

Taking Taiwan Seriously

During 21 years of formal diplomatic relations, the Republic of China on Taiwan rarely attracted attention in Canada, except as a threat to peace during the 1950s crises over the islands of Quemoy and Matsu in the Straits of Taiwan offshore and as a recurring impediment to improved relations with the mainland. Pierre Trudeau's recognition of the People's Republic of China in 1970 was politically and strategically sound, and also held a promise of direct commercial benefit. The legacy from Mr. Trudeau's decision was an attitude and a policy.

The attitude has been a blend of indifference, distrust and occasional condescension; the policy has been strictly 'One China'. On everything from the avoidance of Taiwanese diplomats to the issuance of visas, Ottawa has adhered to the spirit and the letter of our initial commitment to the PRC. Officials have responded far less flexibly than several of our allies, particularly the United States, and apart from backbench Members of Parliament, few in our policy elite have visited Taiwan or even found it worthwhile to maintain a watchful eye on developments there.

A significant shift occurred in Ottawa in the mid-1980s. The most tangible element was the opening in 1986 of a trade office in Taipei, funded by the Department of External Affairs but operated by the Canadian Chamber of Commerce. More recently, there have been high-level diplomatic discussions and movement on immigration applications, visas, new representative offices and direct air links.

Taiwan certainly will loom larger in our priorities in the coming decade and beyond. The Canadian business presence is growing quickly. All five major Canadian chartered banks now have offices in Taipei. Two-way trade in 1989 was approximately \$3 billion. And events on the mainland have triggered a rethinking of China policy. The tanks that rolled through Tiananmen Square last summer crushed public support in Canada for a 'special relationship' with the mainland. They also deepened already increasing suspicions in Ottawa about the long-term prospects for political stability and economic transition in the PRC.

The most pressing areas for new initiatives are in cultural exchange, expanded trade promotion and Taiwanese participation in international financial institutions such as the General Agreement on Tariffs and Trade and the Asia-Pacific Economic Cooperation group. More of our policy architects need to visit Taipei and we need to increase substantially the flow of communications in both directions. As in our connection with Japan, Canada needs to develop a co-ordinated capability for promoting at the same time as managing bilateral commercial relations.

Ottawa's balancing act in avoiding a major rupture with Beijing while pushing ahead with more 'substantive relations' with Taipei is nothing new. Adjustments to our Taiwan policy are likely to be low-key, cautious and incremental, but there is every reason to think that for the first time in 40 years, they will be enthusiastically pursued.

The dynamism of the Taiwanese economy showed no sign of abating in 1989. Gross Domestic Product grew by 8% to the equivalent of almost \$153 billion Canadian; accumulated foreign reserves exceeded \$87 billion; the annual trade surplus passed \$15 billion despite a 40% increase in the New Taiwan Dollar since 1987; and per capita income today of \$7,600 is where Japan was a decade ago. Taiwan also has developed into a significant foreign investor; the recent \$285-million acquisition of Wyse Electronics exemplifies both this outward flow and a vigorous programme of restructuring its manufacturing base.

Equally impressive political changes have attracted less attention. In 1989, the process of democratization reached the stage where it is virtually irreversible. December's elections did not threaten the legal status of the Kuomintang (KMT) as the ruling party. The distribution of appointed and popularly elected positions does not make that even a theoretical possibility until 1992. But the elections were a watershed in that they were, on the whole, conducted fairly and accompanied by only isolated outbreaks of violence; also, they yielded few procedural irregularities. Taiwanese independence was broadly debated but did not figure as the major issue; nor did the outcome deeply antagonize Beijing.

Democratization, it is safe to say, survived the elections. In fact, there are three reasons to believe they accelerated the process. First, the opposition parties made major gains. The largest, the Democratic Progressive Party, captured 31% of the popular vote, which translated into a much larger contingent in the national, provincial and municipal legislatures, and victory in six of 14 country magistracy races. This vastly strengthens the legitimacy and voice of the opposition. Second, the Kuomintang's relatively poor performance in taking only 59% of the vote has intensified internal reform. Party discipline and unity are more shaky than at any time in the past four decades. In part, this is because electoral competition has increased tensions between the centre of the Party and the constituency level. Successful candidates for the Legislative Yuan and County Magistracies often spent in excess of \$4 million. And they showed considerable independence in policy matters and formidable capacity for local fund raising. Third, inter-party rivalries and factional divisions within the KMT have vitalized the legislative branch of government at all levels. This has corresponded with an explosion of new and vigorous activity by interest groups.

There have been few signs of KMT or military determination to restore authoritarian one-party rule. Suppression of political dissent has been noticeably reduced, though not entirely eliminated, since the suspension of martial law in July, 1987. Major differences of opinion remain about the pace and ultimate destination of the reform process, but there is a broad consensus that the future will involve increased electoral competition, more assertive legislatures and less centralized control.

Behind any adjustment in Canada's approach to Taiwan must be a new attitude which recognizes that Taiwan is unlikely to disappear or self-destruct. On the contrary, the island of 20-million people is likely to be much more important to us in the future, especially as the effects of Hong Kong's repositioning by the mainland in 1997 are felt. A necessary beginning is to think of our relations with Taiwan as opportunity rather than an obstacle.

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