

## Two Chinas

the present leadership. This helps to explain why the so-called Taiwanese independence movement is considered seditious. Court action, following an anti-government riot in the southern city of Kaohsiung in December 1979, appears to have broken the back of this movement, which the authorities describe as communist-instigated. Also deserving of mention is the possibility that independence might invite military intervention from the mainland. So much for the second option.

### Sino-American political relations

China-US political relations have changed significantly through the years, but are still not clear. In 1954 Washington and Taipei signed a Mutual Security Treaty and the American government recognized the Kuomintang as the "sole legitimate government of all China." Then, after Taipei was ousted from its United Nations seat in favor of the Peking regime, President Richard Nixon and Chinese Premier Chou En-lai signed the so-called "Shanghai Communique" in February 1972. While this document affirmed that there is only one China and that "Taiwan is a part of China," it did not identify which government — that in Peking or that in Taipei — had the rightful claim to both parts. Seven years later, on January 1, 1979, the United States withdrew recognition from Taipei and transferred it to Peking. Shortly thereafter the US Congress passed the Taiwan Relations Act, which provides for the sale of US defensive weapons to the Nationalist regime. But the mutual defence pact that had protected Taiwan and buoyed her economy for a quarter of a century was allowed to lapse on January 1, 1980. In June 1981 Sino-American relations reached a new plateau when the U.S. administration decided to remove its former ban of arms sales to Peking. As President Ronald Reagan explained, the move was "a normal part of the process" of improving relations between the two countries. Since then the sounds coming out of Washington and Peking have been distressingly discordant.

On July 5, 1981, two weeks after a visit to Peking by US Secretary of State Alexander Haig, China warned the United States, in an authoritative article in an official Chinese quarterly magazine, that if they did not modify or repeal the Taiwan Relations Act, Sino-American relations could be damaged and China might have to resort to force to retake the island province. Three days later, the official Hsinhua News Agency criticized the Reagan administration for a "stupid and ludicrous" statement on Taiwan (White House spokesman, Larry Speakes, in an apparent slip of the tongue referred to the "Taiwan government") and accused the United States of opposing the Third World in order to support its "four old friends." Taiwan, South Korea, South Africa and Israel. The following week the same agency reacted strongly to an editorial in *The Wall Street Journal* that called on the United States to upgrade relations with Taiwan, terming that island "Free China." Citing the "out-and-out old line imperialist tone" of the US newspaper's editorial, Hsinhua said: "If anyone tries to ignore China's sovereignty over Taiwan, making insolent remarks and acting flippantly, he must remember that the one billion Chinese people are not to be bullied."

In December 1981 the U.S. administration proposed a sixty million dollar sale of military spare parts to Taiwan. Peking took immediate exception, pointing out that US

arms sales to Taiwan at the current level of roughly \$700 to \$800 million a year was a violation of Chinese sovereignty, and warned that it was prepared to downgrade the Sino-American relationship. In April 1982 Peking accepted with "strong protest" the sale on condition the United States temporarily halt plans to send arms to Taiwan. Peking avoided carrying out its threat to downgrade relations with Washington by conceding the US distinction between military spare parts and weapons. But it made clear that its relations with Washington were at a crossroads.

Three observations are worth stressing here. First, Peking's current leaders view the Taiwan issue as a matter of principle, one that affects the sovereignty and integrity of the nation. Second, mainland China did not hesitate to bear the consequences of a break with the Soviet Union during the 1960s. Third, when the Netherlands agreed to build two submarines for Taiwan in 1981, Peking reacted to the US \$250 million deal by downgrading relations with that country to *chargé d'affaires* level.

In summary, from a global perspective, US arms sales to Taiwan make sense, but they could unravel Sino-American relations — relations that were established only after long and painstaking efforts by the two countries. Thus, it would seem to be the most obvious kind of self-interest for these countries to come up with an acceptable solution to the Taiwan issue. But it is clear that Mao Tse-tung's heirs are not going to be pushed. The danger of the present stalled situation, however, should be apparent to all.

### Conclusions

The existence of two Chinas is an undeniable fact. It is a matter of two different principles, two different systems and two different life styles. On the one hand, the People's Republic of China is a large, underdeveloped country with backward agriculture, primitive industries, overcrowded cities, a low level of per capita income, a severe shortage of jobs, and high hopes. On the other hand, the Republic of China is a small, densely-populated island state, with one of the fastest-growing economies in Asia.

If reunification of the two Chinas happened tomorrow, the united China's GNP would surpass US \$300 billion (a level second only to Japan in Asia), its two-way foreign trade would exceed US \$80 billion, and its foreign exchange reserves (excluding gold) would be more than US \$10 billion. We know, of course, that it won't happen. But an economy that size would generate enormous benefits for its citizens. Those are high stakes.

Needless to say, a peaceful reunification of China on mutually-acceptable terms would remove the main obstacle to the further development of Sino-American relations. In any event, American relations with both mainland China and Taiwan remain ambiguous, a problem which, if unresolved, has the potential to damage US strategy to contain Soviet influence in Asia.

For a variety of reasons, therefore, most observers are convinced that developments in mainland China — potentially the biggest market in the world and a nuclear power of growing strength — bear close scrutiny. Similarly, it would be a mistake to overlook Taiwan. With its continuing economic growth, many foreign businessmen are anxious to stake out a market share there no matter what Peking or their own governments may think. □