yet inspired fresh ideas and has not led to a more relaxed as well as innovative policy. There are, however, indications that Beijing is working on a formula and that efforts are made to become more knowledgeable about Taiwan’s political parties.

To sum up, neither Beijing nor Taipei would benefit from tension, both need improved relations and increased economic co-operation. However, “... Mainland China is as strongly as ever pursuing a policy that tries to circumscribe Taiwan’s space of manoeuvre in international relations. It has also not abandoned the ‘right’ to use force against Taiwan.”⁴² Beijing is still by and large treating the division and the “One China” issue with an ideological and dogmatic fashion and has not yet visibly progressed to handle it in a more rational way. Historical and psychological aspects do matter, but it is difficult to understand why Taiwan should pose a threat to China. These are no longer the years of hatred and potentially dangerous escalation during the Cold War and this is no longer the Taiwan of old Chiang Kai-shek with the slogan *Guangfu Dalu* (Recover the Mainland!)

Because the issue has come down basically to a question of face, of prestige, the task of solving the issue is no less difficult, perhaps on the contrary. To allow Taiwan to go, Beijing seems to think, will inevitably invite even more trouble in Sinkiang and elsewhere. But the island is gone already and only as many contacts as possible, trade, investment and the experience of mutually beneficial interdependence will help to narrow the gap peacefully, provided there is fairness, knowledge about the other’s constraints and innovative thinking on both sides.

One might also think about a problem on a personal level: What will be Jiang Zemin’s entry in the history books? Mao is the great revolutionary and Deng Xiaoping is the great reformer. Will Jiang be the great unifier? So far he presided over Hong Kong’s and Macao’s return into the embrace of the motherland, but this was not really to his credit, the procedures followed Deng’s formula of “one country two systems.” This may be too much fixation on one person. In autumn 2002 (Party Congress) and with the National People’s Congress in early 2003 a reshuffle of top leaders is expected. Hu Jintao, Wen Jiabao and others are widely regarded as being technocrats with less an ideological approach. Some observers hope or even seem to believe that these new leaders are primarily power-politicians who don’t want to have anything to do with old dogmatic socialist ideology. Actually these new leaders have no personal accounts to settle with an old guard of Taiwan. The new generation⁴³ acts in a different environment which is more international, more

⁴¹ Ching, Frank, “China: Truth and Half-Truths“, *Far Eastern Economic Review*, November 23, 2000, p. 35.

⁴² Mattlin, Mikael, op. cit. p. 12.

⁴³ For the different political environment of generations of Chinese leaders see Teiwes, Frederic C., “Politics at the ‘Core’: The Political Circumstances of MaoZedong, DengXiaoping and JiangZemin.” *China Information*, XV/1, 2001, pp. 1-66.

economy oriented and characterized with interdependencies. However, while little is known about their policies and political style, it seems safe to assume that they are dedicated, perhaps even fervent, Chinese nationalists and their mentors will be pretty much around, e. g. Jiang Zemin as head of the Military Commission.

IV. Relevance for Europe and Europe's Role

In September 2001 the European Commission published a document dealing with Asia-Europe relations entitled "Europe and Asia: A Strategic Framework for Enhanced Partnerships." On China we can read: "Strengthening our relations with China will be a major opportunity, and challenge, for the EU for years to come. China has firmly established itself as a regional power ... It is a clear EU interest to ensure that China plays a constructive and cooperative role both in the region and in the world." The importance of Taiwan is also recognized: "Taiwan, which the EU recognises as a separate customs territory, but not as a sovereign state, is the EU's third-largest bilateral trading partner in Asia. ... The EU is convinced that the cross-straits issue can only be resolved peacefully, and on the basis of a constructive dialogue."

Whatever happens between Taipei and Beijing is of relevance to Europe, but the common view is that Europe has no important role to play. As long as the EU does not speak with one voice, the play will feature the USA in a leading role and the EU will be on stage with just a minor part. While this is obvious and the role of the US has been reinforced in the aftermath of the events of September 11, 2001, Europe still may have the advantage of quite a unique role. The EU in East Asia is less dominant, less ideology driven as a „crusader“, is hopefully a bit more understanding and therefore might "... be in a better position than any other actor to play the role of a broker in a region that is characterised by 'the exceptionalism of the Americans [and] self-proclaimed uniqueness of the Japanese at both ends of the range of possibilities. Some Europeans simply claim that they are closer to both sides than they are to each other.'"⁴⁴

Therefore, despite its less powerful and patronizing role or perhaps precisely because of this role, if offered in a diplomatic and tactful way, the EU as a whole and its member countries individually can act behind the scenes quite meaningful. Both, China and Taiwan do not want Europe to be a looker-on. There is a wealth of experiences which could be discussed with China:

?? In European history there are interesting examples of federalism, decentralization, of regional co-operation and of multi-state arrangements. To list just a few: the Hanseatic League, the Hapsburg Empire, discussions primarily in Germany in 1848 on constitutional and federal problems, plans after World War I between Austria and Germany about a possible merger with even a dual capital (Vienna and Berlin), which, however, did not become reality because of the Entente's strict objection. While this is history present day Nordic co-operation certainly deserves a close look. Furthermore, the Nordic Countries have a good reputation in Asia and their discreet facilitating role to help to overcome an impasse, to instil fresh ideas and to apply new methods to reach compromises, all this is appreciated.

?? The EU like China tries to achieve consolidation and extension at same time. There is no model transferable but there are certainly interesting discussions going on: Europe of fatherlands,

⁴⁴ Dosch, op. cit. p. 37. Dosch quotes from Pape, Wolfgang, "The European Union and the United States in East Asia: The Need for Omnilateralism. A Personal View by a European." *World Affairs*, 1/3, June September 1997, pp. 94-109.

Fatherland Europe, Europe à la Carte, greater role for regions, plans by France, Britain and Germany, etc.

- ?? With its process of integration EU members have learned, while there is a loss of sovereignty, there can be a mutually beneficial sharing and also a pooling of sovereignty. This will remain a delicate topic because here views are very different. “ In East Asia, by comparison, sovereignty is fiercely guarded and treasured, and international co-operation is conditioned on sustaining, even enhancing national sovereignty and autonomy.”⁴⁵
- ?? Improved integration can give more space of manoeuvre to regions and lower levels.
- ?? The negotiations with prospective new EU members can show how adjustment periods are worked out, likewise the German model of financial compensation within a federal system (*Bund-Laender-Ausgleich*) is an interesting object to study.
- ?? The German case demonstrates that the acceptance of realities, that is, of division, of the existence of two German states, can nevertheless lead to unification.
- ?? On a more general level it should be demonstrated to Beijing that peaceful division (e. g. Czech-Slovak) is far better than forced unification. Furthermore, such division can eventually bring the separated ones again closer together in a larger context, the future membership of both, Czech and Slovak Republics, in the EU.
- ?? There is a multitude of programmes between the EU, its members individually and China. Most of them are unproblematic because their beneficial nature is obvious. But even in highly sensitive areas co-operation is possible, like the ongoing successful dialogues between China and Germany on legal matters, on the rule of law, which include human rights.

What can the EU offer to Taipei?

- ?? The EU has upgraded its representation on Taiwan. Trade with the EU is substantial although its overall share of EU's trade remains minimal⁴⁶ Taiwan's representative is both accredited to Belgium and to the EU. Eighty percent of the contacts the Taiwan office has are with the EU Commission and here with the deputy Director General of Division III. The Taiwan representative has good access to EU officials, both the Commission and the Parliament. The EU-Parliament passed a resolution on the Missile Crisis in 1996. The EU Commission has supported Taiwan's quest to join the WTO. Taiwan hopes that relations with the EU might become more substantial after membership in this organisation. The EU has opened an unofficial office on Taiwan. There is an active European Chamber of Commerce on Taiwan. Leading EU figures visit Taiwan quite often but they do so unofficially. A formula and proceedings have been found to meet the interests of both sides: Round table meetings are chaired by business people. On balance, Taiwan's assessment of its relations with the EU is: good on economics, weak on politics.
- ?? The EU might explore discreetly if there is a possibility for an observer status for Taiwan at the ARF. This is of course very difficult but it is important and therefore efforts should be made to find an acceptable formula. If a bizarre regime like North-Korea participates and is welcomed to do so, at least some constructive thinking ought to be made on how to bring Taipei closer to the

⁴⁵ Maull, Hanns W., “Regional Security Co-operation: A Comparison of Europe and East Asia.” *Internationale Politik und Gesellschaft*, 1/1997, p. 57.

⁴⁶ For trade between EU and China, Hong Kong and Taiwan see table 2. “In 1999, ROC exports to the EU amounted to US\$ 19.06 billion in value. The growth rate in exports, a modest 3.2%, was the smallest such figure amongst ROC's major export regions. ROC imports from the EU totalled US\$ 14.42 billion, down 18.2% from 1998. The ROC surplus in its trade with the EU therefore reached US\$ 4.64 billion, an increase of 451.3% over the previous year.” Board of Foreign Trade, ed., *1999 Foreign Trade Development of the Republic of China*, Taipei 2000, p. 28.

Forum. To ventilate such an idea, the EU (plus some ASEAN members) seems to be better suited than, for example, the United States.

?? The EU has a variety of programmes for people from China (educational co-operation, etc.) on smaller scale similar programmes could be worked out with Taiwan and existing ones should be expanded.

Europe and the EU can only try to be helpful if asked. At best they can play a modest facilitating role provided both Beijing and Taipei agree. However, although it is very difficult to estimate what the resources are, what the potential of the EU is to respond to developments between Beijing and Taipei, the influence should not be underestimated.

What are the messages the EU might provide to Beijing and Taipei in an appropriate, diplomatic and sincere manner?

?? Normalization between Beijing and Taipei is good for business. Both sides need a peaceful and prosperous environment for their development. If their economic activities are coordinated that would make them an even more important partner of the EU and furthermore would give them a better bargaining position.

?? Reform, economic progress and continued adjustment of the political as well as administrative system are vital, uncontrollable military escalation is deadly.

?? The EU should tell Beijing, what its leaders should know anyway, if you continue to isolate Taiwan, this is a counterproductive policy as it is bound to drive the island further away from its Chinese roots.

?? Beijing-Taipei relations are of international concern and their deterioration is bound to have immediate international implications.

?? With an economically weakened and politically divided Taiwan, Beijing confronts the rest of the world with the rhetorical question: "Who wants to die for Taiwan?" (This question is preferably to be asked during an election year of the USA).

?? Tension across the Taiwan Strait will give more prominence to the role of the USA.

?? Beijing should understand that in the 21st Century one does not threaten with unification but has to try to win the other side over with peaceful and convincing line of reasoning.

?? Violence and war are neither justifiable, nor are they tolerable. This should be a principle if the EU is serious and consistent with its guiding philosophy, esp. in light of its recent policy *vis-à-vis* Kosovo.

?? After September 11, 2001 China readily joined the "International Coalition against Terrorism," this was done because of Beijing's principled stand but also because in view of terrorism in Sinkiang and possibly because of anticipated future developments on Taiwan. The highly problematic issue of "just wars"⁴⁷ notwithstanding, China should be reminded that the principle of self-defence against terrorism (domestic and border-crossing) as practised by the US and seconded by the EU includes the principle of humanitarian intervention, which in future, at least theoretically, might be applied to the benefit of the Taiwanese people.

?? The new framework (globalization) and new threats (cyber war, environment, etc.) offer new opportunities that call for increased co-operation.

⁴⁷ Albrecht, Ulrich, „Intervention: Geschichte, das Souveränitätsproblem und die humanitäre Einmischung.“ *Peripherie*, Nr. 79, 2000, pp. 11-21. Gustenau, Gustav, ed., *Humanitäre militärische Intervention zwischen Legalität und Legitimität*, Baden-Baden 2000.

V. Concluding Remarks

Taiwan is not a threat to Beijing. A real concern, perhaps already a problem exists in the West of China. In Sinkiang and its neighbouring countries there are cross-border affinities to former republics of the Soviet Union of religious, cultural, historical, and cultural nature. What might be a bundle of nuisances can grow quickly into a real problem. Magnanimity towards Taiwan, so Beijing seems to fear, will send unavoidably wrong signals to Sinkiang, and there are almost no common roots with the rest of the country.

China's leaders have most carefully studied what caused the collapse of the Soviet Union and what led to the disintegration of Yugoslavia. In both cases costs of error (no reform, no decisions) and costs of delay (no timely and realistic alternatives) were devastating. It is not yet clear what conclusions Beijing has drawn from these cases except emphasizing quite inflexibly national cohesion and instruments of control. This, however, does not mean that stagnation prevails because there is a continued search for solutions and a perpetual drive for reforms is evident.

A prerequisite for confidence-building is self-confidence. Confidence-building can be achieved only with both sides willing to do so and with both sides having an improved knowledge about the other's intentions and constraints. Beijing's knowledge about Taiwan, its society, politics, and the priorities of its people definitely should be improved further.

Whichever course Beijing-Taipei relations will take, for good or worse, it will be mostly of relevance to Europe and the EU. But will Europe be listened to? Despite numerous unofficial contacts with Taiwan the only official relations are with the People's Republic of China, assuring Beijing that it represents China, that there is but one China and that Taiwan is part of it. This presents a dilemma for the Europeans, if something of relevance to them happens it cannot be addressed properly. "Consequently there was no forum, multilateral or bilateral, in which they could raise the question of cross-strait relations. As a result, the Europeans had no institutional mechanism in which the Taiwan Strait issue could be discussed with the mainland on a regular basis. Yet there are many venues in which they could address issues of significance to both sides."⁴⁸

The EU should intensify contacts and discussions with both, Beijing and Taipei, on all existing levels and should try to open new ones to substantiate relations with Taiwan. Taiwan has abandoned its claim to be the sole legal representative of China while Beijing as far as "One China" and unification are concerned still remains in the confines of an ideological dogma. Europe with its rich experience (positive and negative) in war, separation, unification, normalization and integration might help to gradually lead the treatment of the unification issue from an ideological to a more rational one. With an understanding for Taiwan's situation and with due respect to Beijing, this would require on the Europeans' side to re-evaluate their position on the "One China Principle." It should not be taken as a dogma but as a formula with a definition to be discussed. The EU has a variety of institutions and instruments to help bring about such a discussion. In the coming years with a common currency and with new members, the EU also will have new problems; however, it should be a Union with an improved stature and an increased influence internationally. "What the ROC can expect from a European engagement in the Sino-Taiwanese conflict in the first place is a new international sensitivity

⁴⁸ Yahuda, Michael, "EU has important role to play in strait: Looking at civil power and commerce." *Taipei Journal*, December 14, 2001, p. 7

for the urgency of this issue that hopefully helps tipping the balance in favour of those reformers in Beijing who are ready to quite fundamentally redefine the Communist regime's One-China policy and to exclude any violent solution of the 'Taiwan question.'"⁴⁹ With such a constructive development the future outlook made by Professor Wang Wan-li may be verified eventually: "Any improvement in E.U.-Taiwan relations is in the best interests of both. Paradoxically, improved relations are also in the best long-term interests of Beijing as its best interests are to see a stable and prosperous Taiwan."⁵⁰

⁴⁹ Schubert, Gunter, "The European Dimension of German-Taiwanese Relations – A Critical Assessment." *China aktuell*, September 2001, p. 993.

⁵⁰ Wang, Wan-li, "Improved Taiwan-EU relations will bring great mutual benefits." *Taipei Journal*, November 9, 2001, p. 7.

Table 1: Indirect Trade between Taiwan and China via Hong Kong, 1990-2001 in US\$ billion

(Source: Cross-Strait Economic Statistics Monthly, May 2001, Table 5, p. 21)

	Customs Statistics of China			Estimation by Mainland Affairs Council (Taiwan)			
	Exports	Imports	Volume	Exports	Imports	Volume	
1990	2.26	0.32	2.58	4.39	0.77	5.16	
1991	3.64	0.59	4.23	7.49	1.13	8.62	
1992	5.88	0.70	6.58	10.55	1.12	11.67	
1993	12.93	1.46	14.39	13.99	1.10	15.10	
1994	14.08	2.24	16.33	16.02	1.86	17.88	
1995	14.78	3.10	17.88	19.43	3.09	22.53	
1996	16.18	2.80	18.98	20.72	3.06	23.79	
1997	16.44	3.40	19.84	22.46	3.92	26.37	
1998	16.63	3.87	20.50	19.84	4.11	23.95	
1999	19.54	3.95	23.49	21.31	4.52	25.83	
2000	25.50	4.99	30.49	25.00	6.22	31.23	
2001	8.24	1.52	9.76	6.99	1.94	8.94	
(Jan. - Apr.							

Table 2: EU Trade with China, Hong Kong and Taiwan, 1995-2000
(Million Euro)

	EU Exports		EU Imports		Balance		Share	
	2000	1995	2000	1995	2000	1995	EU X 00	EU X 95
China	25.288	14.690	69.673	26.343	-44.385	-11.653	2.7%	2.6%
Hong Kong	20.243	15.796	11.708	7.156	8.536	8.640	2.2%	2.8%
Taiwan	14.851	10.112	26.499	11.756	-11.648	-1.643	1.6%	1.8%

Source: Eurostat