

CHINA-TAIWAN RELATIONS AND IMPLICATIONS FOR SECURITY OF SOUTHEAST ASIA

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Hubungan antara China dan Taiwan mempunyai implikasi kepada keselamatan rantau Asia Tenggara. Ini adalah disebabkan kedudukan strategik kedua negara ini di utara rantau Asia Tenggara disamping hubungan yang rapat antara mereka dengan negara-negara rantau ini. Kedua-dua negara ini mempunyai sejarah yang berkait antara satu sama lain. China dilihat sebagai sangat menghargai pelaburan Taiwan di tanah besar China, walaupun pada masa yang sama menjalankan dasar politik yang agresif terhadap Taiwan. Rencana ini melihat cara perhubungan ini dijalankan terutama sekali percanggahan antara polisi ekonomi dan politik. Perhubungan ini boleh dibahagikan kepada tiga peringkat: pertama, peringkat konfrontasi militari dari tahun 1949 hingga 1978; kedua, peringkat peningkatan perhubungan ekonomi, politik dan kebudayaan, dari tahun 1979 hingga 1994; dan ketiga, peringkat penerusan interaksi ekonomi bersama kebuntuan perhubungan politik dari tahun 1995 sehingga sekarang ini. Rencana ini juga seterusnya mengkaji apakah implikasi perhubungan dua negara ini kepada negara-negara ASEAN. Antara kesimpulannya ialah, perhubungan yang baik dan stabil akan meningkatkan kerjasama ekonomi antara kedua negara ini. Ini seterusnya akan meningkatkan kerjasama perdagangan dengan negara-negara ASEAN yang akan menguntungkan kesemua pihak. Sebaliknya konflik yang berterusan akan mengakibatkan peningkatan belanjawan pertahanan kedua-dua negara untuk memantapkan keupayaan militari mereka. Ini akan memberi pengaruh kepada stabiliti dan keselamatan Asia Timur dan Asia Tenggara, terutama sekali kepada negara-negara ASEAN yang mempunyai konflik dengan kedua negara ini.

INTRODUCTION

Tension between mainland China and Taiwan has once again been heightened following the election of the pro-independence candidate Mr. Chen Shui-bian as Taiwan's new president on 18 March 2000. Before the election, China's Premier Zhu Rongji issued a strong-worded warning, urging Taiwan people make their choice carefully because "any actions moving Taiwan toward

independence will mean a war between the two sides.”¹ After the election, the mainland was reported to have increased its military pressures on Taiwan by mobilizing a large number of fishing boats along the Fujian coast and setting up two more bases capable of launching S-300 missiles in two cities near Taiwan (Xiamen and Shantou). President Jiang Zemin, the mainland leader, was even quoted as saying that if Beijing has to take military actions against Taiwan it will come sooner rather than later.²

Yet at the same time, Beijing does not want the deterioration of the bilateral relationship to dampen otherwise flourishing economic activities across the Taiwan Straits. The government has made it clear that the policy encouraging Taiwanese investment in the mainland will remain unchanged. Beijing believes that “economic contacts and political ties are two separate things” and hence they “will endeavour to promote cross-Straits economic cooperation in all circumstances” (Wang, 1999).

So why does Beijing handle its relationship with Taipei in a seemingly paradoxical approach? How does politics interact with economics in cross-Straits relations? What are the major features of the relationship? And what can Southeast Asia learn from Beijing-Taipei relations? These are the issues this paper intends to discuss.

FUNDAMENTAL POSITIONS ON ECONOMIC CONTACTS

Beijing’s Policy

The mainland authorities started promoting cross-Straits economic contacts as early as 1979, when mainland China launched the reform and open-door policy after the three decades of isolation from the outside world (see NPC, 1987: 20-22). While recognizing economic benefits to be gained from developing bilateral economic links, Beijing regards such links as an important means to achieve its long-term political goal -- a peaceful unification with Taiwan. Consequently, Beijing has repeatedly called for the resumption of “three direct links” (i.e. direct trade, transport, and postal service links) between the two sides. In doing so, wide and close economic cooperation, if not integration, with Taiwan can be forged, which is believed to be the best way to prevent Taiwan from going independent.

¹ *Lianhe Zaobao* (United Daily) (Singapore), 16 March 2000, p. 1.

² For details of the report, see *Lianhe Zaobao*, 29 March 2000, p. 27.

To reassure Taiwan investors that their investments in the mainland were secure, the State Council promulgated Regulations on the Encouragement of Taiwan Compatriots' Investment in 1988 (or the "22 Articles"). The 8th and 9th sections of the Regulations explicitly prohibit nationalization of Taiwanese assets in the mainland without proper compensation. In 1994, Beijing went further by passing the Law on the Protection of Taiwan Investors.³ At the same time, the authorities have offered additional financial incentives and other preferential treatments to Taiwan businessmen, on top of those already granted to all foreign investors, in order to encourage them to trade with and invest in the mainland.

With the intensification of political bickering over the issue of Taiwan's sovereignty between the two sides in recent years, Beijing has advocated the policy of separating politics and economics in dealing with cross-Straits affairs. In other words, political rivalry between the two sides should not obstruct the development of normal economic relations. Although Beijing launched several ballistic missiles over the Taiwan Straits in 1995-96 to warn Taiwan's pro-independence forces, it has also at the same time stepped up efforts to strengthen economic ties with Taiwan, e.g. opening two port cities in its southeast coast - Fuzhou and Xiamen - for direct shipping to and from Taiwan in April 1997.

Taipei's Policy

Taipei's approach to the development of economic relations with the mainland, on the other hand, has been rather ambivalent and cautious. According to Taiwan's *National Unification Guidelines*, cross-Straits economic activities at present stage can only be conducted on an indirect basis (via a third place).⁴ Central to Taipei's concerns is how to seek a balance between maximizing economic benefits (from developing economic links with the mainland) and safeguarding national security. Taiwan realizes that it is essential to forge a

³ China refuses to sign an investment protection agreement with Taiwan on the ground that Taiwan is not a sovereign country. Thus, Taiwan investment is legally seen as domestic investment in the mainland but technically treated as foreign investment. The Straits Exchange Foundation in Taipei and the Straits Relations Association in Beijing, set up in 1990 and 1991, respectively, are semi-official organisations designated to deal with commercial and other civil disputes between the two sides.

⁴ In fact, due to the lack of a proper legal protection most Taiwan businessmen invested in the mainland in the names of their subsidiaries registered in a third country that has signed an investment protection agreement with Beijing.

close and constructive economic relationship with the mainland in order to preserve the international competitiveness of its industries. As a result, restrictions on trade with and investment in the mainland have gradually been relaxed over the years. By the end of 1996, Taiwan had allowed the import of 4,638 items of industrial products, 192 items of agricultural products, and 143 items of herbal medicines from the mainland. In terms of investment, Taiwan's Ministry of Economic Affairs has so far liberalized over 4,000 items in which Taiwan companies are allowed to invest in the mainland indirectly, although industries still competitive in Taiwan, such as naphtha, catalysts, knitwear, synthetic leather, sheet glass and glass fibres, are not included. The ambitious Asia Pacific Operation Centres Plan launched by the authorities in 1995 was in fact based largely on the assumption that the mainland will serve as Taiwan's economic hinterland.⁵ The opening of Kaohsiung Offshore Transshipment Centre in May 1995 could thus be seen as the first step toward the goal of turning Taiwan into a maritime transshipment centre in the Asia Pacific region.

However, since President Lee Teng-hui's visit to the US in June 1995 the relationship between Beijing and Taipei has deteriorated dramatically. Facing Beijing's "bullying" and "intimidation", Taipei started reviewing its policy on cross-Straits economic relations in order to avoid the island's economy becoming "over-reliant on the mainland market". In particular, Taipei is concerned over the growing size of capital outflow to the mainland, fearing that it could lead to the "hollowing-out" (i.e. deindustrialization) of its economy. Lee Teng-hui has repeatedly urged Taiwan industrialists to "restrain rush and exercise patience" in conducting their mainland businesses in case falling into the trap set by Beijing. In responding to this call, the authorities have formulated more restrictive guidelines to regulate the capital flow toward the mainland. These guidelines include 1) setting an appropriate ratio for Taiwan's overseas investment to its domestic investment; 2) setting an appropriate ratio for Taiwan's mainland investment to its overseas investment, and 3) establishing a ceiling on the mainland investment permitted to any individual Taiwan company.⁶ In addition to encouraging them to retain their "roots" (core business operations) in Taiwan while investing abroad, the authorities also urged Taiwan industrialists to move their investment focus away from the mainland by launching the "go south" campaign. In July 1997, the authorities issued new regulations to ban Taiwan companies from investing more than US\$50 million per project and from engaging in infrastructure projects in the

⁵ The Plan aims at building Taiwan into the six operation centres in the Asia Pacific region by the early 21st century: manufacturing, finance, maritime transshipment, air transshipment, telecommunications, and media.

⁶ *Issues & Studies* (Taipei), Sept. 96, p. 131

mainland. Investments made by large, listed companies are subject to more stringent checks.⁷

POLITICAL INTERACTIONS

The Cycle of Peaceful Maneuvering - Military Confrontation

Since the establishment of the PRC on the mainland in 1949, Beijing had sought to “liberate” Taiwan by force. Such a policy led to a series of armed conflicts between the two sides of the Taiwan Straits, including an amphibious attack by the communist troops on the Nationalist-controlled island of Kinmen in October 1949, the occupation of the Tachen Islands in January 1955, and the bombardment of Kinmen in August 1958. Indeed, the People’s Liberation Army (PLA) continued to shell Kinmen from time to time until the late 1970s, reminding the Nationalist Party or Kuomintang (KMT) of the fact that its military ambition over Taiwan had not waned.

After establishing diplomatic relations with the U.S. in 1979, the post-Mao leadership decided to adopt a new approach toward Taiwan and consequently launched a peaceful offense on Taiwan. In its “Message” to the Taiwan people issued on 1 January 1979, the Standing Committee of the NPC expressed the hope that “Taiwan returns to the embrace of the motherland at an early date so that we can work together for the great cause of national development.” This new approach was further elaborated by Ye Jianying, the Chairman of the Standing Committee of the 5th National People’s Congress, on 30 September 1981 in his nine-point proposal for peaceful reunification. Ye suggested talks be held between the Chinese Communist Party and the KMT and requested the resumption of the three direct links and four exchanges (i.e. academic, cultural, economic, and sport exchanges) as the first step to “gradually eliminate antagonism between the two sides and increase mutual understanding”.⁸ In 1984, Deng Xiaoping advanced the formula of “one country, two systems” as the political settlement for Taiwan’s eventual reunification with the mainland. Beijing’s peaceful offense reached a climax when Jiang Zemin, the General-Secretary of the CCP and the President of the PRC, made an “eight-point proposal” on 30 January 1995, suggesting that Beijing and Taipei start

⁷ *Jingji Qianzhan* (Economic Outlook Bimonthly) (Taipei), 5 Nov. 1997 (No. 54), p. 33.

⁸ *Beijing Review*, vol. 24, no. 40, Oct. 5, 1981, p. 11.

negotiations on “officially ending the state of hostility between the two sides and accomplishing peaceful reunification step by step”.⁹

Thus, Beijing’s new policy toward Taiwan can be summarized as “peaceful reunification through the ‘one country, two systems’ formula.” To make the formula more acceptable to Taipei, Beijing declared that under the prescription Taiwan would enjoy a high degree of autonomy, including administrative power, legislative power, independent judiciary power, the power to keep its armed forces, and certain powers in foreign relations, such as signing commercial and cultural treaties with foreign countries although “only the PRC represents China in the international arena.”¹⁰ In short, the reunification under the “one country, two systems” formula will not be a take-over of Taiwan by the mainland, but peaceful coexistence between the two sides within one country, according to Beijing.

Taiwan, on the other hand, has experienced profound economic liberalization, social pluralization and political democratization since the 1980s. Taipei’s decision to lift martial law in July 1987 and especially that to allow Taiwan private citizens to visit the mainland four months later have opened the floodgate for people-to-people exchanges between the two sides of the Taiwan Straits after almost four decades of estrangement. In March 1991, the Republic of China (ROC) government adopted the *Guidelines for National Unification* as the guiding principle of its mainland policy. The guidelines state that China’s unification should be achieved in three phases: a short-term phase of exchanges and reciprocity, a mid-term phase of mutual trust and co-operation, and a long-term phase of consultation and reunification.¹¹ Thus, the present bilateral relationship is defined as the “short-term phase”, where Taipei hopes that Beijing will meet its three demands: 1) recognising its existence as a political entity, 2) renouncing the use of force against Taiwan, and 3) giving it enough international space for diplomatic manoeuvring. On political and national security grounds, Beijing’s call for the resumption of the “three direct links” across the Taiwan Straits will not be considered at this stage. To respond to Jiang’s “eight-point proposal”, President Lee Teng-hui issued his “six-point proposal”, insisting that the mainland and Taiwan are “two separate political entities” and hence negotiations between the two should be conducted “on an equal footing”. In sum, Taipei’s counter strategy toward Beijing’s campaign for

⁹ For the full text of Jiang’s “Eight-point Proposal” in English, see *People’s Republic of China Yearbook 1995/96*, pp. 215-16.

¹⁰ The White Paper, “The Taiwan Issue and the Reunification of China,” *China Daily*, September 1, 1993, pp. 4-5.

¹¹ For the full text of the Guidelines for National Unification, see *Republic of China Yearbooks 1991-92*, pp.583-84.

reunification is “one country, two equal political entities”. To Taipei, unless Beijing concedes to the above demands any breakthrough in cross-Straits relations is out of the question.

The opposing political views, however, have not prevented the two sides from setting up semi-official organisations to handle civil and commercial disputes stemming from increasingly frequent social and commercial contacts across the Straits, i.e., the Straits Exchange Foundation (SEF) in Taiwan and the Association for Relations Across the Taiwan Straits (ARATS) in the mainland. In April 1993, Mr. Koo Chen-fu, chairman of SEF, and Mr. Wang Daohan, head of ARATS, met in Singapore and held talks in what was the first contact between the two rival governments since 1949. The two sides reached a preliminary consensus on regularizing and institutionalizing the Wang-Koo talks. Beijing hoped to move these talks gradually from the phase of discussing practical issues to that of political negotiations. However, the visit made by President Lee to the U.S. in June 1995 abruptly ended this short-lived but seemingly promising process. China angrily postponed the second “Wang-Koo Meeting” due to be held in Beijing in July 1995 in protest of the visit, and bilateral relations have deteriorated rapidly since then. The missiles launched by PLA in July-August 1995 and March 1996 fell into the waters 30 to 50 nautical miles due west of Kaohsiung, Taiwan’s largest port, and 20 to 40 nautical miles due east of Keelung, Taiwan’s second largest port, showing Beijing’s capability of blockading the two ports in the event of a war between them.

With political democratisation in Taiwan continuing to flourish, China’s concern is growing over the burgeoning influence of pro-independence forces, notably the Democratic Progressive Party (DPP), in Taiwan’s politics. Beijing has made it clear that no matter what happens in Taiwan’s internal politics the fact that it is a part of China will never change.¹² Beijing is annoyed by the fact that Taipei claims itself as a “democratic government” and plays the “public opinions” card in dealing with cross-Straits relations. China clearly fears the possibility that the DPP may one day come into power or a coalition government may have to be formed in Taiwan, which, it believes, will pave the way for Taiwan to become independent through a referendum.¹³ In refuting

¹² Mr. Tang Guoqiang, the Chinese foreign ministry spokesman, made this comment when he was asked to comment on the local elections held in Taiwan in November 1997, see *Zhongguo Shibao* (China Times), Taipei, Dec. 4, 1997, p. 9.

¹³ Beijing has already denounced the referendum held in Tainan City on 5 December 1998 over the issue of reunification and warned the organiser and supporters not to “play with fire,” see *Lianhe Zaobao* (Singapore), 10 Dec. 1998, p. 20.

Taipei's claim that Taiwan's sovereignty should be decided by its people and not by the mainland, Beijing argues that "Taiwan belongs not only to the Taiwan people but also to the people of the whole of China." It also contends that "democratization" and "sovereignty" are two different concepts and hence that Taiwan's internal political changes should not infringe upon China's sovereignty over Taiwan (Li Jiaquan, 1994).

The victory won by the DDP in Taiwan's local elections in November 1997 has further upset Beijing, prompting it to take a more flexible line on the "one China" principle in order to get the KMT-led Taiwan government back to the negotiating table. Wang Daohan has made informal comments to visitors from Taiwan, which suggest the possibility of a new approach. He has said that "one China" does not mean the PRC or ROC, but a future unified China agreed upon by the people on the both sides of the Taiwan Straits -- a position close to Taiwan's. He has also said that sovereignty cannot be divided but it can be shared.¹⁴ These informal remarks, although not publicly endorsed by authoritative policymakers in Beijing, has raised the hope that a compromise over the "one China" issue can be reached between the two sides, thus laying the foundation for political talks.

The Second "Wang-Koo Meeting"

The climax of cross-Straits relations in recent years has undoubtedly been the visit by Mr. Koo Chen-fu to mainland China in October 1998. The meeting between Koo and his mainland counterpart, Mr. Wang Daohan in Shanghai signaled the end of China's boycott on holding talks with Taiwan, imposed unilaterally three years ago in protest of Lee Teng-hui's visit to the US. Beijing feared that the legislative elections to be held in Taiwan in December 1998 could put the ruling KMT into a minority party in the parliament, which would make the prospect of a DPP candidate winning the presidential election in 2000 more likely. By resuming "Wang-Koo Meeting", Beijing believed that it could give KMT credit for improving cross-Straits relations and hence enhance KMT's electoral chances.¹⁵

Taipei, on the other hand, was never particularly keen on the meeting because it did not want to negotiate with Beijing at a time when the latter was seen as having gained an upper hand in the long-running diplomatic war between

¹⁴ Cited in Clough (1998:16).

¹⁵ In the end, the KMT has won the elections, not only holding on to the majority in the parliament but also regaining the mayoralty of Taipei City.

them.¹⁶ The main reason for Taiwan to enter the talk seemed to be the pressure from the US, which has always been the invisible third party in cross-Straits relations. After the military standoffs in 1995-96, which forced Washington to respond with the largest mobilization of US naval force in Asia since the Vietnam war, President Clinton was reported to have urged both sides to talk “sooner rather than later” in order to prevent similar incidents from happening again in the future (Baum & Lawrence, 1998: 24). But Taiwan felt that it was not ready to hold political talks with the mainland authorities on reunification. That’s why it insisted that talks should focus on mundane matters, such as fishing disputes, the safety of Taiwan businessmen on the mainland, and compensation for mislaid mails.

Although the media described Koo’s trip to the mainland as a “ice-melting tour”, both Beijing and Taipei regarded that meeting as a preliminary discussion that will set the stage for more substantive talks in the future. After two days of discussions, the two sides issued an agreement on future ARATS-SEF interactions on 15 October, or the “Four Points of Consensus,” including 1) Wang Daohan is to visit Taiwan at an appropriate time; 2) the two sides will continue to hold meetings on matters of mutual interest in both political and economic areas; 3) more exchanges will be arranged between members at various levels of the two associations; and 4) there will be more cooperation from both sides in dealing with cases relating to the protection of property and the safety of visitors.

Jiang Zemin’s meeting with Koo in Beijing on 18 October marked the highest-level contact between mainland China and Taiwan since 1949. Both Beijing and Taipei hailed the visit as a milestone in the bilateral relationship. The mainland’s *China Daily Commentary* called the agreement reached “a breakthrough” and “a new starting point”, while Taiwan’s Mainland Affairs Council believed that the visit had “opened a constructive dialogue between the two sides” and “generated the momentum for resuming institutionalized negotiations”.¹⁷

¹⁶ Apart from obtaining the “three no’s” from Bill Clinton and “four no’s” from President Yeltsin of Russia, China’s recent diplomatic victories over Taiwan include forcing four countries, South Africa, the Republic of Central Africa, Guinea-Bissau and Tonga, to switch their official ties from Taipei to Beijing. Furthermore, its policy not to devalue the RMB in combating the Asian financial crisis has also won wide spread praise and support from the international community.

¹⁷ See *China Daily*, Beijing, Oct. 20, 98, p. 4; *MAC News Briefing*, Taipei, No. 0099 (Nov. 2, 98), pp. 4-5.

It would of course be unrealistic to expect an early solution to the decades-old disputes between China and Taiwan, despite the signs of flexibility. In fact, the "Four Points of Consensus" are nothing more than a commitment by both sides to continue to talk and expand the scope of contact in the future. Beijing and Taipei made no progress in persuading the other to accept its main political plank, namely the "one China" principle and the concept of "two equal political entities" respectively. Wang's new definition of "one China" -- the future unified China, not the PRC or the ROC -- is applied only to cross-Straits relations, not to the PRC's ties with other countries. That is to say, Beijing still insists that in the international arena "one China" means the PRC. Equally, Taiwan is unlikely to change its position without being treated as an equal political entity in bilateral negotiations and allowed to joining the international community as a sovereign state.

Without doubt, Beijing's deep antipathy toward Lee Teng-hui has been the biggest stumbling block to the improvement of cross-Straits relations. Despite the improved atmosphere brought about by the second "Wang-Koo Meeting", both sides have remained poles apart in major issues, as shown in Table 1, and deeply suspicious of each other. Any hope for a political breakthrough in cross-Straits relations looks still a long way off.

SOCIAL AND CULTURAL EXCHANGES

After four decades of estrangement, both mainland China and Taiwan have taken steps to facilitate social and cultural exchanges between the people on both sides of the Taiwan Strait. Efforts have so far been directed to assisting the reunion of families, relatives and friends between the two sides. As a result, the number of social visits made by private citizens from both sides has expanded rapidly since the lifting of the travel ban by the Taiwan authorities in the late 1980s. Between 1988 and 1998, the Taiwanese had made a total of 13 million visits to the mainland, involving more than three million individuals or one-seventh of Taiwan's total population. Over the same period, the mainlanders had made 240,000 visits to Taiwan.¹⁸ That is to say, far more Taiwanese have been allowed to visit the mainland than mainlanders permitted to enter Taiwan, with the staggering ratio of 54 to 1. This was due largely to the tight control imposed by Taipei in admitting mainland visitors. On the other hand, by July 1997 a total of 21,506 mainlanders, most of whom are spouses of Taiwanese or grandchildren of lonely elders in Taiwan, had been allowed to settle in Taiwan.¹⁹

¹⁸ *Wen Hui Po*, Jan. 26, 1999, p. A5.

¹⁹ Source as Table 2.

To reduce animosity between each other and enhance mutual understanding, Beijing and Taipei also have placed a great emphasis on cultural exchanges between the two sides on a people-to-people basis. Large numbers of scholars, scientists, medical professionals, artists, journalists, sportsmen/women, and clergymen/women have been invited to make reciprocal visits. Taiwan, keen to spread the so-called "Taiwan experience" in the mainland, has targeted distinguished mainland scholars and celebrities, especially those residing overseas, for "study tours" or "research trips" to the island, and the record of such activities can also be found in Table 2. The highlight of such visits has been the one made by Ms. Zhu Linan, the mainland's Minister of Science and Technology in July 1998. She led a delegation of over 100 mainland scientists and researchers to attend a cross-Strait academic exchange conference organised by Taiwan's "Chinese Chambers of Industry" in Taipei, thus becoming the highest-ranking official from Beijing to visit Taiwan since 1949. Although she made the visit only in her academic capacity (a professor from Tsinghua University), the impact created by her visit has clearly gone beyond the academia.

China, too, has been actively setting up links with prominent people in Taiwan in its bid to build a "united front" with forces supporting the goal of reunification in Taiwan. Although detailed data on such activities are not available, it is believed that the size of cultural/academic visits made by the Taiwanese to the mainland is far bigger than that of the opposite flow, similar to the situation of the social visits.

The opening of social and cultural visits between the two sides of the Taiwan Strait has led to some problems. The biggest one for Taiwan seems to be that quite a few mainland visitors have remained in Taiwan after their permission to stay expired. By the end of July 1997, for example, a total of 285 visitors had overstayed their terms and some of them were found to have worked illegally in Taiwan (MAC, 1997:86). At the same time, the rapid increase in cross-Strait marriages have resulted in more and more applications by mainland spouses and children of Taiwan citizens to be allowed to settle in Taiwan, challenging Taiwan's tight immigration control imposed on mainlanders. On the other hand, the mainland authorities often complained that some Taiwan visitors had engaged in what they called "inappropriate activities" while travelling in China. For example, some Taiwan clergymen have been accused of carrying out "political infiltration" in mainland churches (MAC, 1997: 120). Furthermore, due to the loss of historical records and/or evidence and the different legal systems between the two sides, many cases involving inheritance disputes between mainland and Taiwan citizens could not be settled satisfactorily.

IMPLICATIONS

Relations between mainland China and Taiwan have gone through three different stages: a period of military confrontation (1949-78); increasing economic, social and cultural exchanges (1979-1994); and continued economic interactions and political stalemate (1995-present). The discussions in the above three sections have shown two salient features of cross-Straits relations. The first is the lack of channels through which Beijing and Taipei can regularly and meaningfully interact. As a result, both sides are prone to misperception and miscalculation, as illustrated by the missile crises in 1995-96 and the recent military standoff. Deep disagreement and mutual suspicion over the terms of reunification have kept them wide apart politically. Second, despite the insurmountable political differences growing economic, social and cultural exchanges have considerably narrowed the gaps between the two economies and societies, thus reducing the risk of military conflicts. The strong desire to reap the benefits of economic cooperation on both sides has overridden political and security concerns in many cases.

Without doubt, the tension built up between Beijing and Taipei in the wake of Lee Teng-hui's "two states" remark has serious impacts not only on the domestic developments of the mainland and Taiwan but on the security of neighbouring regions as well, Southeast Asia in particular. Political and security relations between China and ASEAN have been improved considerably since the Asian financial crisis broke out in July 1997. Beijing's decision not to devalue its currency *Renminbi*, despite facing growing pressures to do so, has played a crucial role in preventing the currencies of crisis-struck countries in the region from falling into a vicious cycle of competitive devaluation, thus enabling the countries to gain a breathing space in rescuing their economies. Furthermore, China has also given financial supports to some of the countries through bilateral and/or multilateral arrangements. In contrast with Japan's much disappointing performance, China's behaviours in dealing with the crisis has won her praises and respect from the region. Soon China's efforts were paid off – it was invited for the first time to participate in the ASEAN Summit in Kuala Lumpur in December 1997 after becoming a Dialogue Partner in July 1996. This year Thailand and Malaysia signed a treaty with China respectively, pledging to develop a long-term and stable partnership between them. More recently, China has become the first nuclear power in the world to express the willingness to sign the Southeast Asia Nuclear Weapon Free Zone Treaty. All these indicate that China is trying to craft a new image and define a new role for itself in Southeast Asia, which is undoubtedly important to the economic recovery, social stability, peace and security of the region.

It is in this context that the development of cross-Straits relations has crucial bearings on the security of Southeast Asia. A stable and harmonized relationship will promote the two sides to concentrate their vast resources on economic development and speed up economic cooperation and integration between them. ASEAN countries will benefit from this development through more trade with and investments from the two economies. After all, an economically successful China, which has been integrated into the regional and global economies, is more likely to be a stabilizing force to regional security; while a China in dire economic situations, which could lead to chaos and civil disorder and exodus of refugees, is more likely to become a threat to regional security. So it is also in the interest of ASEAN countries to encourage mainland and Taiwan to negotiate with each other and seek a peaceful solution to their disputes.

However, given the intransigent positions held by both Beijing and Taipei over their political differences, cross-Straits relations are likely to get worse before getting better. Both the mainland and Taiwan have apparently stepped up their efforts to develop and import advanced weapon systems, as well as creasing their combat readiness following the “two states” controversy. This has heightened the fear that an arms race is taking place across the Taiwan Straits, which would inevitably change the balance of power in East and Southeast Asia. ASEAN countries, especially those have territorial disputes with China over the South China Sea are naturally concerned with any increase in China’s defence spending, even though the increase may be in proportion to the growth of its GDP. There is not much China can do, some western observers argue, in terms of assuaging worries from its neighbours as long as China remains a big country and its economy keeps growing (Segal, 1998). Perhaps this can serve as a sufficient reason for China to act more cautiously and especially be more sensitive to the perceptions of its neighbours when beefing up its military capability to deter Taiwan. Surely China does not want to see its hard-earned good ties with ASEAN countries being undermined in any way.

Table 1: Major Policy Differences between Beijing and Taipei

	Beijing	Taipei
Basic Policy on Reunification	Peaceful reunification through the formula of “one country, two systems.”	The reunification must be based on the principle of democracy, freedom and equitable prosperity.
The “One China” Principle	There is only one China in the world and Taiwan is a part of it. China is divided at present, both sides should seek the reunification through political negotiations on an equal footing.	Taiwan cannot accept the mainland’s claim that it represents the whole of China. Taiwan is a part of China, and so is the mainland, i.e., “one country, two equal political entities.”
The Right to Use Force against Taiwan	While making every effort to achieve a peaceful unification with Taiwan, China will not give up its legitimate right to use forces, if necessary, to safeguard its sovereignty and territorial integrity.	Beijing must renounce the use of military force against Taiwan. Only with sincerity and mutual respect can the ROC agree to the resumption of <i>santong</i> and hold political talks on reunification.
The Space for International Diplomacy	Based on the “one China” principle and international law, China can only be represented by its central government, i.e. the government of the PRC. Taiwan, as a part of China, has no right to represent the whole of China in the international community. However, Beijing will not oppose Taipei’s effort to develop non-governmental links with foreign countries.	The ROC was founded in 1912 and had exercised jurisdiction over the whole of China. After the PRC was founded on the mainland in 1949, China has been ruled separately. As a sovereign nation, the ROC government has the right to participate in international affairs.

	Beijing	Taipei
Political Negotiations vs. Mundane Talks	The fundamental difference between the two sides is political, and the failure to solve this basic problem has seriously affected the settlement of many mundane matters. Hence, both sides should start to hold talks on the agenda and procedures of political negotiations as soon as possible.	The condition for both sides to hold political talks has not emerged yet. At present, both sides should endeavour to institutionalize consultations and talks with the focus placed on practical issues concerning the rights and interests of the people on both sides of the Taiwan Strait.

Sources: Based on TAO (1993); MAC (1998); Su (1998: 78-79); Qi Lin (1998: 18-21); Jin (1998: A15). *MAC News Briefing*, Nos. 0097 (Oct. 19, 98), 0098 (Oct. 26, 98), 0099 (Nov. 2, 98).

Table 2: Social and Cultural Exchanges Across the Taiwan Strait, 1987-1998

No. of mainland visitors to Taiwan on cultural exchange programmes (1988-Oct.98)					
Cultural & educational	31,937	Mass media	3,424	Scientific & technological research	214
Sports	1,344	Health care	962	Religious	1,290
Traditional and folk arts	39	Professional societies	37	Legal	89
No. of mainland publications and films allowed to enter Taiwan (1988-Oct.1998)					
Publications	9,110,969		Films & TV/video programmes	37,339	

Source: The Mainland Affairs Council, ROC Government (<http://www.mac.gov.tw>).

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