

**Coping with Reduced Diplomatic Status :  
Taiwan's Strategies Since 1971.**

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dedicated  
in the loving memory of late indira  
priyadarshini gandhi whose cruel assassination  
was not only a great loss to us but also to the  
entire non-aligned world.

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## CHAPTER I

### INTRODUCTION : TAIWAN'S DIPLOMATIC STATUS A HISTORICAL PERSPECTIVE

The island of Taiwan, which westerners called Formosa, is roughly parallel to the mainland of South-east China and is separated from the Chinese Coast by the Taiwan straits. It is populated almost entirely by people who are ethnically, linguistically and culturally Chinese. Except for an extremely small number of aborigines, the inhabitants on the island today, including the so-called "native Taiwanese" are of Chinese ancestry.<sup>1</sup>

Between 1661 and 1895, Taiwan was administered as a part of China. The Imperial Chinese Government, however, did not pay a great deal of attention to its affairs. It was only in the latter part of the nineteenth century when the efforts were made by Japan and then France to take the Island by force, that the Chinese Government began to appreciate the importance of Taiwan to China's national defence. As part of a series of governmental reforms on the island, Taiwan became a regular province of China in 1885. In 1895 after China was defeated in the first Sino-Japan War (1894-95), she ceded Taiwan to Japan by the Treaty of Shimonoseki.<sup>2</sup>

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1 Ting-Yee Kuo, "History of Taiwan", in Hungdah Chiu, ed., China and the Ancestors of Taiwan: Documents and Analysis (New York, 1973), p. 3.

2 Jerome Alan Cohen, "Recognizing China", Foreign Affairs (New York), vol. 50, no. 1, October 1971, p. 31.

During the Second Sino-Japanese War, the Chinese Government made a formal declaration of war against Japan in December 1941 and declared that "all treaties, conventions, agreements and contracts regarding relations between China and Japan are and remain null and void".<sup>3</sup> At the Cairo Conference of 1943, the President of the United States of America, the Prime Minister of the United Kingdom and the President of China issued a joint declaration that "it is their purpose that all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China".<sup>4</sup> This statement was later reiterated in the Potsdam Declaration, section 8 of which provided the terms of Japan's unconditional surrender. Just before the end of the war against Japan, the Soviet and French Governments formally adhered to the Potsdam Declaration.

The Japanese instruments of surrender accepted the terms of the Potsdam Declaration, and Japanese forces on Taiwan carried out instructions to surrender to the Chinese army.<sup>5</sup>

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3 See, China declaration of war on Japan, 9 December 1941, in Chiu, n. 1, p. 204.

4 Cairo Declaration, 26 November 1943, *ibid.*, p. 207.

5 See excerpts from the text of Instrument of Japanese Surrender signed by representatives of the Japanese Government and the UN at War with Japan, 2 September 1945, in Important Documents Concerning the Question of Taiwan (Peking, 1955), pp. 5-7.

In late October 1945, China formally took over Taiwan from Japan. Thus Taiwan became once again a province of China.

From 1945 until the Korean War, Taiwan was plainly regarded as a Territory of China. A significant thing to be noted here is that there was virtually no discussion regarding the de facto as well as de jure sovereignty of China over Taiwan on the international level during this period. It was generally agreed that it was a domestic issue, a matter of concern for China.<sup>5</sup> It was only when the Chinese communists were about to take over the Chinese mainland in mid-1949, that the so-called Taiwan question gradually emerged.

In the summer of 1949, Communist forces occupied Foochow and other coastal areas of Fukien province opposite Taiwan. At that time, there were reports by western agencies that the United States might occupy Taiwan and support the Taiwan Independence Movement headed by Liao Wen-Yi.<sup>6</sup>

An authoritative commentary in People's Daily of 4 September 1949, denounced the alleged American "conspiracy" to occupy Taiwan and pledged that the People's Liberation Army would cross the Taiwan Straits to liberate the Taiwanese people.

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6 Ibid.



In the civil war, the nationalists were defeated and President Chiang Kai-shek fled to Taiwan. The Chinese communists inaugurated the People's Republic of China on 1 October 1949.

A great debate occurred over whether it would be wise, legal and moral for the United States to intervene and to protect Taiwan against the anticipated Chinese communists' efforts to "liberate" the island. This debate culminated into a decisive policy statement when President Harry S. Truman said at a Press Conference on 5 January 1950, that the island was Chinese territory and that the United States would "not pursue a course which will lead to involvement in the civil conflict in China".<sup>7</sup> On the basis of the various statements made, it can be concluded that the US had written off KMT (Kuomintang) and reconciled itself to the People's Republic of China's control over Taiwan. In fact it was widely believed that the United States would "let the dust settle" in China. Involvement in the defence of Taiwan was seen in the US as an involvement in the civil war. Such an attitude was reflected in Secretary of State Acheson's delineation of the American defence perimeter in the Pacific as comprising Japan, Okinawa, Philippines and significantly excluding Taiwan.<sup>8</sup> Though

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7 For US Department of State Policy, Memorandum on Formosa, 23 December 1949. See Chiu, n. 1, p. 218.

8 See, Dean Acheson's remarks before the National Press Club in Washington, D.C. on "Crisis in Asia" - an examination of US policy, 12 January 1950. Department of State Bulletin, 23 January 1950, p. 116.

Acheson pursued a policy of 'hands-off' by excluding Taiwan from defence perimeter, yet the United States did not vote for the replacement of nationalist China by the PRC in the Security Council of the United Nations. Thus the United States followed a double standard policy - "hands-off", yet non-recognition of the PRC.

But the Korean war saw the reversal of the US policy. Overnight "what had been Chinese territory became territory that was still subject to the Allied powers, what had been binding commitment of the Cairo declaration became merely a 'statement of intention', what had been a civil war became an international conflict".<sup>9</sup> What is more interesting is that the US undertook to prevent Beijing's takeover of a portion of territory which both the communists and the nationalists asserted that it was Chinese. On the contrary, it renewed its support of government that continued to challenge the legitimacy of the new communist regime, even though the communists had already achieved control of most of the Chinese mainland.

Since the Korean war, the question of Taiwan has become a major issue in international politics.

On 31 July 1950, General Mac Arthur paid a visit to Taipei to confer with President Chiang Kai-shek concerning

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<sup>9</sup> Cohen, n. 3, p. 36.

the defence of Taiwan and a week later, the US 13th Air Force set up liaison offices in Taipei.<sup>10</sup>

On 9 February 1951, the Americans signed a mutual Defence Assistance Agreement with the Nationalists under which the United States agreed to make available to the Republic of China certain military materials for the defence of Taiwan against possible attack.<sup>11</sup> The US also increased its military aid to the Republic of China after the outbreak of the Korean war. In the military sphere, the Republic of China forces were revitalised, reorganised and modernised.

On 8 September 1951, Japanese Peace Treaty was signed at San Francisco, Article 2 of which states: "Japan renounces all right, title and claim to Formosa and the Pescadores".<sup>12</sup> At the same time Japan was persuaded to sign a treaty with Taiwan and recognise the Nationalist Government there.

Thus after the Korean war the United States followed a policy which aimed at militarily containing and diplomatically and politically isolating Communist China.

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10 Hungdah Chiu, ed., China and the Question of Taiwan: Documents and Analysis (New York, 1973), p. 142.

11 See, the text of proposed Japanese Peace Treaty, 15 August 1951, in Department of State Bulletin 27 August 1951, p. 349.

12 Roderick MacFarquhar, Sino-American Relations, 1949-71 (New York, 1972), p. 99.

In 1953, after Eisenhower became President, the United States adopted a new and harder China policy. In February 1953, he declared that the Seventh Fleet no longer be employed to shield Communist China. On the whole, the new China policy of the Eisenhower administration was a policy of hostile containment, which got manifestation in the initiation of a series of bilateral military pacts with countries like Japan, Australia, New Zealand, South Korea and Taiwan culminating in the setting up of SEATO.

#### The Mutual Defence Treaty of 1954

On 3 September 1954, the Communist guns suddenly opened fire on Quemoy, still occupied by the Nationalists. The Communist spokesmen also proclaimed the determination of their government to 'liberate' Taiwan. The Republic of China airforce and navy also undertook operations against People's Republic of China batteries along the coast opposite to Quemoy. The crisis deepened in November as Chinese planes bombed the Tachen islands. Now the Eisenhower administration was faced with the problem of defending these offshore islands because the Seventh Fleet had no orders to defend them, the orders being only to defend Taiwan. The Administration's response was to conclude a Mutual Defence Treaty with the Nationalist Government on 2 December 1954. The aim was, on the one hand, to deter a communist attack

on Taiwan and the Pescadores and, on the other, to 'release' Chiang Kai-shek so as to ease tension in the Taiwan straits. The Secretary of State John Foster Dulles later justified the Treaty by including Taiwan in America's defence perimeter.

When Kennedy took over as President of the United States, the Chinese Communists saw in him following a 'two Chinas' policy. The emergence of the 'Two Chinas' policy - the recognition of Nationalist and Communist China simultaneously and 'the successor state theory' - that the Communist China is the legitimate heir to the rights and obligations of Nationalist China - alarmed the <sup>Republic</sup> People's of China. On 20 February 1960, President Chiang Kai-shek reaffirmed the rejection of any "Two Chinas" proposal before the National Assembly.<sup>13</sup>

A joint communique issued on 2 August 1961 after the talks between the Republic of China's Vice President Chen Chen and President Kennedy "reiterated firm United States support for continued representation of the Republic of China in the United Nations and continued opposition to the "admission of the Chinese communist regime to the United Nations".<sup>14</sup>

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13 See Republic of China's President Chiang Kai-shek's address at the opening of the first National Assembly, 20 February 1960, in Chiu, n. 10, p. 299.

14 Department of State Bulletin (Washington, D.C.), 27 March 1961, p. 441; and see Joint Communique, Taipei, 15 May 1961 in Current History (Philadelphia), vol. 41, no. 241, September 1961, p. 173.

Thus it can be seen that in the 40s and 50s and until the late 60s Taiwan continued to assume an undisputed international status among the comity of nations. It not only continued to maintain its diplomatic relations with most of the countries of the world but also continued to represent China at the United Nations till 1971. In this, its President Chiang Kai-shek contributed significantly as he continued to persuade the United States to maintain diplomatic, economic and military relations with the Republic of China.

But on 10 February 1964, Taiwan received a severe diplomatic setback when France recognised the Communist (PRC) Government. On the same day, the Nationalist Government in Taiwan severed diplomatic relations with France. Then on 16 October 1964, Communist China exploded its first nuclear device which greatly enhanced China's position in the world. A large number of countries changed their attitude towards Communist China and took initiative to improve relations with her. Consequently, in the 20th General Assembly, the result of the voting on the question of Chinese representation became 47-47. In view of these trends there were growing pressures in the United States to change its China policy. But America's involvement in the Vietnam war was a stumbling block. On the whole, the Democratic Administrations under

Kennedy and Johnson did not change America's China policy in all its fundamental aspects and thus Taiwan continued to enjoy its strong diplomatic status on the international horizon.

### Nixon's Policy

The closing years of the 1960s saw the reversal of the United States' policy towards Taiwan. It not only caused diplomatic setbacks for Taiwan but also augmented the stature of Communist China on the international arena. The year 1972 can be called the watershed in the diplomatic status of Taiwan. China, the People's Republic of China, was seated at the United Nations while Taiwan was expelled. There were various factors leading to it.

In the first place it was Nixon's China policy which provided a breakthrough in Sino-American relations. But more than that were the changes in the world situation and a sharp deterioration in Sino-Soviet relations. It may be argued here that during this period the question of Taiwan was very much a bone of contention between the two countries although it subsided and was overshadowed by other vital developments which finally freed the two antagonists to attempt a revision of their existing negative relationship. Let us take the American side first.

To begin with, there was a significant change in the American public attitude towards Peking. The Sino-Soviet conflict was more than evident and there was no longer the danger of a monolithic communist threat. A substantial number of American officials desired to see Communist China play a constructive role in the family of nations. The American business community also favoured the initiation of Sino-American trade in non-strategic commodities as Communist China then was the largest inaccessible market in the world.<sup>15</sup>

Secondly, there was vigorous anti-war sentiment in the US as a result of the humiliation of American power in Vietnam. And Nixon, a shrewd politician, wanted to gain a temporary immunity from anti-war criticism at home by offering such a demonstrative olive branch to Peking (now Beijing).

The third major factor for new China policy was a fundamental change in the world situation. As was quite evident during the 25th Session of the UN General Assembly in 1970, even the countries allied with the United States remonstrated over the US policy with regard to China's seating at the United Nations. In October 1970, Canada, quite impatient with American intransigence, made her own

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15 Harold C. Hinton, Peking-Washington, Chinese Foreign Policy and the United States (Beverly Hills, Calif., 1979), p. 20.



arrangements with Peking, breaking with Chiang Kai-shek and taking the official line that Canada regarded Taiwan as belonging to the mainland.<sup>16</sup> This must have impelled the American decision makers to acknowledge the reality and to discard the fiction that Taiwan was the real China.

Finally, the credit for a rapprochement with China goes to President Nixon himself. "Any American policy toward Asia must urgently come to grips with the reality of China",<sup>17</sup> Nixon had said in 1967. Now a more irresistible reality came in the form of Sino-Soviet open conflict. President Nixon, who believed in 'balance of power' diplomacy, shrewdly calculated that if the United States could interpose itself between the two contending parties, its central political, military and economic might would give it the decisive leverage. President Nixon also wanted to present something new to his electorate for the forthcoming election.

### China's Considerations

The most important factor which prompted a change in China's diplomacy towards the US was the threat from

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16 Richard W. Van Alstyne, "The US and the Chinese Revolution", Current History, vol. 5, no. 385, September 1973, p. 133.

17 Richard M. Nixon, "Asia After Vietnam", Foreign Affairs (New York), vol. 46, no. 1, October 1967, p. 111.

the Soviet Union. The Soviet invasion of Czechoslovakia in August 1968 and its justification in terms of so-called Brezhnev doctrine of limited sovereignty caused serious apprehension in Beijing. The Chinese apprehension was further reinforced by the two major armed clashes in March 1969 on the Sino-Soviet border. Beijing looked at the Soviet Union as the greatest threat to its security.

On the other hand, America's disengagement from Vietnam fairly convinced China that the former would not attack the latter.

A second argument for the Sino-American rapprochement from the Chinese point of view was that it would hasten the liberation of Taiwan.

"Trade and above all technological contact with the US"<sup>18</sup> was China's third major consideration.

All the above factors marked the announcement by President Nixon on 15 July 1971 of his forthcoming visit to China.

#### The Shanghai Communiqué

The Shanghai communiqué which was signed between the US and the PRC on 27 February 1972, in Beijing, further strengthened the international prestige of the PRC and on the other hand proved a severe setback for Taiwan's.

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<sup>18</sup> Hinton, n. 15, p. 32.

Among other things, the Communique dealt at length the Taiwan question. The American side declared that the United States did "acknowledge" that all Chinese on either <sup>side</sup> of the Taiwan strait maintain there is but one China and that "Taiwan is a part of China", stating that the US government does not challenge that position". In the second place, the United States reaffirmed its interest in a peaceful settlement of the Taiwan question by the Chinese themselves and that "with this prospect in mind, it affirms the ultimate objective of the withdrawal of all US forces and military installations from Taiwan. Finally, it promised that it will progressively reduce its forces and its military installations on Taiwan as the tension in the area diminishes".<sup>19</sup>

In short, we can say that the Shanghai Communique was itself a major gain for the Chinese as it proved the first step to give diplomatic recognition to China by the US.

The Republic of China's reaction to the Shanghai Communique was hostile. It declared that any agreement reached between the US and the "Chinese Communist regime" was "null and void" since the regime now occupying the Chinese mainland is a rebel group which has no right to

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19 "Shanghai Communique", New York Times, 10 August 1972.

represent the Chinese people.<sup>20</sup>

The diplomatic status of Taiwan was further diminished when the US and the PRC agreed to establish liaison offices in each other's capitals in February 1973. Earlier, in January 1973, Nixon had assured the Republic of China Vice President C.K. Yen that the US would maintain diplomatic relations with his government and abide by the defence treaty.<sup>21</sup>

#### Change of Leadership and the Problem of Taiwan

The year 1976 saw a change of leadership in China as well as the United States. In China both premier Chou En-lai and Chairman Mao Tse-tung died and Hua Kuo-feng succeeded Mao. In the US, Carter replaced Ford. All these significant developments created new hopes towards an early establishment of diplomatic relations between USA and the People's Republic of China.

When Carter took over, he announced the withdrawal of diplomatic relations from Taiwan and subsequent termination of 1954 Republic of China-United States Mutual Defence Pact. This finally came into being when in the very first month of 1979, the US conferred diplomatic relations on

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20 See Republic of China Foreign Ministry Statement on Nixon Chou Communique, 23 February 1972, in Chiu, n. 1, pp. 346-8.

21 Ibid.

Communist China and Taiwan Relations Act of 1979 replaced the Mutual Defence Pact of 1954. This came as a severe shock for the Republic of China in Taiwan.

Despite all these developments which posed a serious problem for Taiwan entailing its political isolation, Taiwan not only continues to prosper and thrive with international prestige but also has succeeded, to a greater extent in coping with its reduced diplomatic status.

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## CHAPTER II

### ECONOMIC AND CULTURAL STRATEGIES IN TAIWANESE DIPLOMACY

A series of diplomatic-political setbacks in the early 1970s suggested that Taiwan, the Republic of China (ROC), would progressively suffer political-diplomatic isolation. The diplomatic-political isolation would lead to economic and cultural isolation, and the viability and independent status of Taiwan would draw to a close. The nadir of sorts occurred when the ROC was driven out of the United Nations General Assembly on 25 October 1971. A motion to declare the expulsion of Taiwan an "important question" requiring a two-thirds vote, failed by a four-vote margin (55 to 59, 15 abstentions).<sup>1</sup> Immediately after the vote, the ROC Foreign Minister, Chou-Hu-Kai announced that his government would not take part in any further proceedings of the General Assembly. Since the admission of the People's Republic of China (PRC) to the United Nations, there have been efforts to relegate the ROC to the status of a non-country. It is no longer included in any United Nations Statistical reports. Recognition of the PRC accelerated with its admission to the United Nations.

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<sup>1</sup> New York Times, 10 August 1972.

Taiwan faced the distinct possibility of becoming the orphan of Asia, if not a world orphan. January 1, 1979 was one of the blackest days in the recent history of Taiwan, for it was then that the United States recognised the People's Republic of China as the sole representative of the Chinese people. Yet today, this event, painful as it was, appears little more than a passing incident and the island's fortune and future look as promising as ever. For, the derecognition only partially affected the diplomatic and political relations, and left informal and economic links relatively untouched. Now a form of re-recognition is setting in.<sup>2</sup> Taiwan no longer has a seat in the United Nations, it no longer has embassies in most countries of the world, nor does it receive their ambassadors. But it has not stopped trading with them, and foreign investment has not stopped. Not only have the diplomatic-political setbacks failed to have much effect on the economy, many feel that the atmosphere is healthier now than before since both local and foreign businessmen know what the situation is and have found adequate means of living with it. Many of the nations which have cut their diplomatic links with Taiwan have not scaled down their economic relations with it and important among these countries are still the United States and Japan.

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2 Jon Woronoff (From Taipei), "Taiwan Prospers in Isolation", Tribune (Chandigarh), 12 August 1980.

Taiwan's pillar of self-reliance and self consolidation is its economy. The high economic growth is the trump card for Taiwan to continue its existence. \*

A major factor in Taiwan's survival is its economic position and emphasis on international trade. Taiwan is in the highest decile of countries when calculating the percentage of GNP exported. The following table shows that the role of foreign trade has grown remarkably.

TABLE I  
EXPORTS AS PERCENTAGE OF GNP

ROC		ROC		Comparison	1973
1952	8.5	1970	27.1	USA	5.4
1955	6.3	1971	33.0	Japan	8.9
1958	8.6	1972	40.8	France	14.3
1961	11.1	1973	47.8	U.K.	17.5
1964	16.9	1974	39.8	West Germany	19.3
1967	17.9	1975	35.1	Canada	21.2

Source: Taiwan Statistical Data Book, 1974, Taipei, ROC), 1974.

A brief review of the Taiwan's economy reveals a shift between 1952 and 1974 from a principally agricultural



economy to diversified agriculture and industry with emphasis on foreign trade. Total foreign trade in 1952 was \$ 303 million, while in 1975, the total was \$ 11.254 billion.<sup>3</sup> During 1975, industrial products amounted to 83.6 per cent of the exports, processed agricultural products were 10.8 per cent of the total and the agricultural products constituted 5.6 per cent.<sup>4</sup> Thus the above data reveal that Taiwan has been able to establish a better and stronger economic relations with the countries like the USA and Japan who no longer maintain diplomatic relations with it. This has further boosted its international prestige.

Taiwan since 1952 has adopted several economic strategies to boost its economic advancement. It

- (1) has stressed labour intensive agriculture;
- (2) has stressed labour intensive industry;
- (3) has geographically dispersed industry; and
- (4) has tied agricultural development with industrial development, one manifestation being the emergence of a substantial agro-industrial system.<sup>5</sup>

Taiwan is a proto-type of agricultural, industrial market and export developments complementing one another and

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3 Taiwan's Statistical Data Book, 1974, p. 168; and China Post, 9 January 1976.

4 Free China Weekly, vol. 17, no. 4, 25 January 1976, p. 1.

5 Foreign Trade Development in ROC, p. 16, and China Post, 15 January 1975.

~~export developments complementing one another and advancing together.~~ The export thrust is significant because it has involved so many aspects of the economic system and hence has brought benefits to most elements of the population. All these economic strategies have further bolstered Taiwan's economic prosperity which has enabled her to withstand the diplomatic setbacks suffered since 1971.

### Trade and Investment

International trade and international investment have been important in the development of Taiwan's economy. They are also influential in maintaining ties with countries recognizing the Republic of China and facilitating interaction with countries which do not recognize Taiwan.

Wide trade contacts and substantial international investment help to convince non-governmental groups and also governments that useful purposes are served if Taiwan maintains its sovereignty.

The above mentioned table indicated the predominant position of foreign trade in Taiwan's economy, and suggested the degree of dependence was among the highest in the world. Recent increases are a phenomenon. The spectacular increases began in 1970 when total trade was \$ 2.952 billion and went up to \$ 12.620 billion in 1974 and \$ 11.254 billion in 1975.

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### Problems

The expansion of foreign trade has not been without its problems. The largest trade deficit ever recorded, \$ 1.356 billion, occurred in 1974. The Republic of China is limited by restrictions it can impose on imports, though in part, as a result of a drop in total trade, the 1975 deficit was reduced to \$ 611 million. During the last two decades, the consumer goods have averaged only 5.5 per cent of imports; the remainder were either capital equipment or agricultural and industrial raw materials.<sup>6</sup>

### Positive Indicators

There are also positive indicators in Taiwan's economy which cannot be disregarded. The budget surplus for 1974-75 fiscal year was \$ 399.5 million. Foreign exchange reserves actually increased by 5.5 per cent between January 23, 1975 and January 31, 1975.<sup>7</sup>

The combining of various economic programmes into "Ten Basic Projects" and the determination to go ahead despite rising costs, is an acknowledgement that Taiwan's economic infrastructure needs updating not only to update foreign trade programmes but to provide the necessary basis for an expanding domestic economy. The Export-Import Bank

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6 China Post, 18 January 1973.

7 Ibid., 6 February 1975.

committed a \$ 500 million loan in January for purposes related to the "Ten Basic Projects". The expansion of heavy industry which parallels "Ten Basic Projects" will reduce the need to import capital goods and enable Taiwan to supply a greater share of its own industrial needs and maintaining a strong and independent economic status.

### Diversification of Trade

Taiwan is also attempting to diversify its trade and reduce its dependence on the foreign countries.

TABLE II

MAJOR TRADING AREAS BY PERCENTAGE OF TOTAL EXPORTS/IMPORTS

	Exports				Imports			
	USA	Japan	Europe	Asia	USA	Japan	Europe	Asia
1963	16.4	31.7	8.6	31.2	41.7	29.7	7.2	7.5
1966	21.8	24.0	9.7	32.8	26.7	40.4	8.8	7.9
1969	33.0	15.0	9.9	32.2	24.1	44.2	9.7	9.1
1972	41.8	12.3	11.3	17.5	21.6	41.5	9.1	11.3
1973	37.4	18.4	12.9	15.8	25.1	37.6	12.3	11.3

Source: Foreign Trade Development in ROC (Taipei, 1974), pp. 22-21.

The data show that in 1952 Japan and the US provided 67 per cent of Taiwan's imports (the former 44.7% and the latter 22.2%) and took 56 per cent of its exports (52.6% to Japan and 3.5% to US). The percentage share between Japan and US had varied over the years, but the excessive percentage concentration on the two countries remains. Trade with Europe is increasing, but total trade with Asian countries other than Japan continues to drop because of the percentage decline in exports. Moreover it further shows Taiwan's increasing relations with the USA and Japan.

The Government has had some success in encouraging the direction of trade. Taiwan ranked 16th in countries exporting to the US and was 10th in terms of purchasing American goods.<sup>8</sup>

Taiwan's second most important trading partner is Japan. But it ran reverse trade imbalances with Japan. Juxtaposed against the trade imbalances is the competitive advantage many Japanese goods have and the long standing trade relationships which are difficult to realign. During the 1970s, 72 to 86 per cent of Japanese exports constituted heavy industrial goods.<sup>9</sup> One reason, Taiwan imports so much from Japan is its industrial surge.

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<sup>8</sup> Far Eastern Economic Review, 1976, p. 24.

<sup>9</sup> Donald N. Sherk, "Post-Vietnam Asia, Trade and Investments, Trends, in the Pacific", Pacific Community, vol. 8, 1980, p. 925.

### International Investment

Industrial investment provides needed economic input, technical skills and marketing networks. It also is a reason for many private groups to have a special interest in Taiwan's independent status. External investments from 1952 through 1975 totalled 1.405 billion.<sup>10</sup> Overseas Chinese provided 29.2 per cent of the total figure. Two thirds of the external investment 67.4 per cent has come into Taiwan since 1969. Nearly one third of the aggregate external investment (\$ 445 million) has come from the United States. External investment in 1975 was slightly over \$ 118 million from overseas Chinese sources. Americans investors provided 68 per cent of the total 1975 foreign investment and the Japanese share in 1975 dropped sharply to 19.7 per cent as compared to 35.7 per cent in 1974. Despite, Japanese foreign investments will maintain the attractiveness of Taiwan. International investment facilitates Republic of China's domestic economic development as well as builds the distribution and marketing ties that a trading nation like Taiwan requires. Such investment also manifests political commitment and confidence by private groups which will contribute to the future survival of the Republic of China.

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<sup>10</sup> George Wang and Margaret Heng, Free China Today, 1974; and China Post, 13 January 1975.

Disguised Embassies

Republic of China's officials regularly point out that Taipei has economic, cultural and educational ties with more than 140 countries. Premier Chiang not long ago re-affirmed Republic of China's intentions to "maintain relations with friendly countries". He did not limit the friendly countries to those that did not recognise the People's Republic of China but said "more than hundred countries continue to maintain economic, trade and cultural relations with us. We shall never permit the communists to succeed in their sinister designs to isolate us".<sup>11</sup>

Though most of the countries of the world continue to derecognise the Republic of China government in Taiwan, they still maintain some sort of disguised embassies in Taipei. Notable among them are the US and Japan. Both the US and Japan have established mechanisms for maintaining relations, e.g. the American Institute in Taiwan and the Coordination Council for North American Affairs. The Coordination Council's head office in Washington is a thinly disguised unofficial embassy, and its eight branch offices, which are headed by former consuls-General are, in effect, unofficial consulates. These offices are even authorised to issue visas. In other countries, Taiwan's unofficial

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<sup>11</sup> China Post, 25 November 1974.

embassies are disguised as trade offices, cultural institutions, or travel services, but all are staffed by foreign ministry personnel and all receive funding from the foreign ministry in Taipei.

The American formula for maintaining non-governmental relations with Taiwan is far superior to the Japanese formula, as far as Taiwan is concerned. In Japan, for instance, Taiwan's Association of East Asian Relations does not have the right to grant the visas. Taiwan is now attempting to get other countries to adopt the American model of non-governmental ties, arguing that if the United States can have the best of both worlds - normal relations with Peking and close to normal relations with Taipei - others should not settle for less.

The Japanese foreign ministry sent a political officer to Taiwan to determine if the Japanese Interchange Association in Taipei could be granted additional diplomatic privileges.

Smaller countries are improving informal relations with Taiwan as well. Ecuador recently permitted Taiwan to open a second trade office there, and relations with Jordan may be upgraded soon.

The chief motive of Taiwan behind having informal and non-governmental relations with the countries of the world is to promote trade, foster cultural and educational



exchanges and thus to gain self-confidence. This has greatly enhanced the identity of Taiwan at the international forum.

### Economic Scene in mid 70s and 1980s

Economic recovery in the US served as a locomotive that pulled Taiwan out of its most painful recession since 1974-75. As the US recovery gathered pace, Taiwan's factories, saddled with 25 per cent or more excess capacity, sprang back to life. The island's export-led recovery gathered pace and proved strong enough to offset declining government expenditures and stagnant private investment. By 1982, the government economic planners had the happy task of revising upwards the forecast of real economic growth. Their new figures predicted real gross national product would expand by 6.5 per cent in 1983 in compared to 3.9 per cent achieved in 1982.<sup>12</sup> By the first few months of 1983, the US took 43.7 per cent of Taiwan's exports, the highest share. Yet, as shipments went up by 20 per cent in value over the corresponding period in 1982 (export rose by 7.2% overall). The trade surplus with the US looked like ballooning to a record US \$ 6 billion for the year 1983, up from US \$ 4.2 billion on trade of US \$ 13.3 billion in 1982.

The Government took actions and mounted a public relations campaign to improve trade relations with the US.

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<sup>12</sup> "Taiwan, Economy Infrastructure", Far Eastern Economic Review, 1984, p. 272.

Import controls were relaxed on 600 categories of imported goods including minerals, petro-chemicals and agricultural goods. The Economic Ministry state run enterprises were allowed to buy raw materials and capital equipments from the US whenever possible. And in September 1983, the island sent a trade mission to the US to purchase US \$ 600 million of products, most of them agricultural.

### Balance of Payment, 1983

While many developing nations were struggling to service their foreign debts, Taiwan had the opposite problem of excess foreign reserves. On the back of large and expanding current account surpluses - US \$ 2.2 billion in 1982 and US \$ 1 billion in the first quarter of 1983 - the Island's foreign reserves swelled to US \$ 12.7 billion by the end of August. This led to the creation of money supply by 20 per cent per month. The trade surpluses also put upward on the New Taiwan dollar.<sup>13</sup>

Foreign bankers, burned by many developing countries unable to service their foreign debts, liked what they saw of Taiwan's conservative financial management, ample foreign exchange reserves, a manageable external debt of \$ 6.9 billion and a low debt of ~~\$ 6.9 billion and a low debt~~

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13 Ibid.

service ratio of about 4 per cent.<sup>14</sup> State run companies, especially Taiwan's power corporation (Taipower) continued to receive some of the finest terms on loans in Asia.

Taiwan's rising trade surplus was as much due to slumping imports as it to brisk exports. The trend worried the economic planners because most of the decline in imports was accounted for by reduced purchases of capital goods. Planners thought that fresh investment, in plant and equipment is crucial because of the transition the economy is undergoing from labour intensive to technology intensive and higher quality products. China has already made inroads into Taiwan's textiles, garments and canned-food markets. The severe competition from South Korea has adversely affected the island's T.V. manufacturing industry in the past two years.

#### Budget 1983-84<sup>15</sup>

The budget for the fiscal year 1984 (from 1 July 1983) called for the first cut in government's spending in Taiwan's history. Despite reduced expenditures, the budget carried a record deficit of \$ 33 billion on total outlays of \$ 323 billion to be covered mainly by issuing construction

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14 Ibid., p. 273.

15 Ibid., p. 274.

bonds. Taiwanese Government has also started some new projects work on a mass transit system which includes putting up underground railway system, subway and elevated train systems at a total elevated cost of \$ 5 billion.

The Government also continued to pump money into the Hsinchu Science-based Industrial Park - Taiwan's Silicon's Valley. The science park is one of the focuses of the island's industrial restructuring, with electronics enterprises predominant in the zone. Increased research and development outlays in electronics have begun to pay off in 1983. Exports of computer equipments, chiefly terminals, monitors, personal computers and parts, were expected to treble to \$ 500 million. The government also signed a memorandum of agreement with American Telephone and Telegraph Company under which the US giant corporations will produce telecommunications gear and integrated circuits in Taiwan.

But by far the most important industrial project of the year was a Joint Venture deal signed with Toyota Motor Corporation to manufacture 300,000 passenger cars a year on the island. The Japanese firm will hold a 45 per cent stake in \$ 540 million project, the state run China Steel Corporation 25 per cent and private Taiwan investors 30 per cent. According to Economics Minister, Chao Yao-tung, the driving force behind this investment is that the project will play a major role in upgrading Taiwan's industrial

structure. The venture is expected to stimulate the steel, glass, plastics, rubber and machinery industries.<sup>16</sup>

### Banking

Foreign Banks situated in Taiwan have been and are playing a crucial role in augmenting the overall economic development. It is having banks from Canada, Philippines, Thailand, the USA, Japan and almost all the important West European and South-East Asian countries even though these countries do not have diplomatic relations with the ROC. This has further elevated the international status of Taiwan.

In February 1983, the cabinet approved a plan offering liberal incentives to foreign and local banks setting up offshore banking units (OBSU) in Taipei. Financial authorities hope that foreign banks will be lined by the incentives, which includes exemptions on stamp duties, business profits and interests earned from deposits and loans.

In June 1983, the government approved the formation of International Investment Trust Corporation, the vehicle of opening the stock-market indirectly to foreign investors. The company will issue beneficial certificates to overseas investors and will manage a portfolio of listed shares.

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<sup>16</sup> Joint ventures between Taiwan and Japan's firms for motor manufacture, Far Eastern Economic Review, 1985, pp. 274-5.

Exclusion from the IMF and World Bank in 1980 does not seem to have had a serious effect either. Taiwan's economy is already strong enough for its credit relating to be quite positive and it can get whatever loans it needs through normal channels. This will be facilitated as new banks join the thirteen foreign ones already present, eight of them American. The new comers include British, French, German and Dutch banks.<sup>17</sup>

The United States also plumped for Taiwan in the island's quest to retain its seat at the Asian Development Bank (ADB). In November 1982, China (PRC) began informally notifying members that it would seek to replace Taiwan in the Bank. Taiwan position was that the ADB Charter made no provision for expelling a bank member in good standing and that its membership was irrelevant to new applications for membership. Unlike in IMF and World Bank (from which bodies Taiwan was expelled in 1980) Taiwan does not claim to represent all of China in the ADB. The US lent its support by hinting that it might cut funding from the Manila based bank if Taiwan was expelled.

#### Air Transport Links

Taiwan's recent efforts to boost unofficial relations with Europe bore fruit in 1983. The island established

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<sup>17</sup> Ibid., p. 275; and see, China Post, vol. 17, no. 2, 1982, p. 1.

airlines with Holland, with CAL and KLM Royal Dutch Airlines beginning weekly passengers' flights between Amsterdam and Taipei in April 1983. The new route represented a breakthrough as CAL had sought a beach-head in Europe since 1974.

If European countries are reluctant to give CAL landing flights, they are less reluctant to open banks and non-official trade and cultural offices in Taipei some of which are accorded diplomatic privileges. The year 1983 saw several more countries open trade promotion offices and more representative offices in the city. European businessmen are keen to get a slice of Taiwan's burgeoning trade and culture contacts for big industrial projects including power plants, railways and harbour expansion. Taiwan has also opened numerous underground and undisguised embassies in Europe. All this has given Taiwan a de facto status in the international comity of nations.

Taiwan was also pleased that the US permitted China Airlines (CAL) to extend its passenger flights to New York and the Pan-American World Airways resumed flying to Taipei for the first time since 1978. All these economic and air links with other countries have helped Taiwan maintain its de jure and de facto status in the international arena.

#### Cultural Diplomacy

As mentioned above, the continuation of economic relations is a clear tribute to Taiwan's economic success.

At the same time it is an essential contribution to its further prosperity. Its economic resilience has helped boost her international status and belied the hope of the many that Taiwan will become an international pariah. Still twenty four countries maintain diplomatic relations with the Republic of China but only South Korea, Saudi Arabia and South Africa are regarded significant among them.

Besides its various economic and trade relations with the outside world, Taiwan has also given major thrust to its cultural diplomatic links.

Taiwan will continue to step up international cultural interchange, it was announced on 27 November 1973 by Miss LiChongkeel, Director of the Bureau of International Cultural and Educational Relations of the Ministry of Education.

More Chinese troupe will be sent abroad to help the world acquire a better understanding of Taiwan's performing acts.

A Peiping operatic company troupe toured the Americas in 1973.<sup>18</sup>

Altogether 177 college presidents and professors were expected to come to Taiwan from abroad under a two year programme sponsored by the Ministry of Education.

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<sup>18</sup> Free China Weekly, vol. 14, no. 47, 2 December 1973, pp. 1-2.



Taiwanese college professors and researchers have been encouraged to take part in international conferences.

Plans for setting up for service centres to help the Taiwanese students have been mooted. These centres will be set up in countries having no diplomatic relations with the Republic of China.

An estimated 2,000 Taiwanese college students go abroad each year for advanced studies.<sup>19</sup> Ministry of Education is also planning to increase the number of scholarships for international students. In addition an international house is being built in Taipei to accommodate the foreign students. Other programmes to boost and encourage cultural and educational relations include:

- (1) Installation of special Taiwanese cultural exhibits in Taiwanese consulates and embassies and non-governmental offices.
- (2) Convocation of an Asian-Pacific Conference on museums and an Asian Art education meeting.
- (3) Organisation of a youth cultural mission to tour the US.

On the whole we can conclude that Taiwan's pursuit for prosperity has helped to provide the safety valve for

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<sup>19</sup> Ibid.

the loss of de jure diplomatic status caused by its expulsion from the UN and consequent derecognition by a large number of sovereign nations.

In the first place, its economic prosperity has helped her tide over the serious recession caused by the oil crisis of 1973. In 1974, Taiwan's gross national product increased by less than one per cent while per capita income dropped slightly. In 1975, economic growth returned to a reasonable 5 to 6 per cent. In 1976, it was over 12 per cent and in 1980 it is continuing at the rate between 10 to 12 per cent.<sup>20</sup> A continuation of a high rate of growth will be salutary in terms of coping with its reduced diplomatic status. Secondly, Taiwan's rapid economic growth has enabled her to alleviate the likelihood of rebellion or opposition to the government.<sup>21</sup> It has also proved crucial in legitimising the status of Taiwan when most of the countries have derecognised her. Nationalist Chinese leaders are no doubt aware of the fact that political unrest is not usually prevalent in an environment of economic growth. They are aware that this is particularly relevant to Taiwan, since the Taiwanese constitute

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20 "Taiwan's Economy in 1970s", Free China Weekly, vol. 15, no. 4, 1981, pp. 4-6.

21 John F. Copper, "Taiwan's Strategy and America's China Policy", Orbis (Philadelphia), Summer 1977, pp. 270-1.

both the business sector and a major portion of the poor and dissatisfied. Third, rapid growth is good for Taiwan's image abroad and it has contributed to increasing trade and commercial contacts with foreign countries. These ties have been and are valuable in that they supplement political relationships and establish an interdependency, which may sway the decisions of nations that otherwise might not care whether or not Taiwan remains self-governing. Taiwan's future may well become an international question and vested interests may help Taipei's cause. The same is true of attracting foreign investment. A high growth rate makes possible larger investment input and foreign borrowing which evokes a greater concern abroad for Taiwan's future independence.

In its endeavours to generate business ties and foreign investment, Taiwan has specifically aimed first at the United States and then at Japan-nations that will play paramount roles in determining Taiwan's future.

Taiwan's efforts to maintain a high level of trade with the US and Japan similarly fits into its strategic planning. One could argue that Taiwan is dangerously dependent on the United States, where protectionist sentiment is strong, and on Japan where economic pressure from Peking is protentious and that it should therefore diversify its trade. Taiwan's planners, however,

want to increase commercial ties with the two countries that will have the greatest influence on Taiwan's future.<sup>22</sup>

Thus maintaining a high level of economic growth has been one of the most important diplomatic strategies or instruments to cope with its reduced diplomatic status.

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22 Ibid.

## CHAPTER III

### A STRONG SECURITY SYSTEM AS AN IMPORTANT DIPLOMATIC TOOL

Since 1970, the Republic of China (ROC) in Taiwan has survived many major crises including expulsion from the United Nations, President Nixon's visit to China, the oil shocks of 1973 and 1974 with the accompanying world-wide recession, the death of President Chiang-Kai-shek and most recently formal recognition of Beijing and consequent derecognition of Taipei. On top of all, the US administration under President Carter, terminated the 1954 Taiwanese-American Mutual Defence Pact which was the backbone of Taiwan's security.

Despite all these shocks and shivers, Taiwan has not only continued to be one of the active members of the international community by strengthening its economic, cultural and educational relations with them but has also succeeded in maintaining a strong security system which has deterred Communist China from taking her over militarily. Taiwan's strong security has provided another lever to cope up with its reduced diplomatic status. Taiwan's security has been chiefly linked to its relations with the United States.

While the US Government's "Taiwan Relations Act" of 1979 (which replaced the Mutual Defence Pact of 1954) clearly states that the security of Taiwan is a serious concern of the United States, diverse opinions have been expressed in both countries about the security risks Taiwan is exposed to following the disruption of diplomatic relations between the Republic of China and the United States. A number of American observers, both in and out of Government service, maintain that the termination of the 1954 Republic of China-American Mutual Defence Pact not only had not damaged Taiwan's security position but rather had reduced Taiwan's security needs. Richard Holbrook, the then Assistant Secretary of State for Far Eastern Affairs in the Carter Administration, for example, had contended that the Taiwan strait was calmer than at any point in the previous three decades and that, in fact, Taiwan faced no threat of a military nature from Communist China.<sup>1</sup> The argument that the Taiwan's security risks are diminishing is based on the following assumptions.

The Moscow-Beijing antagonism is likely to persist with the Soviet-Union deploying about 20 to 25 per cent of its ground forces along the Sino-Soviet border, and concentrating up to one third of its naval forces in Pacific

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<sup>1</sup> Wang Chi-wu, "Military Preparedness and Security Needs: Perceptions from the ROC on Taiwan", Asian Survey, vol. 21, no. 5, June 1981, p. 561.

waters. Communist China will not dare commit its forces against Taiwan for that may tempt the Soviet Union to attack mainland China from the rear and would thus open up a dangerous two front war.

Second, Deng Xiaoping's political leadership in Beijing is likely to prevail. Mainland China seems to be serious about its policy of the 'Four Modernisations' and is, therefore, dependent upon the West, especially the United States, for the infusion of capital and technology without which the "Four modernisations" could not get off the ground. An attempt to invade Taiwan would provoke rather strong reactions in the US and the leadership in Beijing would not risk this American displeasure.

Third, the only real reason for the Mainland China to seek a military solution to the Taiwan issue would be if Taiwan should seek to use the so-called Soviet option, which would result in the encirclement of the Chinese mainland both from the land and the sea. However, since it is extremely unlikely that Taiwan would play the 'Russia Card', Communist China and Soviet Russia are not likely to face a confrontation over Taiwan. This point was laboriously made by Michael Armacost, then Deputy Assistant Secretary of Defence for Far Eastern and Pacific Affairs, during the Senate hearing on the Taiwan Relations Act in 1979.<sup>2</sup>

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<sup>2</sup> Taiwan, Hearings before the Committee on Foreign Relations, United States Senate, 96th Congress on 5, 6, 7, 8, 21 and 22 February 1979, Washington, New York Times, February 1979.

Fourth, with respect to the security of Taiwan, the Carter Administration's public position has been that any People's Republic of China's military attack against Taiwan was extremely unlikely for the foreseeable future primarily because the People's Republic of China has limited amphibious capabilities and because such an attack would reverse the People's Republic of China's political gains in the West and jeopardise continued US help for its modernisation programmes.

Fifth, the security of Taiwan is essentially dependent on air superiority over Taiwan strait.

Finally, for Taiwan to survive, it should have limited military deterrent force to attack mainland bases in Fukien, Kiangsi, Kwangtung and Chekiang provinces and certain industrial complexes including the Shanghai area.

But in the eyes of the people of Taiwan who live in the shadow of an enemy fifty times the size of Taiwan in both area and population, these points are superficial at best.

Second, everyone in Taiwan is highly conscious that no Chinese Communist leaders have ever renounced the need to eventually use force against Taiwan. On the other hand the people in Taiwan are quite sensitive to President Carter's and Reagan's failure to use their political leverage



to make Communist China move towards the renunciation of the use of force. In the past five and a half years, Deng and other Chinese Communist leaders have always claimed aloud that they would be patient and lenient with Taiwan, but at the same time, they would also warn Taiwan that their patience was not unlimited. At the same time while promoting exchanges of mail, navigation and commerce, with Taiwan, Beijing never took the position that it wanted to negotiate with Taiwan as co-equals but always called for Taiwan to "come back to the fold".<sup>3</sup> It is quite obvious that Beijing has been arduously manipulating its signals so that people in different parts of the world would read different meanings into these signals. For example, the halt in the every other day shelling of Quemoy since early 1979 has created the impression in the West that Beijing no longer contemplates military confrontation with Taiwan. Yet the people in Taiwan believe the truce will be only brief and ephemeral while Beijing determines if Taiwan can be "liberated" at lesser cost.

In the third place, it is believed in Taiwan that whether Beijing would use force against Taiwan is an issue to be resolved by internal political considerations in the PRC rather than by foreign policy considerations. A case in point was the 1979 border war between Communist China and Vietnam. Deng Xiaoping staged the invasion only a few

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<sup>3</sup> Wang Chi-wu, "Military Preparedness and Security Needs: Perceptions from the ROC on Taiwan", Asian Survey, vol. 21, no. 6, June 1981.

weeks after his visit with President Carter in Washington, and there was no evidence that President Carter had acquiesced to, let alone, approved the proposition that Deng should "teach the Vietnamese a lesson".<sup>4</sup> If in the future, force should be used against Taiwan, the decision would be dictated by domestic political considerations, and possibly decision would be made in spite of foreign policy needs.

Fourth, in Communist countries in general, and in Communist China in particular, power struggles at home would always take precedence over political implications abroad in decision-making. This is the point which often eludes the attention of the Western press. Under this hypothesis, Deng Xiaoping or any other top leader in Beijing, would not hesitate to use force against Taiwan if it is judged to be advantageous to his power position at home. Whether such a step would please or displease Washington is at best a factor of secondary importance. This seems true as long as the US does not consider military retaliation against Communist an option. Thus the so-called dependence on the West for the "Four Modernisations" in terms of capital and technology is not considered by the Republic of China in Taiwan as a deterrent to Beijing's military adventurism. Early in 1981, when Beijing abrogated a series of contracts with Japan for the

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4 Ibid.

construction of major steel and petro-chemical plants, it became clear that the People's Republic of China had very limited capacity to absorb western capital and technology.<sup>5</sup> As a corollary, it is now extremely unsound to believe that western capital and technology can be used effectively to contain Communist Chinese political and military behaviour.

Last, but not the least, it is believed in Taiwan that Beijing would to a large extent base any decision to use force against the Republic of China on military calculations.

But all these might involve the following calculations on the part of Beijing:

- (1) Can an invasion plan be staged successfully. If so, how long would it take?
- (2) Will such a campaign trigger American reaction to increase the supply of arms to Taiwan, thereby making for a long-drawn out war?
- (3) If the campaign should last for any substantial length of time, would it tempt the Russians to indulge in some land grabbing on the long Sino-Soviet border? How could Beijing cope with such Soviet pressure?

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5 "ROC Stresses Build-up in Defence Industry", Far Eastern Economic Review, 17 October 1981, p. 3.

- (4) Will the combination of the above factors trigger another round of power struggles at home? How can the challenge to Beijing's leadership at home be dealt with?

These military calculations point to the fact that time is of paramount importance. In other words, Beijing would start an invasion of Taiwan if it believed a blitzkrieg would be successful, but would hesitate if it felt that invasion would result in a long drawn out war. For a blitzkrieg-type of operation to be successful, superiority in both quantity and quality is required. For quantity, Communist China knows that Taiwan has already been stretched to the limit and can depend on internal resources to widen the gap to a sufficient differential. For superiority in quality, it has both to build its own capability and to weigh carefully Taiwan's quality in personnel equipment, logistics, field tactics and strategy. Only through qualitative superiority in weapons and men can Taiwan gain time in the defence of the island and if Taiwan can convince Communist China of the possibility of a long drawn out war, there will be no war.

At the moment, when Soviet military strength is still increasing, a Communist Chinese invasion of Taiwan, though it cannot be ruled out, is not imminent. However, many strategists have forecast that Soviet military build up will level-off, if not decline, after 1985. If this

happens, the war danger in the Taiwan straits will tend to increase in the late 1980s and early 1990. It is therefore reasonable to make scenario studies of Communist China's invasion plan against Taiwan targeted between 1985 and 1995, taking into consideration the economic and technological growth on both sides of the Taiwan strait.<sup>6</sup>

A basic assumption is that Communist China would not, short of a general war, use nuclear weapons against Taiwan. This assumption is based on the following analysis.

First, the use of a single nuclear weapon tends to escalate a local or regional confrontation into a global war. After the death of Mao, the leaders in Beijing no longer perceive that they stand to gain in a global nuclear holocaust, at least not in the foreseeable future.

Second, a nuclear attack would be so destructive that it might drastically reduce Taiwan's value as an economic prize.

And third, a preemptive nuclear attack is not called for since Taiwan is not developing nuclear warheads and has no plan to do so.

Under this assumption, only conventional, non-nuclear weapons will be contemplated in Communist China's invasion planning. A likely strategy would involve the following stages and elements.<sup>7</sup>

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6 Thomas A. Marks, "Future of Taiwan", South-East Asian Spectrum, vol. 4, no. 3, April-June 1977, pp. 7-17.

7 Ibid., p. 10.

First, a bid for control of the air-space in the shortest period of time;

Second, neutralization of the Republic of China navy by a combination of aerial bombardment and submarine attacks;

Third, crippling Taiwan's industry by selective aerial bombardment;

Fourth, launching of a massive invasion against Taiwan following successful amphibian operations against Quemoy and the Pescadoes. All kinds of crafts and vessels could be used ranging from Yangtze River barges to motorised junks in large numbers. The staging of such a fleet along the many small ports on China's Southeast Coast would be vulnerable to Republic of China counter attack, so it would probably not begin unless Communist China had gained substantial control of the airspace over the Taiwan straits; and

Fifth, once established on Taiwan's beaches, the PLA would not hesitate to engage in "human wave attacks", both to make up its deficiency in modern equipment and to terrorize the Republic of China population.

Obviously, the key to this campaign plan will be the fight to control the airspace over the Taiwan straits. In 1958 and in 1964; Communist China attempted to test the efficiency of the Republic of China's airforce and failed miserably.<sup>8</sup> During the running battle in the air over the

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<sup>8</sup> Free China Weekly, vol.21, June 1980, pp. 2-3.

straits and along China's Southeast Coast the Republic of China airforce achieved a kill-ratio of 14-1 in 1964 which stopped any further challenge by the Communist Chinese air force subsequently. At that time F-100s and F-86s were the backbone of the Republic of China air force while the Communists were using an assortment of MiG-17s and MiG-19s. In terms of aircraft performance, neither side could claim definitive superiority. But there were two decisive elements in favour of the Republic of China airforce; better pilot training and stronger motivation; and availability of heat-searching side-winder air-to-air missile, which the Communists did not develop until the mid-1970s.<sup>9</sup>

If the battle were to be staged today, the result would be somewhat different. The Republic of China's F-5Es would be pitched against Communist China's F-7s. Both have supersonic capabilities in short-bursts, with the F-7s having a slight edge in maximum speed but the F-5Es enjoying greater manoeuvrability. The Republic of China airforce still could depend on its superior pilot training and motivation, but Communist China may rely upon greater numbers of jet fighters. Thus in all likelihood, the Republic of China airforce still can maintain a relative advantage, but the control would not be as complete as in the 1960s and 1970s.

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<sup>9</sup> Ibid.

Further changes are anticipated to occur in the late 1980s and early 1990s. Communist China's F-8s will likely be in operation in considerable numbers. These fighters have now been manufactured and are under testing. As they suffer from stability and control problems, they are not yet deployed.<sup>10</sup> At the same time, it would be too risky to assume that such technical problems would not be resolved by Communist China's aircraft industry in five years' time. No one knows precisely the performance characteristics of F-8s, but defence planners in Taiwan must assume that they are superior to the F-7s and therefore may outmatch F-5Es. Furthermore, Communist China has already produced and deployed its A-5s, which are supersonic fighter bombers, and being enlarged versions of the MiG-19 might be effective against the Republic of China's naval vessels and its defence installations on the offshore islands if Communist China could gain a substantial measure of air space control.<sup>11</sup>

Under the scenario that control of the airspace is not likely to be achieved by either side in an absolute sense in the late 1980s and early 1990s, it becomes important to Republic of China defence planners that a capability be established in Taiwan to roll back enemy air bases if war

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10 See, Aviation Week and Space Technology, 9 June 1980, p. 18.

11 See Ibid., 1 October 1979, p. 20.



should break out.

Under this "roll back" strategic planning, the Republic of China's desire to obtain F-16 fighters becomes understandable. The F-16 has far greater range and payload than the F-5Es and may inflict severe damage on the enemy with dispatch. The roll back strategy is conceived strictly as a defensive strategy even though it calls for deployment of aircraft which are sometimes classified as "offensive capabilities". In this day and age, it is perhaps irrelevant to differentiate 'defensive weapons' from "offensive weapons". What Taiwan wants and must have are weapons adequate for its defence. Everyone in Republic of China perceives the intention of the Taiwan Relations Act of 1979 in this context. The Taiwan Relations Act enables the American administration to sell Taiwan only 'defensive weapons'. If the 'defensive weapons' theory were carried to its logical extreme, the US could not even sell Taiwan "statutory night specials".<sup>12</sup>

As far as Taiwan's defence planners are concerned, the debate on the performance specifications of the proposed F-X is also being focused on the F-X's capability to start an enemy rollback. From the information received, the F-16-79 would use the GEJ-79 power plant with a reduction of perhaps more than a third of its propulsion thrust but without

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12 Wang Chi-wu, "Military Preparedness and Security Needs: Perceptions from ROC on Taiwan", Asian Survey, vol. 21, no. 5, 1981.

comparable reduction in weight.<sup>13</sup> On the other hand, the Northrop F-5G is reported to use a most advanced turbojet power plant and there is every possibility of retaining the light F-5 airframe.

A great deal has happened in Taiwan. Immediately following President Carter's announcement of the derecognition of the ROC on 18 December 1978, a massive movement to raise funds to boost the national defence industry was started in every city of Taiwan. Within six months, this movement fetched more than US \$ 1 million. The significance lies in the sum total of contributors who represent a national consensus that self-reliance in defence technology must be regarded as a top priority item in the nation's programmes.

A tremendous and largely successful change has been made in the relationship between the defence industry and the civilian industry in Taiwan.

A conscientious effort has also been made in Taiwan to differentiate defence technology from defence industry. The decision to make or buy is always a difficult one for the Republic of China authorities. To make defence hardware in Taiwan is often hampered by the limited demand. Besides, to buy such an item from abroad would often involve political implications. The resultant strategy is, therefore, to

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<sup>13</sup> Ibid.

develop at home the requisite, in the hope that this may give Taiwan broader options on procurement abroad.

In high technology weaponry, Taiwan since 1979 has made impressive progress. They have manufactured and commissioned Hsiungfeng (Hornet) missiles. These are surface to surface missiles, using a target acquisition system by radar locking and a wave-top trajectory which helps to evade enemy radar detection. Both the Republic of China navy and its forces for coastal defence are now using the Hsiungfeng missiles which are considered to be superior to Communist China's styx-type missiles in accuracy and in Radar evading capability.<sup>14</sup> Besides, air to air missiles and ground to air missiles are under development in Taiwan to improve its air defence network.

Taiwan has also been able to manufacture excellent jet trainees, which in an emergency can also be used as aircraft for close ground support. At the same time it has been able to produce a medium sized turboprop transport to replace its ageing fleet of C-119s. For years, Taiwan has contact with Northrop on the F-5Es.

Training and maintenance capabilities for advanced weapons, especially jet-fighter bombers are excellent in Taiwan. During the Vietnam war many of the US Phantom (F-4) jets were repaired and overhauled in Taiwan.

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<sup>14</sup> Far Eastern Economic Review, 1981, p. 272.

Despite all the above steps taken by the Republic of China in Taiwan to bolster its defence capability and capacity to maintain a sound and deterrent security system so that it can maintain its independent international status and deter its arch enemy - Communist China - to take it over by force, Taiwan's defence and security system has been crucially linked with the military supplies from the US under the 1954 Mutual Defence Pact. While the withdrawal of diplomatic recognition and the termination of 1954 Republic of China-United States Mutual Defence Pact by the United States came as a shock to Taiwan, the enactment of Taiwan Relations Act of 1979 use to have a silver lining. The Taiwan Relations Act reaffirms US concern for the security of Taiwan and its objection to China's use of force to settle the Taiwan issue,<sup>15</sup> It declares that the United States considers "any effort to determine the future of Taiwan by other than peaceful means, including boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States". Robert Parker, President of the American Chamber of Commerce in Taiwan and Champion of Taiwan's cause in the United States expressed that the security provisions of the legislation are even stronger than the existing US defence treaty with Taiwan, because the treaty, which was

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15 The Taiwan Relations Act. New York Times Index 1979, pp. 12-15.

terminated by 1979, referred only to the direct military attack.<sup>16</sup>

But many Americans feared that the United States action endangered the security and prosperity of Nationalist China which has been the trusted old ally of the US and that it would undermine the confidence that East and Southeast Asian nations have in the United States.

Now almost more than five years have passed, Taiwan continues to prosper and maintain a security system that would withstand any military attack from Communist China. The dire predictions of a Soviet-Taiwan alliance, development of nuclear weapons by Taiwan and the proclamation of an independent Republic of Taiwan have not come to pass. And the Chinese have not attempted to take the island by force. None of these predictions appears likely to happen in the foreseeable future. Through the arrangements devised by the Executive Branch and strengthened by the Congress, the United States appears to have safeguarded its interests in Taiwan.

Now that the United States has severed diplomatic ties with the Republic of China in Taiwan, why should it continue to be concerned about the future of Taiwan?<sup>17</sup>

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16 Ibid., p. 13.

17 Leonard Unger, "Taiwan: The Prosperous Pariah (1) Derecognition Worked", Foreign Policy, fall 1979, pp. 105-21.

In the first place, Taiwan occupies a key position in the western Pacific-East Asian security system. It lies along important shipping and airlines that link Japan and Korea to their major oil and commercial connections in Southeast Asia, the Middle East and Europe. Taiwan in unfriendly hands would represent a potential threat to those links. Japan would be especially concerned about a forcible Communist takeover of Taiwan, given its historical connections and present deep involvement in Taiwan's economy.<sup>18</sup>

So even though US military experts have concluded that access to Taiwan is not essential to immediate US security interests in the Western Pacific, a hostile Government as Taiwan could threaten American friends and allies in North, East and Southeast Asia. Over time, this could encourage policy shifts in those countries contrary to US interests and diminish American influence in the area.<sup>19</sup>

Second, the United States should be concerned about Taiwan's security and future because Taiwan is a promising example of a developing free economy and society in East Asia. It has experienced remarkable economic growth and demonstrated exceptional social and political stability.

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18 John F. Copper, "Taiwan in 1980 : Entering a New Decade", Asian Survey, vol. 21, no. 1, January 1981, pp. 51-61.

19 Ibid., p. 55.

Reflecting the strength and importance of US-Taiwan relations, the Taiwan Relations Act of 1979 guarantees that the United States will continue to provide Taiwan with defensive weapons when the mutual defence treaty is no longer in effect and it maintains the right of the US to resist the use of force against the people on Taiwan. If the President perceives any threat to Taiwan, he is directed to inform the Congress so that "appropriate action by the US" may be taken.

The Act makes clear that "It is the policy of the US to provide Taiwan with arms of a defensive character, and to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardise the security or economic system of the people of Taiwan."<sup>20</sup>

The Act explicitly states that the laws and agreements that are the basis of the many commercial, cultural and technological ties between the US and Taiwan are not affected by the absence of diplomatic relations.

Further the Act designates an American Institute in Taiwan, to carry on business there - in effect, to perform most of the functions previously carried out by the embassy in Taipei, including the provision of passports and visas

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20 "The Taiwan Relations Act", Issues and Studies, vol. 15, no. 5, January 1980, pp. 1-22.

issued on the authority of the US consulate in Hong Kong.

The legislative history of the Taiwan Relations Act are reassuring to the people of Taiwan in more than one way. The Act, though, concentrated primarily on continuing economic and cultural relations between the United States and Taiwan, maintaining virtually all treaties and agreements (except for the mutual defence pact) and on establishing the instrumentalities for future communication between the two countries. At the same time, the Act is having provisions assuring Taiwan's security and its ability to obtain US weapons.<sup>21</sup>

Thus, while the Taiwan defence Command and all other US military personnel have already left the island and the mutual defence treaty has ceased to have force and effect since 1 January 1980, the amended Taiwan Relations Act underwrites Taiwan's peace, security and stability, much as official diplomatic relations and treaties did before. The guarantee that the military forces on Taiwan will be able to acquire the weapons and the spare parts required to maintain a credible deterrent to discourage the People's Republic of China from undertaking any military ventures is sufficient buoy both domestic and international confidence in Taiwan.

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21 Ibid., pp. 1-33.



If the US administrators sincerely execute this act by providing Taiwan with sufficient defensive weapons, Taiwan has nothing to feel insecure.

Carter Administration and US Arms Sales' Policy Towards ROC

The Carter Administration, while quietly reaffirming the Nixon-Ford policy of not supplying Taiwan with front-line aircraft such as the F-16 devised the so-called FX scheme. According to this plan, the aircraft companies could develop lower capability military jets specially for sale to countries unable to afford or, like Taiwan, being denied the more advanced products.<sup>22</sup>

After the expiration of one year moratorium on arms sales to Taiwan imposed by President Carter at the time of his "normalisation" with Beijing, arms sales resumed in 1980. In January 1980, the Carter Administration announced plans to sell Taiwan \$ 291.7 million worth of 'defensive' weapons, a deal which included 280 improved Hawk air defence missiles, 14 mark-75 shipboard gun mounts, 284 chapparal shipboard air defence missiles and 1000 TOW anti-aircraft missiles plus launchers.<sup>23</sup> At the same time,

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22 Charles T. Cross, "Taipei's Identity Crisis", Foreign Policy, no. 51, summer 1983, pp. 47-63.

23 "US to Sell Taiwan Defensive Weapons for \$291 m", Asian Wall Street Journal, 5 January 1980.

the US state department turned down a request for high performance aircraft including the F-4, F-16 and F-18.

Carter's offers also included M-48 tanks with gasoline engines.

On top of all, the important point of Carter's decision to sale defensive weapons to Taiwan was to deliver a message to the people that they must fight a last ditch battle if needed.

#### Reagan and US Arms Sales Policy Towards Taiwan

In an important foreign policy statement on 17 August 1982, President Reagan announced that both China and the US had agreed on a common policy towards Taiwan. The communique of 17 August (known as Shanghai II Communique) allows the US to make arms shipments to the province for the time being.<sup>24</sup>

Taiwan pressed Reagan for more powerful fighter aircraft.

Earlier in 1983, Reagan vetoed the shipment of advanced fighters. He took that decision in the context of the administration's procleration with Poland and imposition of Martial Law there. For the US, it was inopportune to start a row with Beijing and take the pressures off the Russians.

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<sup>24</sup> "Reagan and Question of Arms Sales to Taiwan", Asian Wall Street Journal, 15 June 1983.

To mollify Taiwan, the Reagan Administration then promised to continue delivering the military equipment including the fighters it had sold in the past.

In July 1983, when the incoming Secretary of State, George Schultz, announced that he would recommend to President Reagan to continue the sale of US jet fighters to Taiwan.

President Reagan, in a separate statement, later declared that the issue of future US arms sales to Taiwan was "fully consistent with the Taiwan Relations Act" and that the arms sales to Taiwan will continue in accordance with the Act and with full expectation that the approach of the Chinese Government to the resolution of the Taiwan will continue to be peaceful.<sup>25</sup>

The Reagan Administration is planning to sell 30F-5E and 30F-5F jet fighters for \$ 240 million for maintaining Taiwan's air defence capability.<sup>26</sup>

Taiwan, besides seeking arms purchase from the US, has been making contracts with other countries. In the early 1981, the Dutch Government decided to approve export licences enabling a Dutch company to construct and deliver two conventionally powered Swordfish-class submarines for the Taiwan's Navy. The two submarines valued together at about

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25 Keessing's Contemporary Archives (London), vol. 86, 1983, p. 30831

26 Ibid.

500,000,000 guilders formed part of a compromise contract which had been awarded by the Taiwan Government which also included orders for a further 500,000,000 guilders worth of equipment for nuclear and conventional power plants and for a natural gas terminal.<sup>27</sup>

On the whole, we can safely conclude that the US holds the key to the future of Taiwan. It is only country in the world that can supply essential defensive weapons to Taiwan. With all power and fortitude, the US can ensure the viability of Taiwan. Lacking those qualities the future of Taiwan will remain subject to the uncertainties of an unsure American foreign policy.

In the last analysis, therefore, the future of Taiwan to a large extent lies in the hands of the American electorate and the presidential choices presented to it. One can only hope that the American people will exercise their franchise in a way that will ensure the freedom of the 17 million Chinese people in the Republic of China on Taiwan - a country which is the oldest United States ally in Asia and people who share their faith in individual freedom, free enterprise and democracy with the American people.<sup>28</sup>

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27 See Keessing's Contemporary Archives, vol. 37, 1931, p. 30831.

28 James B. Linder and A. James Gregor, "Taiwan's Troubled Security Outlook", Strategic Digest, vol. 11, no. 8, August 1931, pp. 657-67.

But above all, all credit must go to the Taiwan Government policy planners who have showed their diplomatic skill in forcing the United States Presidents or Governments all not to go for Communist China. The Republic of China in Taiwan has been getting so much arms from the United States that it could deter the People's Republic of China to wage a military attack. Moreover, in this respect the US support has helped Taiwan more psychologically in maintaining an independent status.

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## CHAPTER IV

### TAIWAN'S FUTURE DIPLOMATIC CHOICES AND OPTIONS : SOME CONCLUDING OBSERVATIONS

When we conclude on the basis of what has been discussed and analysed in the previous chapters, we find that despite a series of diplomatic-political setbacks suffered by the Republic of China in Taiwan ever since it was unseated from the United Nations on 25 October 1971 which was followed by 'the' withdrawal of diplomatic relations from Taiwan by the majority of the sovereign states of the world and more importantly by the United States-Taiwan's trusted old ally- and the establishment of formal and official diplomatic relations by the former with Communist China in 1979 and the abrogation and termination of 1954 the US-ROC Mutual Defence Pact in 1979 which have made the world leaders and the people to believe that Taiwan's political isolation would lead to economic and cultural isolation and viability and independent status of Taiwan would draw to a close, Taiwan has not only weathered the storm but has survived and continues to prosper and thrive with international prestige.

The various diplomatic tools, techniques and styles viz. laying more emphasis on strengthening economic, cultural and educational relations with the countries of the world, which now no longer maintain formal diplomatic relations

with the Republic of China in Taiwan, have helped it cope with its reduced diplomatic status since 1971.

Moreover, its strong security system and internal political and economic stability which has so far deterred Communist China to take it by force has given it an additional independent international status and prestige. The various disguised embassies, which are in form of non-formal institutions, running in various countries, including the United States of America and Japan, have further strengthened the economic, cultural and educational ties between Taiwan and these countries and have helped Taiwan not only overcome its political isolation but have boosted its international status and prestige.

The countries like the United States and Japan have contributed immensely to the economic viability and prosperity of Taiwan, with the former providing Taiwan much leverage and foothold in sustaining a strong security system, the basis of which is Taiwan Relations Act of 1979.

Even Taiwan's internal economic, political and social stability and its people's unshakeable faith and strict adherence in democratic values and institutions have further bolstered and boosted its international prestige.

After having seen how Taiwan has been successful in coping with its reduced diplomatic status since 1971 by

adopting various diplomatic tools, techniques and styles, it is now instructive to examine Taiwan's diplomatic options in the period ahead. The three most obvious choices have been advocated by the political analysts on Taiwan.<sup>1</sup>

The most obvious option for Taipei is to declare publicly that it is giving up its claim to be the legitimate government of all China and to any territory held by the People's Republic of China (PRC). This would present to the world including the United States Administration and the American public, the impression that Taipei was responding to its present dilemmas with realism while underscoring the fact that various presidents (like Carter, Ford and Reagan) statement acknowledging Taiwan as a part of China is not in consonance with the desire of the people of Taiwan or with other political realities. In the context, the Republic of China leadership could argue that Taiwan really was not part of China.

Taipei could then propose a plebiscite to determine Taiwan's future. If it renamed the Republic of China, it could simply redefine its borders and continue normal diplomatic relations with the countries that still maintain diplomatic ties with Taipei. This would be an advantage

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1 John F. Copper, "Taiwan's Options", Asian Affairs, An American Review, vol. 6, no. 5, May-June 1979, pp. 284-5.



in that the name Republic of China is used in the literally thousands of treaties and other agreements that Taipei has with other countries. Alternatively, Taipei could change its name to the Taiwan Republic, and thereby adventure its independent status and breaking of its links with China, which are in any case, for the most part only based upon the claims that each government has made to the territory of the other. This might induce a number of countries to extend recognition that must otherwise not do so. Some countries that have severed relations with Taipei have reportedly promised to restore diplomatic ties if Taipei declares its independence and changes its name.<sup>2</sup> Similarly, Taiwan could apply for membership in a number of international organisations in which Peking (Beijing) could not veto its membership, and where representation is given to nation states without regard to political qualifications. Taipei's application for United Nations membership, even though it would be vetoed by Beijing, would probably win considerable support and sympathy, since Taiwan would be the only nation (with the exception of North Korea and South Korea) to have sought membership and been refused.

In the process of declaring its independence, Taipei would probably be required to withdraw from the

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2 Far Eastern Economic Review, 1978, p. 245.

islands of Quemoy and Matsser. This would sever the last remaining link between Taiwan and Communist China both geographically and historically and would better position Taiwan for a defence of its territory against an attack by Communist China. It will clearly place Taiwan in a defensive posture.

Taipei could also delay specific steps to announce its independence until such time as Beijing becomes more dependent, both politically, and economically (militarily too) upon the US and Japan, on the assumption that Beijing could not thereafter afford to alienate Washington or Tokyo. Clearly Beijing is becoming increasingly dependent - economically, politically and militarily -- on both Japan and the US for the success of its modernisation programme and is also trying to ally politically with both against the Soviet Union.

Alternatively, Taipei might choose to assert its formal independence more assiduously and indirectly. In fact, it can be argued that it has already moved in this direction by refusing negotiation with Beijing. This refusal and the claim to be the legal government of Taiwan backed by the overwhelming support of its people is tantamount to declaration of independence.

A second option for Taipei is to seek closer relations with the Soviet Union leading to an agreement that

would enable Taiwan bolster its security against Beijing. Many observers have argued that such a development is not likely because of Taiwan's vital commercial relations with the West. It is also argued that Taipei could not trust the Kremlin. But there are also counter-arguments. First, a secret agreement would not endanger Taiwan's commercial or other ties with the West and Japan. Second, it is uncertain in any event that Soviet ties with Taiwan would interfere with Taiwan's present foreign economic relationships. Soviet's political and military ties with a number of other countries have not interfered with their capitalist oriented trade and economy. Third, Taipei has undoubtedly come to distrust the United States, especially in view of the abrogation of defence treaty and Washington's recognition of Beijing after numerous assurances to the contrary. For the moment, at least, Taipei could hardly perceive the Soviet Union as being much less reliable.

There is some evidence that there may already be a number of agreements or informal understandings in effect between Taipei and Moscow.<sup>3</sup> Ever since 1960, when the Sino-Soviet break became formal and especially after the onset of the cultural revolution in China in 1965, there has been accumulating evidence that the Soviet Union no

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<sup>3</sup> "Taiwan's Future", China Report, vol. 3, no. 5, 1976, pp. 245-6.

longer perceives the incorporation of Taiwan by China to be in its interests. In 1965, pictures of the flag of the Republic of China were published in the Soviet Union, constituting - in Peking's view at least - a recognition of the fact that Republic of China is an independent nation. In 1970, coinciding with Vice President's Agnew's trip to Asia, the Soviet Press called Taiwan a "country". In 1971, the Soviet Union's UN representative made reference to a two Chinas solution to the Chinese representation question then before the world body.<sup>4</sup>

Other facts also suggest that the Soviet Union has a military interest in Taiwan and that this view is reciprocated in Taipei. The Republic of China's armed forces tie down large numbers of Chinese troops across the Taiwan Strait in Fukien province that might otherwise be shifted to reinforce Chinese divisions on the Sino-Soviet border. In 1973, just two days before Ambassador David Bruce went to Beijing to head the United States "liaison office" two Soviet warships passed through the Taiwan Strait and circumnavigated the island.

Evidence on the Taiwan side also indicates a change in both attitude and policy toward the Soviet Union over a period of years. In the early 1960s, the

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<sup>4</sup> Ibid., p. 289.

Government controlled press in Taiwan stopped criticising the Soviet Union as harshly as it had formerly and it began to discriminate between Soviet and Chinese Communism.<sup>5</sup> In 1969, the year after Victor Louis' trip to Taipei, the Republic of China Minister of Education travelled to the Soviet Union on a semi-official visit.

Besides, Communist leaders in Beijing have frequently commented on the possibility of talks between Taipei and Moscow. In April 1978, for example, Beijing charged that secret conversations were going on between Moscow and Taipei in Vienna and in July, Beijing charged "collusion" between the Soviet Union and Taiwan.<sup>6</sup>

Clearly Taipei and Moscow have parallel interests and these had been underscored by the US decision to recognise Beijing. Moscow perceives that the US is allying with Japan and China against the Soviet Union and that its strategic interests in Northeast Asia may be threatened. Ties with Taiwan would also enhance Soviet efforts to establish an Asian "security system". Moreover, Taiwan's defences are strong, ultimately the island would need outside help to repel an invasion. Taiwan's security will

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5 Ibid.

6 See, China Report, 1977, pp. 5-6.

also be enhanced if Soviet promises to keep Sino-Soviet border tension high, makes an agreement to interdict an invasion across the Strait by the use of Soviet naval forces, or by mere presence of Soviet military bases in Taiwan.

A third option for Taiwan is to go nuclear. But many will argue that Taipei cannot and will not exercise this option for a number of reasons. There is, however, a considerably strong evidence that Taiwan has already gone some distance in this direction.

The argument that Taiwan has nuclear weapons capabilities is widely accepted. Scientists in Taiwan have been doing research on nuclear energy since the early 1950s and since 1961, they have had a nuclear reactor with which to carry their research to an advanced levels. By the mid of 1983, nuclear power generated 40 per cent of Taiwan's electricity.<sup>7</sup> The by-products of these powers plants could provide the raw materials for a number of nuclear bombs if diverted to that purpose. Taiwan has bought a nuclear reactor from Canada like that of India and has the facility for reprocessing spent fuel.

Westinghouse, the company that has contracted with Taiwan to build two of its nuclear power plants, and also the

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<sup>7</sup> "Taiwan's Economy/Infrastructure", Far Eastern Economic Review, 1984, p. 286.

US Energy Research and Development Administration, the Joint Committee on Atomic Energy of the Congress, and the CIA have all judged Taiwan to be a potential nuclear power.

Together with the capability to build nuclear power, Taiwan also has a credible delivery system in form of F-4 and F-5 jet fighters which can be fitted to carry nuclear weapons. Since these planes were used by the US military forces in Taiwan and were so equipped at that time, presumably the Republic of China Air Force already has the know-how for this.

The question remains, will Taipei see the needs to go nuclear? It will depend on the following factors:

First: The Republic of China signed the NPT and ratified it in 1970. However, it was expelled from the UN in 1971 and thus has no treaty obligation to fulfil it. But Taipei's decision will rest on how it perceives the guarantees under the NPT. The US and the USSR have both guaranteed non-nuclear signatories protection from threat or attack from other nuclear countries. If Taipei sees this effectively applying to Beijing, then it will no doubt forego the decision to go nuclear.

Second: If Beijing is able to convince the US and other important countries that the Taiwan question is purely an internal and domestic matter, Taipei may be

compelled to exercise the nuclear option to prove that this is not the case. Certainly, nuclear explosion by Taiwan will draw world attention and would also strengthen Taipei's claim to be recognised as a sovereign nation.

Third: Taipei may see an advantage in going nuclear if Beijing begins to threaten Taiwan in order to negotiate incorporation, if People's Republic of China begins to prepare military action against Taiwan.

The decision to implement any or all of the options could be made immediately, or in the more distant future. The options may also be put into force gradually, while all of them entail both risks and considerable repercussions, that may be minimised by moving slowly or surreptitiously.

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