

## **FOR AMERICA, TAIPEI OFFERS AN EXAMPLE OF CHINESE DEMOCRACY**

### **INTRODUCTION**

**While** world attention has been centering on mainland China's violent suppression of its pro-democracy movement, across the Taiwan Strait political reform is gaining momentum. At one time both Chinas were ruled by tough dictatorships. The People's Republic of China on the mainland (the PRC) was in the grip of the Communists; the Republic of China on Taiwan (the ROC) was run by the Kuomintang (KMT) or Nationalists. Though repression on the mainland was much greater than on Taiwan, both Chinas presented an unflinching common front against democracy. No longer. As Beijing becomes increasingly isolated as one of the world's few remaining communist dictatorships, Taipei has been transforming itself step by step into a Chinese example of democracy.

**Opposition Victory.** This process began on December 6, 1986, when the 12 million voting-age citizens of the ROC for the first time in the history of Nationalist Chinese rule of the island were allowed to cast ballots for an organized political opposition, the Democratic Progressive Party (DPP). The process continued on July 15, 1987, when the martial law that had been imposed in 1949 was lifted. Then last December 2, in island-wide legislative and local elections, the opposition DPP won 35 percent of the vote. Commented

the *Wall Street Journal*: "Taiwan has flourished — at first economically and now, increasingly, as a democracy."<sup>1</sup>

**Deep Ties with America.** The ROC's economic miracle by now is a well-known tale. Taiwan today is more than twenty times richer economically than the mainland China which former President Chiang Kai-shek and the Nationalists left behind 41 years ago. In 1952, the first year for which such numbers are available, the per capita Gross National Product (GNP) on Taiwan was a mere \$48; today it is more than \$7,500. Every 1,000 citizens then had to share one motor car and one telephone; now they have more than 40 cars to drive and 400 telephones to use.

The United States has played a large role in this economic and political development. For one thing, there are deep personal ties between the two societies. Many of the ROC's leaders studied in the U.S., as do over 30,000 ROC university-age students now. For another thing, America is the ROC's largest trading partner, largest export market, and its second largest import supplier after Japan. Last year, the ROC exported almost \$24 billion of goods to the U.S., comprising over 36 percent of all of the ROC's exports. These exports consist largely of electrical equipment, machinery, textiles, footwear, and sporting goods. ROC imports from the U.S. last year, meanwhile, made up over 22 percent of the island's imports and were valued at \$12 billion.

**ROC's Leading Trade Partners, 1988**  
(\$ billions)

|           | Imports | %  |           | Exports | %  |
|-----------|---------|----|-----------|---------|----|
| Japan     | 14.8    | 30 | U.S.      | 23.4    | 39 |
| U.S.      | 13.0    | 26 | Japan     | 8.8     | 15 |
| W.Germany | 2.1     | 4  | Hong Kong | 5.6     | 9  |
| Hong Kong | 1.9     | 4  | W.Germany | 2.4     | 4  |
| Australia | 1.3     | 3  | Britain   | 1.9     | 3  |

Source: *Republic of China Yearbook, 1989*, Kwang Hwa Publishing Co., Taipei, 1989.

**U.S. Trade With ROC**  
(\$ billions)

|              | 1982 | 1983 | 1984 | 1985  | 1986  | 1987  | 1988  |
|--------------|------|------|------|-------|-------|-------|-------|
| U.S. Exports | 4.4  | 4.7  | 5.0  | 5.5   | 7.4   | 12.1  | 13.0  |
| U.S. Imports | 8.9  | 11.2 | 14.8 | 19.8  | 24.6  | 24.8  | 23.4  |
| Balance      | -4.5 | -6.5 | -9.8 | -14.3 | -17.2 | -12.7 | -10.4 |

Source: *Foreign Trade Highlights, 1988*, U.S. Department of Commerce, Washington, D.C., 1989.

1 "Democracy East," *The Wall Street Journal*, December 1, 1989.

Among the ROC's principal American imports: agricultural products, electronics, wine, cigarettes, and machinery.

U.S. support also has been instrumental in ensuring the ROC's security. For decades, the island feared invasion from the mainland. To deter this, Washington gave Taipei almost \$4 billion in military aid and stationed some 3,700 American troops there, under the terms of the 1954 U.S.-ROC Mutual Security Treaty. Though no U.S. forces now remain on Taiwan, the 1979 Taiwan Relations Act (TRA) commits Washington to assist Taipei in maintaining its defense against possible threats from mainland China. Indeed, the TRA is a testament to the enduring tie between the two societies. The only congressionally-mandated foreign policy toward a country with which the U.S. maintains no formal diplomatic relations, the TRA is a document unique in American history, specifically designed to reaffirm American support for the people on Taiwan.

**Delicate Task.** To be sure, the U.S.-ROC relationship is not without problems. U.S. policy makers face the delicate task of balancing America's relations with Beijing and Taipei. And there remain important economic differences between Washington and Taipei, particularly the ROC's \$12 billion surplus in trade with the U.S.

The political changes on Taiwan could complicate significantly Washington's policy toward Taipei by making the democratically-elected ROC politicians less receptive to American prodding than at any point in the past four decades. Accurately observes *The Economist*: "Taiwan is an example that when people grow richer, they grow more demanding. They want more freedom, both material and political."<sup>2</sup> As in other developed nations before them, the ROC's emerging middle-class society will not sit easily atop political immobility.

As such, the status quo on Taiwan no longer seems assured. U.S. policy makers should bear this in mind as they pursue American interests in the relationship. To ensure as stable an environment as possible while Taipei makes its transition to a fully functioning democracy, Washington should:

◆ ◆ **Continue to prod Taipei to continue the democratization of the island, including freer political discussion, debate, and open elections.** The U.S., however, should allow the ROC to set the pace and define the agenda of this political reform and not set specific demands or timetables for the ROC's democratization.

◆ ◆ **Reaffirm past American assurances that Washington will protect the ROC's interests in the Washington-Taipei-Beijing relationship.** Washington should continue to refuse to consult with Beijing concerning the content of arms sales to Taipei or set a date for ending arms sales to Taipei; uphold the 1979 Taiwan Relations Act; and maintain the current American policy

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2 "Transition on Trial," *The Economist*, March 5, 1988.

toward China's reunification, which insists that Taiwan's future is an issue for the Chinese themselves to decide by peaceful means.

◆ ◆ **Support Taipei's application this January 1 to enter the General Agreement on Tariffs and Trade (GATT).** The principal multilateral agreement covering world trade, GATT's effectiveness has been impaired by its excluding the world's thirteenth largest trading nation.<sup>3</sup>

◆ ◆ **Announce a preference for patient negotiation of contentious trade issues with Taipei and refrain from listing the ROC under the "Super 301" as an unfair trade partner.** Super 301 is part of the 1988 Omnibus Trade and Competitiveness Act and is aimed at rapidly reducing trade imbalances with the ROC and other countries by threatening American trade retaliation.

◆ ◆ **Explore creating a U.S.-ROC Free Trade Area (FTA),** which would eliminate trade restrictions and prevent many future trade tensions.

◆ ◆ **Urge Taipei's active participation in U.S. Treasury Secretary Nicholas Brady's international debt reduction initiative.** Late last September, for example, U.S. Treasury officials urged ROC officials to help reduce the debt of nations with which the ROC has formal diplomatic relations, like Costa Rica. Efforts to enlist Taipei's involvement in such American-sponsored initiatives should continue.

◆ ◆ **Support the inclusion of Taipei as an observer in the Asia-Pacific Economic Cooperation Forum (APEC).** This new group seeks to expand Pacific Basin cooperation on economic and trade issues and includes Australia, Brunei, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, and the U.S.<sup>4</sup>

◆ ◆ **Explore opportunities for U.S.-ROC cooperation in areas of international development.** The Joint Sino-American Commission on Rural Reconstruction (JCRR), for example, could be re-established. This was a program initiated in 1947 between the Nationalist government and the U.S. Department of Agriculture which contributed greatly to Taiwan's rural reform. Disbanded in 1979, it could again serve as a model for development.

◆ ◆ **Urge Eastern Europe to look to Taipei as a model for economic and political development.** Organizationally and structurally, the ROC offers a working example of economic and political reform to these nations. Washington should not hesitate to suggest it as a potential model.

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<sup>3</sup> See Andrew B. Brick, "The Case For Taipei's Membership in International Economic Organizations," Asian Studies Center *Background* No. 82, October 27, 1988.

<sup>4</sup> See Thomas J. Timmons, "America's Role in Promoting Pacific Economic Cooperation," Asian Studies Center *Background* No. 100, March 15, 1990.

## DEMOCRACY, IDENTITY, AND A CHANGING ROC

What is happening on Taiwan today is without precedent in the history of Greater China. Some 20 million ethnic Chinese on an island the size of New Hampshire are on a march toward institutionalized democracy. Said Kang Ning-hsiang, an eminent Taipei journalist in interviews with The Heritage Foundation: "No less than a decade ago, the ROC pursued 'laissez-faire' economic policies in a tightly controlled political environment. That is different now."

**Facing Many Challenges.** Now, even the harshest critics of Taipei's political past readily acknowledge that the country's authoritarian concentration of power is changing under the influence of a successful, market-based economy. In the past few years alone, the ROC's leadership has permitted the formation of new political parties, freed the press, relaxed foreign exchange controls, allowed strikes and the formation of unions, and lifted the ban on its citizens' travel to mainland China. It is estimated that 600,000 people from Taiwan visited the mainland last year, making them the second most numerous tourists in the PRC, slightly trailing Japan's 650,000.

The pace and content of ROC political change is so rapid that few are willing to predict what may happen next. "We're facing many challenges at the same time — political democratization, labor disputes, pollution control and economic liberalization," noted Liang Kuo-shu, chairman of Chang Hwa Commercial Bank. "Japan addressed these problems one by one, in different decades after the war. We have to face them all at the same time."<sup>5</sup>

**Irreversible Trends.** The late ROC President Chiang Ching-kuo, son of Chiang Kai-shek, started the process of political reform in 1984 when he designated Lee Teng-hui, a native-born Taiwanese, as his successor. In many ways, Chiang's decision to back Lee epitomizes the ROC's transition toward democracy. "Taiwanization" of the ruling Kuomintang's highest reaches was both good politics and a reflection of irreversible and undeniable trends. Over 80 percent of the island's people have roots in Taiwan dating back at least to the 17th Century. Politics dominated by mainland Chinese who had retreated to Taiwan in 1949 therefore could not be sustained indefinitely; many, quite frankly, were dying off. Moreover, the social and cultural barriers between the island's new and old immigrants had been reduced through inter-marriage, a common educational system, and a growing middle class.

Lee Teng-hui's political rise and the ROC's evolving democratization also mark the emergence of an unprecedented plurality and diversity in the island's political debate. Noted one opposition politician: "At present, democracy on Taiwan is a lot like hunting. I call it an open season on old truths."

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5 Andrew Tanzer, "Taiwan's Long March Toward Democracy," *Forbes*, April 3, 1989, p. 48.

**Identity Crisis.** And the old truths are under siege. On one front, the ROC's democracy challenges traditional Chinese notions of stable governance. The demonstrations in Taipei's streets that are becoming more common seem chaotic to many Chinese. On another front, democracy creates an identity crisis for many of the island's citizens. Under the Chiang family's regime, the country's mission was to resist communism and recover mainland China. Though that mission remains official government policy, the debate over the island's future is now much more complex.

The response to the carnage in Tiananmen Square last June 4 is especially instructive in this regard. Writes Jonathan Moore in the *Far Eastern Economic Review*: ... "there have been two responses [on Taiwan] to the events in Beijing. One is an unusual sense of affinity for and sympathy with the students and therefore a heightened sense of Chineseness. The other is an affirmation of Taiwan's separateness." The ROC's political scene is characterized today by a mix of those who support unification with China and those who advocate independence from China, of political oppositionists, like members of the Democratic Progressive Party, and Kuomintang loyalists.<sup>6</sup>

## Republic of China

**Official Name:** Republic of China.

**Area:** 13,814 square miles, about the size of Massachusetts and Connecticut combined.

**Population:** 20,283,000.

**Capital:** Taipei, population (1987) 2,575,000.

**Ethnic Groups:** Taiwanese: 84%; Mainland Chinese 14%; Aboriginal: 2%.

**Workforce:** 8,500,000 — Commerce and Services: 35%; Manufacturing: 34%; Agriculture: 17%; Construction: 7%.

**Natural Resources:** negligible.

**Agricultural Products:** rice, sweet potatoes, sugarcane.

**GNP (1989):** \$150.4 billion.

**Per Capita GNP (1989)** \$7,518.

**Infant Mortality Rate (1988)** 19/1,000.

**Life Expectancy:** 73 years.

**U.S. Trade with ROC:**

Imports from ROC (1988) — \$24.8 billion.

Exports to ROC (1988) — \$12.1 billion.

**ROC Trade with the World:**

1989 Exports — \$66.205 billion.

1989 Imports — \$52.267 billion.

**Trade Surplus:** \$13.938 billion.

**Current Account Surplus:**

1989: \$10.5 billion

**Foreign Exchange Reserves:**

1989: \$72.0 billion.

Sources: Thomas J. Timmons, *U.S. and Asia Statistical Handbook, 1989 Edition*, The Heritage Foundation, Washington, D.C., 1989; *Far Eastern Economic Review*, March 22, 1990.

Heritage DataChart

<sup>6</sup> Jonathan Moore, "Split Personality," in *Far Eastern Economic Review*, June 29, 1989, p. 30.

