



Research Paper
No. 15 2000–01

China and Taiwan—From Flashpoint to Redefining One China

ISSN 1328-7478

© Copyright Commonwealth of Australia 2000

Except to the extent of the uses permitted under the *Copyright Act 1968*, no part of this publication may be reproduced or transmitted in any form or by any means including information storage and retrieval systems, without the prior written consent of the Department of the Parliamentary Library, other than by Senators and Members of the Australian Parliament in the course of their official duties.

This paper has been prepared for general distribution to Senators and Members of the Australian Parliament. While great care is taken to ensure that the paper is accurate and balanced, the paper is written using information publicly available at the time of production. The views expressed are those of the author and should not be attributed to the Information and Research Services (IRS). Advice on legislation or legal policy issues contained in this paper is provided for use in parliamentary debate and for related parliamentary purposes. This paper is not professional legal opinion. Readers are reminded that the paper is not an official parliamentary or Australian government document. IRS staff are available to discuss the paper's contents with Senators and Members and their staff but not with members of the public.

Published by the Department of the Parliamentary Library, 2000

I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

Research Paper
No. 15 2000-01

China and Taiwan—From Flashpoint to Redefining One
China

Dr Gary Klintworth
Foreign Affairs, Defence and Trade Group
7 November 2000

Enquiries

Information and Research Services publications are available on the ParlInfo database.

On the Internet the Department of the Parliamentary Library can be found at: <http://www.aph.gov.au/library/>

IRS Publications Office

Telephone: (02) 6277 2778

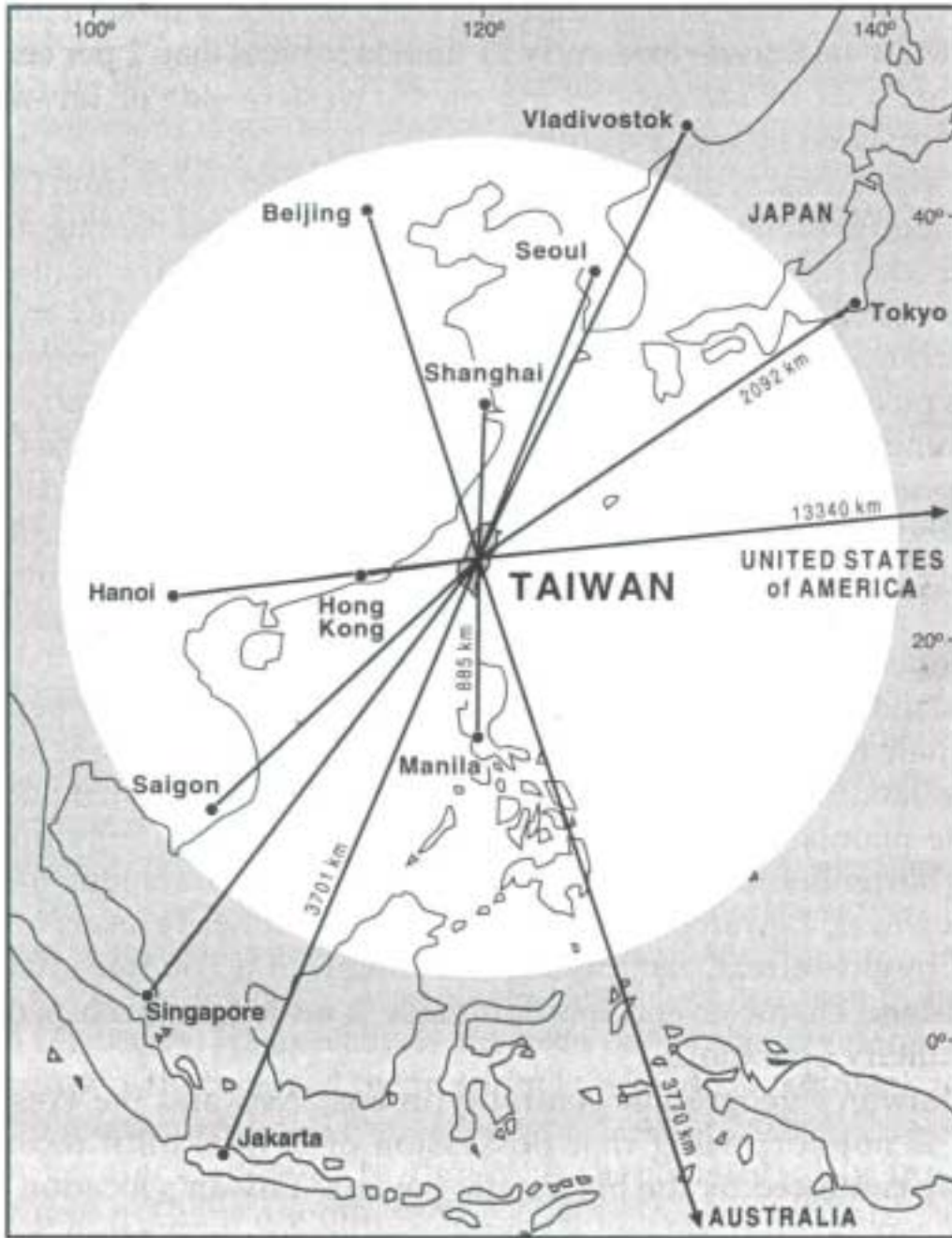
Contents

Major Issues	i
Introduction	1
Background	3
Taiwan's Strategic Importance to the US	4
China and the 1995–6 Missile Crisis	5
Clear Communications and Signalling.	6
Return to Normalcy	8
Developments in 1999	9
China's Taiwan Focus	10
The Constraints on China	11
Militarily, a no-Win Situation for China	13
A Blockade?	15
The US Factor	15
Japan Might Become Involved	17
China's Dilemma	18
China's <i>White Paper</i> on Taiwan	20
The Chen Shui-bian Factor	21
How has China Responded?	23
Back to the 1992 Agreement.	23
Common Interests.	24
Outlook: Is War Possible?	27
Australia–Taiwan Relations	28
The China–Taiwan Dispute—Implications for Australia	28
A Role for Australian Diplomacy?	29
China Trade Tables.	31
Appendix I: Balance of Forces: China and Taiwan, 2000	33
Endnotes	34

Acronyms

ANZUS	Australia New Zealand United States Security Alliance
APEC	Asia-Pacific Economic Cooperation
ARATS	Association for Relations Across the Taiwan Strait
ARF	ASEAN Regional Forum
ASEAN	Association of South East Asian Nations
CCP	Chinese Communist Party
CSCAP	Conference on Security Cooperation in the Asia-Pacific
DFAT	Department of Foreign Affairs and Trade
DPP	Democratic Progressive Party
GDP	Gross Domestic Production
ICBM	Inter Continental Ballistic Missile
IRBM	Intermediate Range Ballistic Missile
KMT	Kuomintang
MAC	Mainland Affairs Council
NMD	National Missile Defence
PBEC	Pacific Basin Economic Cooperation
PLA	People's Liberation Army
PNTR	Permanent Normal Trade Relations
PRC	People's Republic of China
ROC	Republic of China
SEF	Strait Exchange Foundation
SLBM	Submarine Launched Ballistic Missile
SS	Conventional Submarine
SSBN	Ballistic Missile/Nuclear Submarine
SSG	Conventional Submarine with Non-Ballistic Missile launchers
SSN	Nuclear Submarine
SRBM	Short Range Ballistic Missile
TMD	Theatre Missile Defence
UN	United Nations
US	United States
USIA	United States Information Agency
USIS	United States Information Service
WTO	World Trade Organisation

MAP: Taiwan's Location in the Asia-Pacific Region



Source: Gary Klintworth, *New Taiwan, New China*, St Martins Press, New York, 1995, p. 9.

MAP: China and Taiwan



Source: The Perry-Castañeda Library Map Collection, The University of Texas at Austin, http://www.lib.utexas.edu/Libs/PCL/Map_collection/middle_east_and_asia/Taiwan_Strait_98.jpg

Major Issues

Taiwan's future has profound strategic implications for the Asia-Pacific region. For Chinese leaders in Beijing, the recovery of Taiwan is 'a matter of supreme national interest' for which China must be prepared to fight 'at any cost'. Most Taiwanese, however, do not want to become a part of a China that is ruled by the Chinese Communist Party. Taiwan has not been ruled from Beijing since 1895, apart from an unhappy interlude in 1945–49 at the close of China's civil war when a defeated Kuomintang fled to Taiwan.

Many Taiwanese would like Taiwan to be independent. The majority prefer the status quo—neither independence nor rule from Beijing—but with the option of association with a new non-socialist China at some time in the future.

Mainland China, however, has warned that the Taiwan issue cannot drag on indefinitely. It worries that time is running in Taiwan's favour, that any display of weakness on the issue threatens the integrity of China and that this can only advantage the US and Japan, its strategic competitors.

Militarily, however, China is in no position to successfully use force against Taiwan. This outlook is unlikely to change in the next few years given the strength of Taiwan's defences and continued US support. Over the next several decades, moreover, China faces a daunting array of critical economic, demographic and environmental challenges. It has to resolve the perennial contradiction between scarce and diminishing resources and meeting the basic needs of a huge and expanding population.

From a broad national and historical perspective, China can ill-afford to make mistakes that jeopardise the delicate balance it has achieved between survival, and development. In this regard, both Taiwan and the US are crucial for the success of China's modernization. Economically, for instance, Taiwan is the most important source of direct foreign investment in China while the US is China's largest export market. Rationally, such considerations ought to have positive implications for the way in which China deals with the Taiwan issue and how it engages with the US.

The Asia-Pacific community has a common interest in advancing stability, transparency and cooperation in regional trade and security. Achieving this goal will depend on the way in which China handles its dispute with Taiwan over the meaning of 'one China' and the way in which Taiwan's new President, Chen Shui-bian, responds.

- If Taiwan fails to placate China on the 'one China issue', and if the mainland leadership, for one reason or another, determines that it must use force, the United States could intervene.
- US intervention might well lead to an upwards spiral of hostility and possibly a major war, with disastrous consequences for China, Japan, the US and the wider region.
- The U.S. would expect its allies such as Japan and Australia to support its intervention.
- Even a misunderstanding between China and the US over Taiwan, resulting in tension short of actual conflict, would adversely affect the smooth functioning of key regional trade and security building blocks such as ASEAN Regional Forum (ARF), the Conference on Security Cooperation in the Asia-Pacific (CSCAP) and Asia-Pacific Economic Cooperation (APEC).
- Distrust and non-cooperation between China and the US because of the Taiwan issue could negatively affect efforts to ease tension in South Asia and stabilise the Korean peninsula. It would undermine China's commitment to strengthening arms control regimes and the non-proliferation of weapons of mass destruction and their delivery systems.

What are the chances of conflict in the Taiwan Strait? Is the Taiwan Strait really a flashpoint?

This paper argues that China and Taiwan are not on a collision course and that indeed, negotiations are the endgame that both sides have in mind. How they proceed, however, is still subject to domestic political variables in both Beijing and Taipei and the perspectives that each side has of the other.

China has been forced to make concessions that promise Taiwan equality at the negotiating table and much more autonomy than it has been prepared to give Hong Kong and Macao. China has tended to rely on the threat to use force as a last resort and will have to use more persuasive means if it hopes to convince Taipei of its bona fides. One of the other pieces still missing in the package that China is pressing on Taiwan is a public declaration that 'one China' does not mean the People's Republic of China per se and that it can be stretched to mean a new China or a united China in the near future, as demanded by Chen Shui-bian.

The final deal will require more trust and more concessions from both sides. This will not be easy to achieve given the level of their mutual distrust. China is also still trying to understand Taiwan's new President while at the same time it must grapple with its own leadership transition and the uncertainties of a new US Administration. On the other side of the Taiwan Strait, new President Chen Shui-bian is struggling to cope with the support of a factionalised Democratic Progressive Party and a Legislative Yuan (Taiwan's Parliament) that is dominated by the Kuomintang. Thus, the possibility of renewed tension between China and Taiwan and between China and the US over the Taiwan issue cannot be entirely discounted.

In the author's view, however, the gap between the two sides over the meaning of the key issue—'one China'—has narrowed significantly over the last few years. Furthermore the risk of misunderstanding in the two key relationships—China and Taiwan and China and the US—could be minimised if Australia and other like-minded states helped build up trust and understanding in cross-Strait relations and provided some of the neutral ballast that is needed to stabilise an often turbulent Sino–US relationship.

Introduction

We will do all we can to achieve peaceful reunification but we must tell Taiwan's separatists in all seriousness that those who stir up a fire will burn themselves and choosing independence for Taiwan means choosing war. **Chi Haotian**, Minister of National Defence, *Xinhua*, 'PRC Defense Minister warns against Taiwan independence', 6 March 2000.

The Chinese people are ready to shed blood and sacrifice their lives to defend the unity of their motherland and the dignity of the Chinese nation: Premier **Zhu Rongji**, Press Conference, *Xinhua*, Beijing, 15 March 2000

We want peace and we also fully realize that our countrymen in Taiwan also yearn for peace. Although Taiwan independence can only mean war, not peace, we will continue to implement the basic principle of peaceful reunification, and one country two systems: Vice Premier **Qian Qichen**, *Xinhua*, Beijing, 28 January 2000 'Qian Qichen on Jiang's Proposal for Taiwan'

Chinese people will absolutely not sit by and watch Taiwan become independent. On issues that concern the fundamental interests of the Chinese nation, the Chinese people have never wavered ... if 'Taiwan independence forces' on the island dare to make any reckless moves ... they will certainly be engulfed in the sea of flames of a just war for China's reunification: *PLA Daily*, 29 May 2000

The world community should not ignore Beijing's military. The danger exists and it is a wrong judgement that communist China will not invade Taiwan. There are crazy elements in China who are eager to launch a war. This is a very critical moment: **Wei Jingsheng**, *Taipei Times*, 21 May 2000.

The Taiwan Straits situation is complicated and grim ... The new leaders on Taiwan have adopted an evasive and obscure attitude to the one China principle. Separatist forces in Taiwan are scheming to split the island province from China in one form or another. This has seriously undermined the preconditions and foundation for peaceful reunification...The Chinese government will do its utmost to achieve peaceful reunification but 'Taiwan independence' means provoking war: **White Paper on China's National Defence in 2000**, State Council of the PRC, 16 October 2000.

Despite the rhetoric, China and Taiwan are not on a collision course just yet. On the contrary, both sides appear to be in a bargaining mode and, in the author's view, they are heading towards the negotiation of a practical solution to a semantic problem, that is, the meaning of 'one China'.

The future of Taiwan is one of the most sensitive challenges facing China and Taiwan. It has profound implications for China's foreign relations, its domestic politics and the course of China's social, political and economic development. It also has important strategic implications for Sino–US relations and the outlook for peace and stability in the wider Asia-Pacific region.

According to some mainland analysts, support in Taiwan for independence is growing and, because China is opposed to such an outcome, war at some stage is inevitable.¹ To stress the point, China straddled Taiwan with short range ballistic missiles in 1995–96.² In its *White Paper* on Taiwan of 21 February 2000, China's State Council warned that it would use force in the following circumstances:

- if there was a grave turn of events leading to the separation of Taiwan from China in any name
- if Taiwan was invaded and occupied by foreign countries, and
- if Taiwan refused sine die (indefinitely) to negotiate on reunification.³

Across the Taiwan Strait, the ruling Democratic Progressive Party (DPP) stated when in opposition, that its goals were:

- to establish a sovereign and independent Republic of Taiwan
- to revise Taiwan's Constitution to reflect that reality
- to renounce the one China principle, and
- to seek international recognition and pursue Taiwan's entry to the UN.⁴

Thus, the election of the DPP candidate, Chen Shui-bian, as Taiwan's new President on 18 March 2000 seemed to pose a direct and provocative challenge to Beijing's plans for Taiwan.

A war with Taiwan, however, is fraught with risk. Critical Taiwanese investment in the mainland would dry up. The logistical nightmare just to prepare for a successful crossing of the 130 km wide Taiwan Strait would derail China's modernisation.⁵ As well as the economic costs, an attack against Taiwan could end in humiliation that in turn might bring about the collapse of the Chinese Communist Party.

More fundamentally, China would have to confront the power and prestige of the United States. A conflict between China and the US over Taiwan would be a disastrous outcome for Australia and the Asia-Pacific community.

This paper aims to assess China's options on Taiwan and likely outcomes.

Background

In 1949, Chiang Kai-shek's defeated Kuomintang fled to Taiwan with Mao Zedong's Red Army in hot pursuit. Taiwan was regarded by the US as being of no strategic significance and seemed destined to be taken over by the Chinese Communist Party. However, with the outbreak of the Korean War on 25 June 1950, Taiwan became 'an important anchor in a US defensive chain stretching from the Aleutians to Australia'.⁶ According to the then US Secretary of State, John Foster Dulles, the collapse of Chiang Kai-shek's Government on Taiwan would so jeopardise America's offshore defences that 'it would only be a matter of time before [the US] was forced back to Hawaii or the West Coast'.⁷

Over the next two decades, Taiwan became an American fortress. It promoted itself as the Republic of China representing all of China, including the mainland, and was formally recognised as such by the US and its allies, such as Japan and Australia. US economic aid, preferential market access, technology transfers and training in capitalist ways underpinned Taiwan's postwar take-off. US security guarantees helped consolidate Taiwan's status as an independent island state. During this period, the People's Republic of China on the mainland and the Republic of China on Taiwan vied physically and diplomatically for the title of being the sole legal government representing all of China.

By July 1971, the US quest to extricate itself from Indochina and outflank a surging Soviet Union led to a breakthrough in Sino-US relations. In the Shanghai Joint Communiqué of 27 February 1972, the US declared that it did not challenge the claim by all Chinese on either side of the Taiwan Strait maintain that there was one China. It also reaffirmed its interest in a peaceful settlement of the Taiwan question.⁸ The US maintained diplomatic relations and a security treaty with Taipei until 1 January 1979. In a second Joint Communiqué (dated 15 December 1978), the US stated that as of 1 January 1979, it would recognise the government of the PRC as the sole legal government of China and that within this context it would maintain cultural, commercial and other unofficial relations with the people of Taiwan. There was no mention of Taiwan-US defence relations although the US stated that it continued to have an interest in the peaceful resolution of the Taiwan issue.⁹

Strategically, Taiwan looked vulnerable. The self-confidence of the ruling Kuomintang had been dealt a devastating blow. China, however, was strategically dependent on the US vis-a-vis the USSR. More importantly, the US Congress passed the Taiwan Relations Act in April 1979. It states inter alia that it is United States policy:

To make clear that the United States decision to establish diplomatic relations with the PRC rests upon the expectation that the future of Taiwan will be determined by peaceful means; to consider any efforts to determine the future of Taiwan by other than peaceful means a threat to the peace and security of the Western Pacific area and of grave concern to the United States; 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 social or economic system of the people of Taiwan.

The Act was intended to be part of a transitional mechanism pending the settlement of the mainland-Taiwan unification issue.¹⁰ Read literally, however, the Act left open the possibility of renewed US military assistance to protect Taiwan and deter the People's Liberation Army (PLA) if and when that was deemed necessary. And that indeed is how the Act has been subsequently interpreted and applied, notwithstanding an 18 August 1982 undertaking by President Ronald Reagan that the US would gradually reduce and eventually cease to sell any arms to Taiwan.¹¹

By 1989, any rationale for the US to defer to Beijing over Taiwan disappeared with the collapse of the Soviet Union. The critical turning point for Washington came with the crushing of the pro-democracy protest in Beijing in June 1989, 'a brutal assault on core American values'.¹²

Taiwan, in contrast, found its star rising. It was more important than China as a US export market, at least up until 1994.¹³ Taiwan's ruling Kuomintang had fortuitously undertaken a program of democratic reform so as to broaden its domestic political base and appeal to the anti-communist instincts of the US Congress. Ironically, this opened the door to opposition political parties, including the pro-independence DPP, (one of whose founding members, Chen Shui-bian, was to become President in March 2000).

From China's perspective, the critical turning point in its relations with the US came in August 1992 when President George Bush approved a \$5.8 billion deal for the sale of 150 F-16 fighter aircraft to Taiwan. The sale reversed a decade of steady decline in US arms sales to Taiwan.¹⁴ It was also a breach of President Reagan's 1982 undertakings but it went ahead ostensibly because China had acquired modern Soviet Su-27 fighter aircraft.¹⁵

Taiwan's Strategic Importance to the US

With the disintegration of the Soviet Union and the rusting away of its once powerful Pacific Fleet, and with Japan confined to being a 'civilian' power, China was seen in Washington as the only country that might challenge US dominance in the Asia-Pacific region. In this context, Taiwan again became part of the Sino-US strategic equation, and a 'burr in the saddle' of Sino-US relations.¹⁶

Taiwan possesses not unimpressive military capabilities, a strong technical-industrial base and excellent transport facilities. It sits at the crossroads of the overlapping strategic and economic interests of Japan, China and the US. In addition, it is rich, democratised, capitalist and, being Chinese, it is contributing to the social, political and economic development of China by demonstrating an alternative model of development to Chinese communism. As President Clinton observed in September 1993, the overriding purpose of the US was 'to expand and strengthen the world's community of market-based

democracies'.¹⁷ Thus, a more or less independent Taiwan that can keep the mainland at arms length might appeal as a logical part of any US strategy that aims to change communism on the mainland and balance China's rise as a great power.

China and the 1995–6 Missile Crisis

In June 1995, the US Congress forced the Administration to allow Taiwan's President Lee Teng-hui to make an unofficial visit to Cornell University as 'the President of a model emerging democracy and America's fifth largest trading partner'.¹⁸ China was vehemently opposed because the visit smacked of US support for an independent Taiwan, especially after the Chinese leadership had received high level assurances that the visit would not take place.¹⁹

Chinese leaders, annoyed with what they perceived to be US duplicity, feared that similar 'unofficial visits' to Japan and other countries might follow. Some senior PLA officers argued that if China did not stand up for itself against the US, it would continue to be treated in a 'disrespectful and insolent' way and Taiwan's quest for independence would strengthen.²⁰

President Jiang Zemin, however, did not want an irretrievable breakdown in Sino–US relations.²¹ Jiang sought an approach that was determined but reasonable, based on the assumption that it was not in the strategic interests of either the US or China to go to war over Taiwan.²² Some hardliners in Beijing demanded a more robust response but the majority view in the central government—and in the PLA—was that actual use of force against Taiwan was impractical, premature and too costly.²³

Jiang accepted the PLA's recommendation to test fire a few M-series short range ballistic missiles between July 1995 and March 1996.²⁴ In addition, the PLA was allowed to go ahead with several military exercises in July, August and December 1995, and January and March 1996. By firing missiles that straddled Taiwan and heavily used trade routes to and from the key ports of Keelung and Kaohsiung, China hoped to highlight Taiwan's vulnerability to a ballistic missile attack.

At the same time, nonetheless, officials from both sides were continuing to discuss cooperation in trade, investment, science and technology and cross-Strait links. The US and China too were engaged in their own round of reassurances. In September 1995, US Secretary of State Warren Christopher renewed US undertakings to adhere to a 'one China' policy in which the PRC was regarded as the sole legal government of China. He also promised that the US would not support the notion of 'two Chinas' or an independent Taiwan or the latter's attempts to join the UN'.²⁵

Clear Communications and Signalling

The most positive aspect of the 1995–96 missile crisis was the extent to which it was not really a crisis. Beijing, Washington and Taipei minimised the risk of misunderstanding by clear signalling and communications, one of the basic rules for successful crisis diplomacy.²⁶ Intelligence agencies in Taiwan and the US always had good information on the limits of China's military activities such that when Taiwan's former Defence Minister Chen Li-an saw the scope, scale and location of the PLA exercises, he knew the PLA was not really serious and that the whole show was designed, in large part, to satisfy Chinese domestic audiences, just as the US carrier deployments were intended to quieten President Clinton's Congressional critics.²⁷

One might surmise that China's posturing in the Taiwan Straits had strict limits that were clearly understood by the Taiwanese. Both sides played along with the game. President Lee put the Taiwanese armed forces on alert while China brandished its latest fighter aircraft, ships and submarines. But the PLA confined its activities to the mainland side of the median line in the Taiwan Straits and carefully announced the time and intended impact zone of all its missile tests. For their part, the Taiwanese cancelled or curtailed all military drills between mid-1995 and mid-1996.²⁸

China also helped contain the crisis by constant repetition of the message that its preference was reunification by peaceful means. Force was not ruled out but reunification by peaceful negotiations was clearly demarcated as the foundation of China's Taiwan policy. (This approach was reaffirmed in China's *White Paper*, issued in February 2000).²⁹ Meanwhile, Taiwan's President Lee Teng-hui tried to reassure Beijing by declaring that his ultimate goal was unification, not independence, and that in due course leaders from both sides could meet.³⁰ President Jiang Zemin responded positively. He said Lee Teng-hui, as the leader of Taiwan, was his 'indispensable counterpart' who would be welcomed in Beijing; and that he was ready to go to Taipei.³¹

Jiang's offer, couched in terms that gave a nod to Lee's demand to be treated as an equal, was described by Taiwan's Premier Lien Chan as a positive sign that would help ease tension between Taipei and Beijing.³²

As well as signalling to each other via the international news media, Lee and Jiang were also exchanging messages of reassurance through unofficial intermediaries. For example, Jiang passed a message via Liang Su-rong, an adviser to Lee Teng-hui, stressing three points: one, China and Taiwan should let bygones be bygones; two, provided Taiwan did not seek independence, everything else could be discussed; and three, the meeting between Lee and Jiang could be on 'an equal footing'.³³

Lee Teng-hui's response, contained in his 20 May 1996 inaugural speech, was to announce a willingness to go to mainland China. Significantly, Lee dropped any reference to his previous demand that China must first renounce the use of force before talks or negotiations between China and Taiwan could take place.³⁴ Lee also hinted that he would

give up any attempt to make a second visit to the US and would postpone Taiwan's bid to join the United Nations.³⁵

This method of 'signalling from a distance' and conducting confidential meetings between key advisers at locations overseas or in Hong Kong suggests Lee and Jiang were negotiating in deadly earnest but were equally intent on containing their differences and avoiding the kind of hostility spiral that could lead to open conflict that might embroil them and the US in a larger war.³⁶

Some evidence for the foregoing interpretation of events can be found in Taiwan's ambivalent response to the US carrier deployments in the East China Sea. Publicly, the Government welcomed the demonstration of US military support. However, a spokesman for the Ministry of Foreign Affairs said Taiwan hoped 'the US would not take any further action' because the dispute was one for Taipei and Beijing to resolve between themselves.³⁷ Presidential candidates Lin Yang-kang and Chen Li-an also opposed the carrier deployments and privately, many senior Taiwanese military officers expressed fears that the move would only complicate the situation by provoking China and increasing tension in the Straits.³⁸

This was unlikely, however, because China and the US were engaged in their own round of crisis management and diplomacy. They had established a habit of regular and frequent contact in a variety of forums. For example, in Washington on 7 February 1996, Chinese Vice Foreign Minister, Li Zhaoxing had an intensive round of meetings with officials from the US State Department, the Department of Defense and the National Security Adviser's Office. On 7 March 1996, Liu Huaqiu, Director of China's State Council Office of Foreign Affairs, had three hours of talks on the Taiwan issue with US Secretary of State, Warren Christopher. The next day, Liu had a whole day of intensive talks on US/PRC differences over Taiwan with Anthony Lake, National Security Adviser to President Bill Clinton.³⁹

During these meetings, the US warned that any use of force against Taiwan would have grave consequences and that China would be held responsible for anything that went wrong. China, however, gave strong assurances about the limits in time, scale and location of its military exercises and the missile tests. According to a US Defence Department spokesman, China had told the US, both in public and private conversations, that it had no intention of attacking Taiwan.⁴⁰

These assurances seem to have been passed on to the Taiwanese well before China conducted its last large-scale military exercises along the coast of Fujian province in March 1996. Indeed, on 10 March 1996, just before China began its third round of missile tests, the US facilitated 'quiet cooperative talks' in Washington between China's National Security Adviser, Liu Huaqiu and Lee Yuan-tseh, a confidante of Lee Teng-hui (and now a key adviser to Chen Shui-bian).⁴¹

Thus, the American and Taiwanese governments were able to announce that the exercises were essentially routine and that war was not imminent.⁴² If there was any need for

confirmation of this prognosis, it was available from mainland television reports that revealed detailed information about the PLA's deployments (even down to the size and designation of the units involved). This effort by Beijing to minimise the risk of miscalculation was complemented by the PLA's use of an 'open skies' policy that allowed US intelligence satellites to monitor mainland areas adjacent to Taiwan.⁴³

One might conclude, therefore, that while the PLA was able to let off a show of steam, defence planners in Taiwan and the US knew there was little likelihood of an actual military confrontation in the Taiwan Strait. Admiral Joseph Preuher, then Commander in Chief, Pacific Command and currently the US Ambassador in Beijing, concluded that both China and Taiwan were behaving 'responsibly'. Speaking in Tokyo at the time, Prueher stated that Chinese military movements in Fujian were 'moderate' and that in any case, China had every right to conduct the drills on its own soil.⁴⁴

Nonetheless, US domestic political pressure required a symbolic American response. In early March 1996, it was announced that a carrier battle group led by the *Independence*, from Yokosuka in Japan, would move to a position east of Taiwan 'to be helpful if they need to be' and that it would be joined to the east of Taiwan by a second carrier battle group led by the *Nimitz*.⁴⁵

The deployment was described in the media as the largest concentration of US firepower in the region since the Vietnam War but in fact both carriers deployed well to the east of Taiwan and no attempt was made to sail through the Taiwan Strait.

Return to Normalcy

By April 1996, the crisis, such as it was, ended with all sides more or less satisfied. At the Hague on 19 April, Chinese Foreign Minister Qian Qichen and US Secretary of State, Warren Christopher—meeting for the sixth time in less than twelve months—agreed that while their differences over Taiwan remained unresolved, Sino-US tension had eased. Qian reaffirmed China's commitment to peaceful reunification, along with the standard proviso about not renouncing the use of force. Christopher stated that the US side now clearly understood that Taiwan was a question of 'utmost concern for the Chinese government'.⁴⁶ Christopher promised that the US would stand by the one China commitment it had made in the three Sino-US Joint Communiques (of 1972, 1979 and 1982, see above) and would refrain from having official relations with Taiwan.⁴⁷

The most important lesson learned by the US and China over the period 1995–6 was that both sides understood that conflict resolution, stability and prosperity in the Asia-Pacific region were contingent on a cooperative Sino-US relationship. Both sides were forced to clarify their common interests and the risks and the gains to be made from what is likely to be the most important strategic relationship in the Asia-Pacific region in the 21st century. Both sides understood the need for some minimum level of transparency and trust. They agreed to regularise the habit of holding high-level bilateral strategic talks on Taiwan.⁴⁸

They agreed that China and the US should stick to the rules of the game on Taiwan devised in 1972. That is, that China will not resort to force against Taiwan provided Taipei eschews independence; the US will only intervene if China does threaten to use force against Taiwan; and within those strict bounds, mutually profitable Sino-US and China-Taiwan relationships can continue to develop.

Developments in 1999

The next crisis involving Taiwan, China and the US occurred earlier this year. It followed a combination of events that seriously damaged Sino-US relations. There was the US bombing of the Chinese Embassy in Kosovo in May 1999, an incident suspected in Beijing of being a deliberate act.⁴⁹ On 25 May 1999, the Cox Report, commissioned by the US Congress, alleged that China was a serious threat to US national security because of China's systematic theft of sensitive technology from secret US weapons laboratories.⁵⁰

The Cox Report, although subsequently discredited⁵¹, was added to a list of US Congressional complaints about China, along with human rights, Tibet, weapons sales and religious freedom. Cumulatively, these complaints were used to try and bolster demands for increased US support for Taiwan, 'a friend and a good ally'.⁵² Members of the US Congress set about lobbying support for the Taiwan Security Enhancement Act, designed to upgrade US military support for Taiwan, including missile defence.⁵³ The Act, passed by Congress' House of Representatives in an overwhelming and bipartisan 341–70 vote, was interpreted by the Chinese Government as 'a grave threat to China's security'.⁵⁴

Against this background, President Lee Teng-hui stated in an interview on 9 July 1999 that China and Taiwan had 'a special state-to-state relationship'.⁵⁵ By that, he intended to say that the relationship was not one between a central and local government and nor was it one between two independent states—it was a special relationship between equals. Mainland analysts overlooked the word 'special' and focussed on the term 'state-to-state'. They interpreted Lee's remarks as tantamount to a declaration of statehood and independence. According to the PLA newspaper, anybody who split Taiwan from China would become 'the scum of the nation'⁵⁶ (although equally, this message may have been intended to apply to anyone within China who suggested compromising on Taiwan).

Chinese anxiety further increased in the lead up to Taiwan's Presidential elections, held on 18 March 2000. The elections boiled down to a race between the Kuomintang or affiliated political movements representing the status quo in Taiwanese politics, and on the other hand, the pro-independence DPP which represented the aspirations of a growing number of young people who identified themselves as Taiwanese, not Chinese.

On 21 February 2000, China issued a *White Paper* warning that it might resort to drastic measures in certain circumstances, 'including the use of force' if Taiwan 'refused, sine die (indefinitely) the peaceful settlement of cross-Straits reunification through negotiations'.⁵⁷

On 18 March 2000, Chen Shui-bian was elected President of Taiwan. As a foundation member of the pro-independence DPP, his election seemed to pose a direct and provocative challenge to Beijing.

Some in Beijing proposed that China should use force against Taiwan sooner rather than later, on the rationale that a short sharp pain now was preferable to a long drawn out ache that culminated in Taiwan's independence.⁵⁸

China's Taiwan Focus

The reasons why China sees reunification with Taiwan as a matter of 'supreme national interest' for which it claims it is prepared to fight 'at any cost' are as follows:

First, there is a firm belief in Beijing that Taiwan has been Chinese territory 'from time immemorial', and that, despite a Japanese colonial interlude in 1895–1945, it would have returned to China if the US had not intervened. For China, Taiwan is the last vestige of a century of Chinese humiliation at the hands of strong colonial powers.

Beijing's most recent and authoritative statement on the subject declared that China might have experienced invasions, disunity and dynastic change during the last 5000 years but it always reverted to a unified state.⁵⁹ This fixation on the cycle of Chinese history has made the recovery of Taiwan seem like a sacred mission. This is especially so after the return of Hong Kong in 1997 and Macao in 1999 and well-publicised support in the US Congress for an independent Taiwan.

Second, most mainland leaders are convinced that allowing Taiwan leeway to become independent sets a precedent for potentially rebellious parts of China such as Tibet, Xinjiang, perhaps Inner Mongolia and even Hong Kong. In other words, Taiwan's future as a part of China is perceived to be inseparable from the integrity of a unified Chinese state.

Third, there are strategic factors stemming from Taiwan's central location next to China's richest provinces.

During World War II, Taiwan was a launch pad for Japanese imperialism. In the 1950s and 1960s, it was a key link in the US strategy of containing China. Taiwan retains strong commercial ties with Japan and has established close economic and security links with the US. China fears that if it surrenders on Taiwan, it will cede strategic advantage to the US and Japan, its chief competitors in a triangular great power game in Northeast Asia.

Furthermore, from Beijing's viewpoint, if Taiwan is included in the proposed US–Japan theatre missile defence system (TMD), it would be a case of using 'part of China against the rest of China'.⁶⁰ By undercutting China's missile leverage, it would not only boost pro-

independence sentiment in Taiwan but, combined with an national missile defence (NMD) system, it might also neutralise the deterrent value of China's strategic rocket force.⁶¹

Fourth, the development of Taiwan as a successful Chinese democracy contrasts with the mainland's authoritarian politics. Mainland knowledge of the Taiwanese modernisation experience has been spread by tourism, trade exchanges and the information revolution, including television.⁶² In this sense, therefore, Taiwan is a model for political and economic reform in China but for the Chinese Communist Party (CCP), it is also a rival regime that challenges the legitimacy and pre-eminence of the CCP.

These considerations have sustained mainland possessiveness about Taiwan and make it difficult for Beijing to be publicly flexible on practical options for a future Taiwan-China relationship. This inflexibility leads many in China to argue, rather fatalistically, that the PLA has no choice other than to attack Taiwan—even if it loses the ensuing war—because the alternative is the collapse of the CCP's domestic legitimacy, credibility and self-esteem. Thus, instead of marketing the advantages that might accrue to Taiwan if it were to rejoin the mainland, China has—until recently—relied mostly on threat diplomacy.

The mainland threat has deterred the Taiwanese from seeking independence and to that extent, Beijing can claim its Taiwan policy has been very successful. But such a policy is outmoded and increasingly counterproductive. No Taiwanese President can accept reunification with China at the point of a gun. While mainland threats make the Taiwanese fear the consequences of supporting independence, they also engender deep Taiwanese distrust of the mainland and its reunification plans. If China wants to win over the Taiwanese, it will have to develop a much more sophisticated approach that moves beyond threats and offers more in the way of inducements for rapprochement and reunification.

The Constraints on China

China might reserve the right to use force against Taiwan but several factors make that option impractical and, on balance, unlikely (although the author does not rule out the possibility).

A war with Taiwan would dislocate China's economy and divert scarce resources away from more pressing nation-building priorities. Reform of China's state-owned enterprises and its banking and financial sectors have become a matter of urgency because inefficiencies, corruption and the lack of regulation threaten to drag down the nation's entire economy, despite the impressive expansion of China's non-state sector.⁶³

China also faces the contradiction of scarce and diminishing resources and demands of a huge and expanding population. China's per capita average of forest, grassland and freshwater resources amount to one ninth, one third and one quarter of the respective world averages. It is plagued by chronic water shortages, especially in the north.

With 1.26 billion people, or one fifth of the global population, China must make do with about 13 per cent of the world's arable land. Although it ranks first in terms of grain output, population size means China's per capita share of grain is less than a quarter of America's. The ratio will remain low because of net population growth averaging 14 million per annum.

The precarious balance between China's population and resources is under increasing threat from the loss of arable land to urbanisation, soil erosion, salinity and desertification.⁶⁴ China also has the world's most polluted cities.

China, a net importer of petroleum since 1993, faces growing energy shortages that translate into oil import requirements of 100 million tons per annum by 2010.

Another looming crisis stems from a lack of social welfare and a rapidly aging population (accelerated by family planning policies and increased life expectancy). By 2020, there will be an elderly population of 300 million. By then, the ratio of workers to pensioners will be 3:1 compared to 10:1 in 1995.

China's economic growth is stable but uneven, ranging from about 12 per cent per annum in prosperous cities like Shanghai to negative growth in poor rural provinces. Worrying signs of fragility persist, including weak private investment, the widening of an urban-rural income gap and generally sluggish consumption levels. The World Bank estimates that about 13.5 per cent of the rural population (or 124 million people) still live in dire poverty.⁶⁵

A growth rate of 8 per cent per annum is regarded as the minimum required if China hopes to reduce unemployment (10 per cent of the workforce or about 100 million people), provide jobs for young people reaching working age (estimated at 20 million per annum), open up new opportunities for surplus rural labor (estimated at about 120 million) **and** improve overall living standards.

Of China's present annual economic growth of around 7.5 to 8 per cent per annum, about 2 per cent comes from exports.⁶⁶ Since every one per cent increase in the ratio of trade to Gross Domestic Production (GDP) creates a 2-3 per cent increase in income per person,⁶⁷ and since the ratio of China's foreign trade to GDP has increased from 10 per cent in 1978 to more than 36 per cent in 1996⁶⁸ China is increasingly dependent on foreign trade to support its domestic economic goals. World Trade Organisation (WTO) membership, which is expected to deliver China a 13 per cent gain in GDP over the next decade, will increase this reliance.⁶⁹

Since most (75 per cent) of China's foreign trade is conducted with the Asia-Pacific region, China's domestic social and economic prospects depend very much on the continued support and cooperation of the countries in its neighbourhood.⁷⁰

That neighbourhood includes Taiwan, perhaps the largest source of foreign investment in China.⁷¹ Taiwan is also China's seventh largest trading partner and (reflecting the role played by Taiwanese manufacturers based in the mainland), the source of around 12 per cent of its imports.⁷² In 1995–99, two way trade between China and Taiwan via Hong Kong exceeded US\$100 billion, or twice the amount in the previous five years.⁷³ Annual two way trade between China and Taiwan increased from \$US4 billion in 1989 to \$US25 billion in 1999 (with a surplus in favour of Taiwan of \$US16 billion, and cumulatively, \$US116 billion).⁷⁴

The economic integration of Taiwan and the mainland will speed up when China and Taiwan join the WTO, possibly early in 2001. After entry, they must abide by the principles of a free market economy with minimum restrictions on access. This will force both sides to develop practical mechanisms to interact with each other, with positive benefits for cross-Strait relations.

Rationally, therefore, China can ill-afford a war with Taiwan. It would jeopardise the delicate balance China has struggled to maintain between mere survival and development. The reality for Beijing is that its long-term modernisation strategy requires a peaceful environment and thus low defence expenditure; secure access to global markets, technology, capital and raw materials; a good international credit rating and a predictable rules-based regional and global trading system. China's acceptance of this reality is reflected in its track record in global and regional organisations, its behaviour in the recent Asian financial crisis, its support for UN activities including peacekeeping, and its compliance with arms control treaties.⁷⁵

An attack on Taiwan would destroy Beijing's reputation as a responsible regional partner in organisations such as APEC and ARF. It would see China defined more sharply as a threat to regional peace and stability. US alliance arrangements in the Asia-Pacific region would take on a more overtly anti-China orientation. Australia, for instance, currently well-disposed towards Beijing, would perceive China in a negative light. Japan might seek to re-arm or at least strengthen its alliance with the US. Other countries might not openly protest, but their distrust of China would significantly increase. Beijing would likely lose the international goodwill it needs to successfully host the 2008 Olympic Games.

Militarily, a no-Win Situation for China

If the adage that 'the PLA never fights a battle unprepared, nor one that it is not sure of winning'⁷⁶ carries any weight in China's war-planning bureaucracy, the use of force against Taiwan by the PLA is an unlikely option for the foreseeable future. (See Appendix I, Balance of Forces: China and Taiwan, 2000).

China is not prepared for the fray. It does not have the means to quickly overwhelm Taiwan's defences. At its narrowest, the Taiwan Strait is about 130 km wide or five times the width of the English Channel and, in terms of the weather, a cross-Strait invasion

would be confined to the period April–July. As the landings in Normandy in 1944 demonstrated, a successful invasion across open water requires enormous logistical preparations, a huge naval fleet and control of the airspace. These requirements are beyond China's capabilities while the cost of acquiring them would cripple China economically. According to the official figures, Beijing spent US\$13 billion on defence in 1999 and \$14.6 billion in 2000.⁷⁷ Most analysts agree that China's real defence budget is higher than these figures indicate.⁷⁸ Whatever the figure may be, China would have to double or treble the amount—and keep it up for a decade or more—if it hoped to develop the kind of force projection capability it would need to deal with Taiwan and the US.⁷⁹

According to recent satellite photography, China does not have the airfield capacity adjacent to the Strait to accommodate the number of fighter aircraft it would need to take on Taiwan's airforce.⁸⁰ Even then, it does not possess a sufficient number of modern fighter aircraft or the technical skills necessary to successfully coordinate complex joint operations in the constricted space above and around Taiwan.

According to the US Seventh Fleet Commander, Admiral Thomas Fargo, China is not poised to strike Taiwan and nor would such an attack succeed.⁸¹ Any serious attempt to acquire the capability to do so would require preparations on such a scale that US and Taiwanese intelligence sources would be alerted months, if not years, in advance. So far, there is no evidence that China is trying to build up such a capability. For example, it does not have and is not constructing the amphibious lift capability necessary to cross the Taiwan Strait. It does not have and is not building the airfields in Fujian province that would be needed to base military aircraft in the numbers necessary to win air superiority over the Taiwan Strait.

Taiwan's ace in hand for dealing with a military threat from the PLA is its modern airforce, including 150 F-16s and 100 Mirage 2000s. China, by comparison, has only a limited number of high performance Su-27s. Mainland fighter aircraft operating over Taiwan would likely be destroyed piecemeal. Even with the 200 or so Sukhoi fighters that it has contracted to assemble over the next ten years, China's airforce will remain outclassed. Taiwan has always been able to keep a step ahead of the PLA because of its better maintenance and the fact that its pilots are better trained (in the US for the F-16s). Above all, Taiwan has access to some of the most advanced weapons technology available in the US.⁸² In June 2000, for instance, the US Department of Defence contracted to sell Taiwan's Economic and Cultural Representative Office in Washington \$US550 million worth of electronic countermeasures and targeting equipment to enhance the survivability of Taiwan's F-16s.⁸³ In September 2000, the US Defence Department announced it would equip Taiwan's F-16 fighters with the AIM-120C, an advanced medium range air to air missile. The AIM-120C effectively guarantees Taiwan's air superiority in the Taiwan Strait.⁸⁴

According to an authoritative 1995 RAND study, the Chinese airforce does not constitute a credible offensive threat to the US or its Asian allies, and if anything, its capabilities are likely to diminish over the next ten years.⁸⁵ More recently, Admiral Dennis C Blair, US

Navy Commander in Chief, US Pacific Command said that notwithstanding an increased PLA defence budget and an accelerated pace of modernisation, Taiwan's military would maintain its qualitative edge with no decisive change to the military balance in the Taiwan Strait expected over the next several years at least.⁸⁶

China has been trying to offset Taiwan's qualitative advantage in fighter aircraft with short range ballistic missiles (SRBM).⁸⁷ China is working to improve the accuracy of these SRBMs with global positioning and inertial navigation guidance systems.⁸⁸ Theoretically, the SRBMs and new land attack cruise missiles could then neutralise Taiwan's air defences, target Taiwanese naval bases such as Kaohsiung and Su-ao, and knock out Taiwan's communications and early warning systems. But China is a long way off from being in such a position. Its missiles are still essentially area weapons that lack the pinpoint accuracy needed to effectively target Taiwan's key military bases and facilities. Taiwan's airforce, moreover, is safely hidden away in fortified tunnels on the east side of Taiwan's Central Mountains (3000 metres high).⁸⁹ Indeed, China's missile posturing thus far has only succeeded in pushing Taiwan towards acquiring missile defences either from within its own impressive technological resources or by enlisting support from the US.⁹⁰

A Blockade?

A blockade might seem like an attractive option. In this scenario, the PLA's thinking might be that as Taiwan is a part of China, the PLA can declare an exclusion zone around the island and cut it off from the rest of the world. Foreign trade accounts for more than 96 per cent of Taiwan's GDP while the southern port city of Kaohsiung, the world's third largest container port, handles 66 per cent of Taiwanese foreign trade. Taiwan also depends on imported energy, food and raw materials for 80 per cent of its requirements. Its food reserves would run out after six months while supplies of oil, coal and electricity might be exhausted after a month. A blockade, therefore, might seem to be a low risk way for China to bring about the collapse of Taiwan's economy.

However, a blockade is not a quick, easy or effective option. China does not possess the naval fleet necessary to sustain such a strategy. It cannot gain air superiority and, if it used submarines, it would have to find a way to counter Taiwan's modern anti-submarine warfare capabilities. More importantly, the protracted nature of a blockade would give Taiwan time, for example, time to declare independence and time to lobby Washington and other regional capitals for moral and material support. Because of the impact on international sea lines of communication, a blockade would invite intervention by the US Navy, especially given Taiwan's importance to the US and Japan as a trading partner.

The US Factor

Any Chinese move on Taiwan must take account of the US response. Under the terms of the 1979 Taiwan Relations Act, America has a formal obligation to help Taiwan defend

itself and is ideologically bound to do so because it views Taiwan as a democratic island bastion.

Some PLA military planners have argued that the US does not dare to incur casualties in a conflict with a great power nuclear China for the sake of a small piece of distant territory like Taiwan. In their view, this judgement is supported by US caution during earlier crises, including 1995–6, and the aversion of the American people to incurring casualties. Beijing may also believe, based on its analysis of the 1995–96 crisis, that few countries in the Asia-Pacific region would support Washington in a stand against China.⁹¹

But while the US would likely be reluctant to confront China over Taiwan, the PLA could not be certain about how or where or when the US might respond. No Chinese leader wants to be blamed for losing Taiwan, but equally, any US President hoping for a second term cannot stand by and let China seize Taiwan.⁹² US Presidential candidate George W. Bush has already declared that Beijing 'must realise that in any attack on Taiwan, the US will act in accordance with the Taiwan Relations Act and join with Taiwan in ensuring Taiwan's defence'.⁹³ The Democratic Party's policy statement on Taiwan notes America's responsibilities under the Taiwan Relations Act whilst supporting a cross-Strait settlement that is 'peaceful and consistent with the wishes of the people of Taiwan'.⁹⁴

PLA military planning staff are also conscious of the enormous firepower available to US armed forces once they are unleashed.⁹⁵ The Gulf War in 1991 (when the US methodically destroyed an army that 'looked an awful lot like the Chinese army')⁹⁶ and the US destruction of Serbia's industry and infrastructure in 1999 are reminders of America's precision weapons systems, its firepower and its lead in critical military technologies.

In their net assessments about possible outcomes of a war in the Taiwan Strait that involved the US, the PLA would have to concede that China would be defeated. The PLA must also know—because the US shows off its military prowess to Chinese leaders at every opportunity with that very purpose in mind—that China is not in a position to challenge US military supremacy in East Asia for at least twenty or thirty years.⁹⁷ China, therefore, is likely to continue to avoid the risk of conflict with the US over Taiwan. The corollary, as both sides learned in 1995–96, is that China cannot use force against Taiwan.⁹⁸

As well as being deterred by US military power, China must take account of the fact that any use of force against Taiwan would derail its plans for a cooperative, non-antagonistic relationship with the US, an important source of capital and China's largest export market. As Mao Zedong once observed, America was not only the most suitable country to assist in China's most pressing need of economic development, it was the only country able to do so.⁹⁹ By the end of 1996, the US had invested \$US14.29 billion in over 2000 projects in China.¹⁰⁰ Over the period 1992 to 1998, China's reliance on the US as an export market doubled. In 1996, the US market supported more than ten million Chinese jobs.¹⁰¹ In 1998, the US took approximately 20 per cent of China's total exports (Tables 1 and 2), or even more if China's re-exports to the US via Hong Kong are factored into the equation (see

Tables 3, 4 and 5). In 1999, Chinese exports to the US were worth US\$82 billion against imports of \$14 billion giving China, on paper, a surplus of \$US68 billion.¹⁰²

The US is also a vital source of the science and technology essential for China's long-term modernisation, and, not least, the preservation of its environment and the improvement of agricultural yields. China derived enormous benefit from the transfer of science and technology from the USSR in the 1950s. China's next generation of scientists and technologists are being educated and work-skilled in US colleges, universities and research laboratories, (including, until recently, Los Alamos). They are engaged in absorbing knowledge in frontier areas such as computers, microelectronics, information technology, bio-technology, high energy physics, lasers, genetic engineering, space technology, nuclear power, aero-engine design, and special metal technology.¹⁰³

China's modernisation also requires a peaceful environment. That means it shares a common interest with the US in maintaining peace and stability in the Middle East, preserving stable world oil and commodity markets and restricting the proliferation of missiles and weapons of mass destruction. China's efforts to shore up regional currencies during the recent East Asian financial crisis, its willingness to agree to a code of conduct in the South China Sea, its work in the UN on peacekeeping, its cooperation with the US in easing tension in the Korean peninsula and South Asia, and its record in supporting global objectives in the area of arms control indicate, as President Clinton has acknowledged, that China has just as much interest as the US in maintaining regional and a predictable, rules-based international order.¹⁰⁴

Japan Might Become Involved

Any Chinese consideration of the use of force against Taiwan must factor in the likely Japanese response. According to one commentator, it is almost certain that Japan will become involved.¹⁰⁵ Others are not so sure.¹⁰⁶ Militarily, Japan may be a more formidable opponent for China than the US.¹⁰⁷ Taiwan, located 200 km south of the Japanese island of Yonaguni, sits astride Japanese shipping routes to the rest of the world, including oilfields in the Middle East and raw materials in Australia. Additionally, Japan has a special affinity with Taiwan for reasons of history, geography and trade. Japan also has powerful alliance obligations to assist the US in the event of a conflict in the Taiwan Strait and indeed, the Japanese Defence Agency is planning for such contingencies on the basis that Taiwan is in a neighbouring area covered by the revised guidelines for US–Japan defence cooperation (passed by the Japanese Diet on 13 August 1999).¹⁰⁸ As well as the impressive military capabilities of the Japanese Self Defence Force, Japan has considerable economic leverage over China—it is an important source of aid and soft loans and in 1998, it provided markets for 16.2 per cent of Chinese exports.¹⁰⁹

Japanese involvement could be triggered if Japanese ships supporting the US, for example, in joint exercises in a blockaded area near Taiwan, were fired upon. According to Japanese defence planners, Japan could then fire back in self-defence. Or Japan could exercise its

right of self-defence in the event of its economic security being threatened by the blockade of vital sea lines of communications.

It is a truism that the growth of economic interdependence will not stop a conflict, especially where sovereignty claims are concerned.¹¹⁰ Nonetheless, China's growing economic dependence on the US, Japan, Taiwan and the broader region increases the costs and therefore the disincentives for conflict as an option to settling the Taiwan Strait dispute.

Given these considerations, it is sensible for China to minimise the risk of a misunderstanding that might lead to a military confrontation over Taiwan. This requires close liaison by the PLA with the US military, as occurred in 1995–96 and in February 2000, just before Taiwan's Presidential elections.¹¹¹ It also requires a high level political dialogue.

As China's President Jiang Zemin stated in a telephone call to President Clinton on 28 May 2000, it was 'essential for China and the US to make unremitting efforts to ensure the smooth and stable development of Sino–US relations'. Jiang acknowledged that Sino–US relations were critical for peace, stability and development in the Asia-Pacific region and that the key to achieving good Sino–US relations was to properly handle the Taiwan issue'. Jiang was reported to have told President Clinton that China had no intention of invading Taiwan.¹¹² He made the same point, in English, to President Clinton when they met in New York on 8 September 2000. He said that China was focusing on modernisation and needed a long-term peaceful and stable international environment, adding that China and the United States should seek common ground while shelving their differences.¹¹³ Similarly, China's Defence Minister Chi Haotian, told US Secretary of Defence William Cohen that China did not intend to attack Taiwan although it reserved the right to use force.¹¹⁴

China's Dilemma

President Jiang—a solution-oriented engineer by training—well-understands that military force against Taiwan is not a rational option for China. Yet neither he nor any other Chinese leader wants the responsibility for 'losing' Taiwan. Jiang would rather be remembered for achieving reunification and avoiding war. He is reported to have informed China's powerful Central Military Commission that he did not favour tough tactics or even military exercises, against Taiwan. Instead, he proposed that the PLA wage psychological warfare to persuade President Chen Shui-bian to declare his support for the 'one China' principle.¹¹⁵

Publicly, however, no Chinese leader can afford to appear too soft on Taiwan. So China has to make its threats to use force seem serious and credible. In doing so, Chinese strategists are following Sun Tzu's dictum that 'those skilled in war subdue the enemy's army without battle; they capture his cities without assaulting them and overthrow his state

without protracted operations'.¹¹⁶ To succeed with this stratagem, China has to convince Taiwan, and the US, that it is prepared to act militarily, irrespective of the cost. To this end, Chinese leaders and officials have asserted that 'one China' is a principle of such acute national sensitivity that if it means hugely disproportionate losses or even defeat, the PLA is still prepared to go to war. To bolster its war posturing, China has leaked reports to the Hong Kong media about military alerts and exercises in various military regions.

There have also been a few symbolic moves, such as the deployment of elements of China's Wuhan-based 15th airborne division to airfields in Jiangxi province; long range bomber flights to the Taiwan Strait by B-6 Badger bombers normally based in north China and practice raids on a mock-up of a Taiwanese airfield. China is also working on improving its strategic rocket force, including the solid fuel Dongfeng 31 (range 8000 km) and Dongfeng 41 (range 13 000 km) Inter Continental Ballistic Missile (ICBMs) and anti-ship missiles such as the Harpoon-like supersonic Yingji 802 (range 200 km).¹¹⁷ China has acquired a batch of 48 Russian SS-N-22 Sunburn missiles for its Sovremenny-class warships. The Sunburn is a supersonic (Mach 2.5) active homing, medium range (90–120 km) anti-ship missile specifically designed to target US carriers.¹¹⁸

However, these are largely token efforts. The Sovremenny, for example, although capable and relatively modern, was designed in the 1970s. Like the rest of China's navy, it is regarded as very vulnerable to air and/or submarine attack.¹¹⁹ Thus far, there has been no indication of any significant military activity that might presage a serious build-up of forces against Taiwan. There has been no quickening in the pace of construction of China's ICBMs. According to Taiwan's defence ministry, the PLA's dispositions are normal.¹²⁰

The fact is that despite the rhetoric and posturing, China does not want a war over Taiwan. Chinese leaders understand that the Soviet Union made a fatal mistake in trying to compete in an arms race with America. President Jiang Zemin's preference is to stick to the late Deng Xiaoping's modernisation strategy of giving development priority to agriculture, industry, science and technology and lastly, defence.

Defence modernisation has been China's lowest national priority since 1980. That remains the case today, despite grumbling from within the Chinese military establishment.¹²¹ China's defence sector continues to receive a declining share of GDP according to official Chinese figures used by Australia's Defence Intelligence Organisation (DIO). DIO calculated that in 1999, China's defence expenditure as a percentage of GDP was 1.2 per cent compared to 1.6 per cent in 1990.¹²² Bearing in mind the shortcomings of using percentages of GDP as a measure and problems with Chinese statistics, the trend suggests that China is not engaged in an arms build up on a scale that might threaten Taiwan and the US or the region in general and that relative to its neighbours, China's military spending has declined over the last three decades.¹²³

If President Jiang Zemin has his way, the constraints on Chinese defence expenditure will remain in place for the foreseeable future. In that regard, he can invoke the authority of Deng Xiaoping.¹²⁴ Deng stressed the importance of peace and stability for China's

economic development and that when dealing with Taiwan, China had to be patient, to observe calmly and to remain 'cool' especially in dealing with the US.¹²⁵

China's *White Paper* on Taiwan

The gist of Deng's advice was the essential message contained in China's *White Paper* on Taiwan. Although some commentators claimed the *White Paper* had a new and menacing tone, it is, in the author's view, a re-iteration of the 'one China' principle and China's aim of achieving peaceful reunification under the 'one country, two systems' formula. It reaffirms that China will endeavour to achieve reunification by peaceful means and will not formally commit itself to ruling out the use of force, (although that is the practical reality). Importantly, the *White Paper* re-affirms President Jiang Zemin's pragmatic eight point proposal of 1995 as the basis of China's Taiwan policy.¹²⁶ It also proposes negotiations on reunification on **an equal footing**.¹²⁷ This emphasis on equality comes a long way towards meeting Lee Teng-hui's demand that China and Taiwan have 'a special state-to-state relationship' and that if they do start negotiations, they do so as equals.¹²⁸

China has despatched other nuanced signals which have been privately welcomed in Taipei. The subtleties of these exchanges, and other forms of often unreported unofficial dialogue, are an ongoing part of the bargaining process currently underway between Beijing and Taipei.¹²⁹ For example, on 1 January 2000, China reported remarks by Jiang Zemin that his conciliatory policy, enunciated in 1995, was still on the table and that he accepted that there were key differences between Hong Kong and Macao on the one hand and Taiwan on the other. Chen Shui-bian said he accepted Jiang's speech as a sign of pragmatism and goodwill.¹³⁰ Also (although there has been subsequent disagreement on what was actually agreed to at the time) China's offer on 18 May 2000 to return to a 1992 agreement (about the meaning of 'one China'), was described by the new Chairman of Taiwan's Mainland Affairs Council, Tsai Ying-wen, as another positive sign.¹³¹

On 29 May 2000, China's *People's Daily* dropped its usual hardline approach on Taiwan and extolled the many benefits of reunification.¹³²

Despite these nuances, many mainlanders, especially in the PLA, are still coming to grips with the fact that the March Presidential elections in Taiwan were primarily about Taiwanese domestic issues, notably voter concerns about 55 years of entrenched Kuomintang (KMT) money politics and its links to organised crime and corruption. They were not about independence per se and Chen Shui-bian did not campaign on that issue. In fact he has been distancing himself from the independence issue ever since.

However, the closed nature of China's Communist Party political culture makes it difficult for conservative policy makers to comprehend the political dynamics of a vibrant democracy like Taiwan, where a political leader like Chen can amend his views on becoming President. Or that the DPP can mellow and revise the radical demands it espoused when in opposition.¹³³

Some influential Taiwan specialists in Beijing tend to see Taiwanese politics in stark black and white terms. They note, for example, that Chen held consultations with Lee Teng-hui and that he appointed the pro-independent leader, Peng Ming-min, as a Presidential adviser. They are prone to conclude that Chen, therefore, must be a dyed-in-the-wool, pro-independence trouble-maker. They perceive any retreat from independence by Chen as tactical and predict that when he consolidates his political base, he will follow Lee Teng-hui's separatist path.¹³⁴

The Chen Shui-bian Factor

Chinese doubts about Taiwan and the Taiwanese leaders stem from the rancorous exchanges provoked by President Lee Teng-hui, for example, in 1995–96.¹³⁵ But Lee has gone, and his successor, Chen Shui-bian is a political realist. Unlike his predecessor, Chen is a much less feisty politician as far as China is concerned. He is relatively young (aged 50), compassionate, flexible and solution oriented. His politics are inclusive, non-factional and consensus seeking. In his autobiography, he comes across as a person with a deep understanding of the realpolitik of Taiwan's proximity to China and the fact that Taiwan has a huge and growing commercial stake in the mainland.¹³⁶

Chen's track record indicates a willingness to accommodate—not confront—sensitivities about one China, both on the mainland and in Taiwan. In 1988, for instance, Chen proposed and had adopted as a Party policy position that the pursuit of independence was not unconditional.¹³⁷ In 1991, he modified the DPP's policy on independence by making it subject to a referendum first. This means that effectively Taiwan will not become independent because most people in Taiwan, for one reason or another, are opposed to such a step.¹³⁸

Thus far, Chen's comments regarding Taiwan's mainland policies have been fairly conciliatory, bearing in mind the conflicting constituencies that Chen has to satisfy. On 20 June 2000, for instance, Chen said he hoped he could shake hands with Jiang Zemin and sit down to talk like the two leaders of a divided Korea had done on 15 June.¹³⁹ On 14 September 2000, he expressed confidence in a breakthrough in Taiwan-China relations and said he hoped to visit the mainland in the near future.¹⁴⁰ Chen endorsed Beijing's membership in the World Trade Organisation and he complied with strict State Department guidelines during a stopover in Los Angeles on 13 August whilst en route to South America and Africa.¹⁴¹ Significantly, he declared on 16 October 2000 that he was 'proud of his identity as a Chinese', a statement that Taiwan-watchers in Beijing must have welcomed despite Chen's subsequent qualification that what he meant to say was that he was an 'ethnic Chinese' and 'not a Chinese'.¹⁴²

Chen has been constructive in his approach to resuming a cross-Strait dialogue, opening up direct postal and transport links and easing restrictions on commercial transactions.¹⁴³ He has been creative in thinking about possible new ways to solve the definition of 'one China', such as the idea of a confederation or a Chinese community, of 'one China' in the

future or a Taiwan that is part of an extended Chinese ethnic culture.¹⁴⁴ His former Premier, Tang Fei, proposed military confidence building measures to avoid misunderstanding on military deployments and exercises.¹⁴⁵

On 2 February 2000, prior to the Presidential elections on 18 March 2000, Chen declared that since Taiwan was already a sovereign independent country, there was no point in declaring it to be so or to change its name. He stressed that it was unwise to endanger the security of Taiwan over symbolic issues.

In a further effort to distance himself from the DPP and its pro-independence stance, Chen resigned from the DPP on 18 May 2000 and declared that he would work as a President for all Taiwanese. This was a sensible move because the KMT dominates the Legislative Yuan.¹⁴⁶ It also brought Chen an approval rate in public opinion polls of more than 70 per cent (compared to the 39 per cent voter support he received in the elections). But Chen's popular support has subsequently declined, along with the stock market index, in part because most Taiwanese voters want more clarity and consistency in his approach to cross-Straits relations.¹⁴⁷ If Chen and the DPP hope to win a second Presidential term in 2004 they will have to satisfy mainstream Taiwanese public opinion on their ability to improve and not exacerbate mainland-Taiwan relations. That means that as well as steering clear of a pro-independence stance, Chen will have to start making progress in settling Taiwan's dispute with Beijing.¹⁴⁸ Chen's problem however is that he has to juggle being a President for all Taiwanese (and the majority are not in favour of independence) with the demands of his pro-independence DPP supporters.

Significantly, in his inauguration speech of 20 May 2000, Chen did not mention independence for Taiwan. Instead, he praised Jiang Zemin and Deng Xiaoping and acknowledged that the mainland and Taiwan were inseparable because of their cultural, historical and ethnic ties. Chen also said he would not declare Taiwan independent or hold a referendum on the issue as long as Taiwan was free from the threat of mainland military attack. He promised to open up direct links with the mainland. He also declared that there would be no change in the name for Taiwan, no referendum on independence and no mention of cross-Straits relations being a special state-to-state relationship.

Although Chen mentioned the term 'one China' only once in his 20 May speech—and then as a concept for the future—he implicitly acknowledged the concept of 'one China' by swearing, before the flag of the Republic of China, that at least for the duration of his Presidency (until 2004), he would abide by the Constitution of the Republic of China and that he would not abolish Taiwan's 1990 National Reunification Council or its 1991 Guidelines.¹⁴⁹ This seems to go some way towards a public commitment to the 'one China' principle for the next few years at least (notwithstanding Chen's remark to reporters in Latin America that 'unification was not the only choice' for Taiwan').¹⁵⁰

How has China Responded?

After an initial outburst of anxiety and frustration, Beijing has adopted a more relaxed, wait-and-see approach. Many in Beijing, especially in the PLA, have deep reservations about Chen and claim to be confused about his real intentions whereas others accept that he is a more pragmatic President than Lee Teng-hui. China must have been encouraged by Chen's offer to go back to the terms of the 1992 agreement.

Back to the 1992 Agreement

According to China's official newsagency, *Xinhua*, 'so long as the Taiwan authorities make a clear commitment that they do not accept (Lee's) two-states remark and that they adhere to the 1992 consensus that 'the two sides will express in their own way that the two sides of the Strait both adhere to the one China principle', contact between the two sides can resume.¹⁵¹

Chen effectively satisfied China's first condition in his 20 May speech when he declared that he would not pursue the so-called 'state-to-state' description of Taiwan.

On 5 June, Chen stated that Taiwan was willing to deal with the question of a future 'one China' based on all agreements, consensus or conclusions reached through dialogue and contacts between the two sides in the past. On 25 June 2000, he was more specific. He stated that he was willing to accept a 1992 consensus in which he said both sides upheld the one China principle but had a different interpretation of the meaning of one China. Commenting on Chen's remarks, one of China's most senior officials with responsibility for Taiwan, Tang Shu-bei, said he welcomed any comments that indicated that Taiwan was moving closer to the idea of 'one China'.¹⁵²

However, disagreement ensued over precisely what, if anything, was agreed to in 1992.

According to Beijing's interpretation, both sides agreed to uphold the 'one China' principle and that, whilst working for reunification, they differed about the meaning of 'one China'. That is, according to Beijing, there was a consensus in 1992 in which both sides accepted the 'one China' principle but they would refrain from defining it so as to allow routine talks to proceed.

But this was not so, according to Taiwan's Mainland Affairs Council (MAC). A DPP appointee to the MAC claimed that each side offered five different interpretations at the 1992 meeting, none of which was acceptable to the other. He claimed that Taiwan then put forward another three definitions without agreement on anything except to disagree. Afterwards, the Association for Relations Across the Taiwan Straits (or ARATs, China's channel for talks with Taiwan), informed the Strait Exchange Foundation, (or Strait Exchange Foundation (SEF), the Taiwanese counterpart to Association for Relations Across the Taiwan Strait (ARATS), that both sides would express verbally their

commitment to the 'one China' principle. However, this interpretation of what transpired in 1992 was rejected by Taiwan.¹⁵³

The Kuomintang in Taiwan claimed however that a consensus was reached in 1992 that both sides could agree on their own definition of 'one China'.¹⁵⁴ So did one of Chen's closest advisers, Nobel prizewinner Lee Yuan-tseh.¹⁵⁵

Beijing subsequently denounced Chen Shui-bian's interpretation of the 1992 agreement ('one China, different interpretations') as tantamount to 'the two states theory' of Lee Teng-hui.¹⁵⁶ Beijing demanded that Chen unequivocally accept the 'one China' principle.¹⁵⁷

Meanwhile, following strong criticism from within the DPP, Chen Shui-bian changed tack and claimed there was no 1992 consensus on 'one China' and that the two sides had merely agreed to disagree on its meaning.¹⁵⁸ In an attempt to pacify China and satisfy his DPP supporters whilst still preserving the goodwill that was generated in 1992, Chen called on Beijing to return to what he described as 'the spirit of 1992'.¹⁵⁹ However, this phrase only served to muddy the waters in Beijing.¹⁶⁰

Clearly, Taiwan is not part of a China governed by Beijing. It is effectively independent and, unlike the mainland, it is a robust democracy. There may have been one China in the past and there might be one China in the future, but, as the argument about the 1992 consensus reveals, the definition of what constitutes that China cannot be easily or precisely defined. Because it is such a complex and sensitive issue, it might be wise for Beijing to allow for some ambiguity, for example, along the lines that Chen Shui-bian suggested, that the mainland and Taiwan are equal parts of a new China that might emerge in the future and that in the meantime, they have a special relationship founded on their common historical, ethnic and cultural background, their geographic proximity and their growing economic ties.

Significantly, although China has rejected Taiwan's definition of 'one China, two interpretations', it has not asserted that 'one China' means the People's Republic of China (despite Taiwan's claims to the contrary).

Common Interests

Appearances are deceptive but behind the façade of threatening language that is frequently presented in the Chinese media, notably the Army newspaper *Jiefangjun Bao*, there is an emerging flexibility in Beijing's position on Taiwan. The latter too appears to be darting and weaving around a way to define 'one China' and then commence a cross-Strait dialogue.

Both sides understand the cultural, historical, economic and ethnic ties that bind them, the imperatives imposed by their geographic proximity and the costs of a war. Both sides are

attracted to the benefits of a cross-Straits peace and the potential synergy of cross-Strait economic cooperation.

China is not threatening an imminent war and indeed, if the respective views of Beijing, Taipei and Washington are disentangled, war in the Taiwan Strait seems unlikely in the foreseeable future for the following reasons.

Beijing has declared it will only attack if Taiwan declares independence and delays negotiations indefinitely. Meanwhile, Chen Shui-bian has stated that he will not pursue independence if China does not attack and he has moved to open up channels for renewed talks and ties with Beijing. In other words, the gap between China and Taiwan has narrowed. The US, meanwhile, has indicated that it will only intervene if China attacks Taiwan, but this is now unlikely, at least in the foreseeable future, because Beijing and Taipei have struck a tacit bargain to hold the peace until at least 2004.¹⁶¹

Thus, given the common interests of the two sides and the dilemmas facing China (outlined above), it is reasonable to conclude that the likelihood of a peaceful resolution of the Taiwan issue has much improved. In any event, in practical terms, both sides have about four years in which to explore and negotiate a sensible solution to what is essentially a semantic dispute about the meaning of 'one China'. The meaning of 'one China' has long been a sensitive sticking point but both sides are now signalling a willingness to compromise.

Chen Shui-bian's offer in his 20 May speech that he might consider *a future* one China was quickly rejected by the mainland media as an attempt to avoid the 'one China' question.

For Taiwan, however, it is unacceptable to talk about 'one China' being the People's Republic of China and to insist that Taiwan is part of that China. Chen Shui-bian's first Premier, Tang Fei insisted that the new Taiwanese government could not make concessions on the 'one China' principle and while Beijing insisted that 'one China' was the People's Republic of China, cross strait dialogue could not proceed.¹⁶² Tang suggested that Taiwan discard the idea that 'one China' was the Republic of China and that Beijing should likewise discard the idea that 'one China' was the People's Republic of China. Tang said that the two sides could then work toward a mutually acceptable 'future new China'.¹⁶³

Taiwan's new Premier, Chang Chun-hsiung, appears to have similar views about how Taiwan should deal with the mainland.¹⁶⁴ In his first speech to Taiwan's parliament, Premier Chang said that in accord with the global trend towards rapprochement and reconciliation, as in Korea, Taipei and Beijing should start up a constructive dialogue.¹⁶⁵

Significantly, China has signalled privately, unofficially but authoritatively, that it is not insisting that the term 'one China' means the People's Republic of China.¹⁶⁶

Vice Premier Qian Qichen stated that China had never insisted that 'one China' meant the People's Republic of China.¹⁶⁷ He said that China might accept the notion of a Taiwan and a mainland that comprised equal parts of 'one China', that is, the term 'China' did not mean Taiwan and nor did it mean the People's Republic of China.¹⁶⁸ This formulation would appear to be exactly what the Taiwanese are demanding. Qian's overture was given in conversation with a New Party delegation from Taiwan and it might appear therefore to be a mere flicker across the screen in the usual deniable shadow play between Beijing and Taipei.

But Qian is only proceeding cautiously because he and other Chinese leaders fear rebuff and a loss of face, as occurred in 1995 and 1999.¹⁶⁹ Qian is China's chief Taiwan policy maker so his views carry considerable weight. They must have been approved by the rest of the Chinese Politburo, a conclusion supported by the similarity of remarks made separately by other senior Chinese officials. For instance, Director General for Arms Control and Disarmament, Sha Zukang said that 'one China' did not mean the PRC or a China ruled from Beijing. He claimed that this incorrect interpretation was one that had been made by the rest of the world.¹⁷⁰ Likewise, a senior PLA officer, Senior Colonel Chenghu Zhu said in Canberra that the term 'one China' did not denote the PRC, or for that matter, Taiwan, and that if Taipei accepted the concept of 'one China' in which Taiwan and the mainland could be equal parts, then everything was negotiable, including the name of a future China, the type of government, its structure, the anthem, the flag and even the location of the capital.¹⁷¹ Chinese Premier Zhu Rongji has also stated that in a future reunified China operating under a 'one country, two systems' formula, the Taiwanese President could be the Vice President of China.¹⁷²

While China may not accept Lee's terminology about China-Taiwan relations being 'a special state-to-state relationship', the promise of equality given in the *White Paper* and the second track signalling from Beijing that the term 'China' does not mean the People's Republic of China comes pretty close to giving the Taiwanese what they want. Publicly, the Taiwanese reaction so far has been rather dismissive. According to Taiwan's Mainland Affairs Council, Qian's formulation was 'more flexible than in the past', but was 'nothing new' while others, including President Chen Shui-bian, have said the overtures did not go far enough in addressing Taiwan's concerns about China's claim to be the sole, legal government representing China and that Taiwan was just a part.¹⁷³

Nonetheless, progress has been made. There needs to be more clarification of what China is willing to offer Taiwan. China might need to resurrect an earlier offer to relax its opposition to Taiwan's participation in various international organisations, including the UN, and it ought to reduce the number of missiles it has recently deployed opposite Taiwan. For its part, Beijing may require a less negative response from Taipei. However, if Beijing can bring itself to formally and publicly declare what it is now saying privately—namely, that Taiwan and the People's Republic of China can be equal parts of 'one China' and that the term 'one China' does not mean the PRC—then this will be a remarkable breakthrough.

Both sides will have agreed on the basis for negotiating an acceptable solution to the notion of 'one China' and after that, as mainland officials insist, everything is negotiable.¹⁷⁴

Outlook: Is War Possible?

This assessment would not be complete without acknowledging the many worst case scenarios that might arise, for example, from the PLA achieving, or mistakenly believing it has achieved, military superiority in the Taiwan Strait; the failure of China and the US to engage successfully in crisis management (as they did in 1995–6); the downward spiral of misperception mixed in with a crescendo of Chinese nationalism; US mishandling of its relations with China and Taiwan; or a shift in favour of the pro-independence DPP in Taiwan after the next round of elections in 2001. Each or all of these factors could result in irrationality or miscalculation by Beijing's decision makers, leading to a round of ultimatums that culminate in the PLA's use of force against Taiwan and a confrontation with the US. Any spiral towards conflict might also be fed by:

- Domestic economic instability, social unrest and factionalism in Beijing that forces a brittle Chinese leadership to pursue tougher policies on Taiwan.
- Taiwanese frustration with the Beijing's inflexibility, combined with overconfidence in the US Taiwan Relations Act and a judgement that China's PLA is bluffing, leading to a declaration of Taiwanese independence.
- A belief by military planners in Beijing that Taipei could be seized so quickly that the US and its allies, once presented with a fait accompli, would not have the time or the inclination to intervene, coupled with an assessment that the US lacks the moral fibre to bear the cost of a war over a distant non-oil producing territory like Taiwan.
- US mishandling of the Taiwan issue resulting in a dramatic deterioration in Sino–US relations. This might occur during the learning phase of a new Presidency, together with a hostile US Congress and a US decision to press ahead and include Taiwan in its missile defence strategy.

For all the reasons outlined in this paper, however, and especially if the outcomes include the chance of a conflict with the US, China will endeavour to avoid confrontation over the Taiwan issue at almost any cost.

In the author's view, the prospects for an agreement between China and Taiwan are good although there are a number of variables, not least the machinations of the Kuomintang which outnumbers Chen's DPP in the Legislative Yuan (Taiwan's Parliament). Nonetheless, Chen Shui-bian is an unusually pragmatic President and conversely, Taiwanese policy makers regard President Jiang Zemin as a mainland leader with whom they think they can do business.¹⁷⁵

A peaceful resolution of the issues would mark the end of one of the last so-called flashpoints in East Asia. Together with North Korea's rapprochement with the rest of the world,¹⁷⁶ this would significantly improve the strategic outlook for Australia and the Asia-Pacific region.

For Taiwan and China, it would offer the potential to concentrate on building a new and richer Chinese community, with positive flow-on benefits for the rest of the Asia-Pacific economic community.

Speculating further, the historical record, including Taiwan's, shows a strong link between trade interaction, economic liberalisation and political reform.¹⁷⁷ China has been operating as a market-based economy for two decades and is now experimenting with political reform, beginning with local level elections that affect an estimated 600 million people in 900 000 villages across the country. Entry into the World Trade Organisation will add additional pressure for democratisation in China.¹⁷⁸ Without ruling out the risk of transitional instability or even regime collapse, China's political system is likely to evolve in a positive way if it is able to draw on the Taiwanese model of political reform and pluralism. That possibility becomes much less remote if China and Taiwan can reach a mutually acceptable agreement on the meaning of 'one China'.

Australia–Taiwan Relations

Australia has a 'one China' policy whereby Australia 'recognises the Government of the People's Republic of China as the sole legal Government of China, and acknowledges the position of the Chinese Government that Taiwan is a province of the People's Republic of China'.¹⁷⁹ Within this framework, Australia has developed an extensive unofficial economic and cultural relationship with Taiwan.¹⁸⁰

While China has accepted non-official contacts and dialogue between Australia and Taiwan, it has objected whenever contacts are seen to extend beyond the commercial sphere. In 1996, for instance, China expressed displeasure at a visit to Taiwan by Australia's Minister for Primary Industry and Energy, John Anderson. In March 2000, China's Ambassador to Australia, Zhou Wenzhong, described a visit to Parliament House in Canberra by Taiwanese Vice Foreign Minister Wu Tzu-Dan as a 'gross violation' of Australia's 'one China' policy.¹⁸¹ Sensitivity to Beijing's preoccupation with the 'one China' issue was reflected in Australian efforts in July 1999 to persuade Papua New Guinea to reverse its decision to recognise Taiwan in exchange for cheap Taiwanese loans.¹⁸²

The China–Taiwan Dispute—Implications for Australia

As well as developing dialogue with China and commercial relations with both China and Taiwan, Australia wants to maintain peace in cross-Strait relations. Australia criticised China's launch of missiles near Taiwan before the March 1996 presidential elections.

Indeed, one of Foreign Minister Alexander Downer's first actions after the election of the Howard Government was to call in the Chinese Ambassador to express Australia's concern at the mounting tension between China and Taiwan. Mr Downer also publicly welcomed the US decision to send carriers into the Strait as a sign of US commitment to the security of the East Asian region. He said the deployment was a demonstration of US 'interest in participating in regional security issues in a very practical way'.¹⁸³ Chinese Government representatives did not make any immediate public response but in the months that followed there was a noticeable strain in bilateral relations.¹⁸⁴

The future of China–Taiwan relations remains a matter of major strategic interest to Australia. The re-emergence of cross-Strait tensions and the likely involvement of the United States could present a dilemma for Australia. Australia has an ANZUS alliance relationship with the US. If China used force against Taiwan, the United States would find it difficult not to intervene and having done so, it would expect the support of its allies, including Japan and Australia.¹⁸⁵

At the same time, China is the most important country in Australia's neighbourhood in terms of size and geopolitics. Taiwan is important too. In 1998–99, it was Australia's fifth largest export market, with China in sixth place and Hong Kong ranked ninth. Cumulatively, greater China (comprising the mainland, Hong Kong and Taiwan) accounts for about 20 per cent of Australia's exports. Greater China also comprises Australia's second most important export market (after Japan) and its third most important source of imports (after the US and Japan).¹⁸⁶

A conflict in the Taiwan Strait could develop into the most dangerous and disruptive conflict in the region since the Korean War. It could involve the three countries of greatest economic and strategic significance to Australia. It could derail China's modernisation and lead to the overthrow of the Chinese Communist Party. The region might be flooded with refugees. As Singapore's Senior Minister Lee Kuan Yew observed, the result might be 'an ugly, nasty Asia-Pacific'.¹⁸⁷ This is not in Australia's interests as a friend, neighbour and trading partner of both China and Taiwan and a strategic ally of the US.

A Role for Australian Diplomacy?

China regards the Taiwan issue as its internal affair and in the first instance, Chinese leaders would be inclined to rebuff offers of outside mediation. But judging from remarks made to the author during recent interviews in Beijing and Taipei, both China and Taiwan would be interested in a country like Australia playing a good offices role to help dispel their mutual distrust.

As a middle power relatively distant from China, Australia does not threaten China's national interests and, unlike the US and Japan, it carries no strategic or historical baggage on the Taiwan issue. On the contrary, Australian views are respected in Beijing, especially within the senior ranks of the PLA. At the same time, Australia has close security relations

with Washington and reasonable standing and credibility in Taipei. Given the importance of the Taiwan issue in Australia's strategic environment, there may be a role for Australia to play in building confidence and understanding in China–Taiwan–US relations.

The Australian Government has already declared that it wants to influence the events which shape the country's strategic future and that it has the necessary skills and influence to do so.¹⁸⁸ Furthermore, amongst its key strategic interests in the Asia-Pacific region, the Australian Government has listed the avoidance of destabilising strategic competition between the region's major powers as its first priority.¹⁸⁹

As Foreign Minister Alexander Downer remarked after Chen Shui-bian's election as Taiwan's new President, Australia wants to see reconciliation between Beijing and Taipei.¹⁹⁰ The Opposition Spokesman on Foreign Affairs, Laurie Brereton, said that the Taiwan election was an impressive demonstration of the strength and vitality of the country's democracy and that Australia 'must be forthright in publicly urging China and Taiwan to return to peace and constructive dialogue'.¹⁹¹

Instead of supporting one side or the other, as we did during the Taiwan crisis of 1995–96, when we expressed support for the US against China, Australia's national interests are better served by offering alternative even handed suggestions that try to find common ground between China and Taiwan. Australia might also be able to help inform US Congressional opinion about China by offering, for example, a critique of the Cox report that did so much unnecessary damage to Sino–US relations. Australia could convene suitable forums that are attended by representatives from Taiwan and China, or from China and the US, in order to promote dialogue and transparency, (as the US government is doing by sponsoring pseudo academic conferences attended by Chinese from Taiwan and the mainland).

Within a 'one China' framework, and as an interested neighbour and friend of both China and Taiwan, and as an ally of the US, Australia could offer advice and suggestions to the Chinese Government, especially to the PLA with whom Australia's senior defence officials have developed such close and comfortable ties.¹⁹² For example, Australia could offer alternative ways for China to think about the Taiwan issue, such as the merits of a Chinese federation, a Chinese Community, or a Chinese Commonwealth.¹⁹³ At the moment, China is in the process of determining its Taiwan policy and while this paper has argued that war is not a realistic option for Beijing, Australia nonetheless could play an important role that helps steer China and Taiwan towards a peaceful outcome. If Australia could contribute towards reducing the suspicion, misunderstanding and misperception that often bedevils China's Taiwan policy-making process, it has nothing to lose and a lot to gain.

China Trade Tables

Table 1—China: Trade with the US—billions US\$

	1992	1993	1994	1995	1996	1997	1998
Chinese Exports	8.6	16.9	21.4	24.7	26.7	32.7	38.0
Chinese Imports	8.9	10.6	13.9	16.1	16.1	16.3	16.9
Balance	-.3	6.3	7.5	8.6	10.6	16.4	21.1

Source: IMF Direction of Trade Statistics Yearbook 1999

Table 2—Chinese Exports to the US as a percentage of China's Total Exports

1992	1993	1994	1995	1996	1997	1998
9.9	17.3	17.7	16.5	17.7	17.8	20.7

Source: IMF Direction of Trade Statistics Yearbook 1999

Table 3—Hong Kong: Trade with the US—billions US\$

	1992	1993	1994	1995	1996	1997	1998
Hong Kong Exports	27.5	31.1	35.1	37.8	38.3	40.9	40.7
Hong Kong Imports	9.1	10.2	11.5	14.8	15.6	16.2	13.7
Balance	18.4	20.9	23.6	23.0	22.7	24.7	27.0

Source: IMF Direction of Trade Statistics Yearbook 1999

Table 4—Hong Kong: Exports to the US as a percentage of Hong Kong's Total Exports

1992	1993	1994	1995	1996	1997	1998
23	23	23	22	22	22	23

Source: IMF Direction of Trade Statistics Yearbook 1999

Table 5—Chinese Exports to Hong Kong as a percentage of China's Total Exports

1992	1993	1994	1995	1996	1997	1998
43	24	27	24	22	24	21

Source: IMF Direction of Trade Statistics Yearbook 1999

Appendix I: Balance of Forces: China and Taiwan, 2000

Balance of forces: China and Taiwan, 2000

	China	Taiwan	China's Military Region	Nanjing
Total armed forces (active duty)	2 489 000	376 000	300–500 000	
Nuclear forces and ground and sea-launched ballistic missiles	15–20 ICBM, 66 IRBM 12 SLBM, 150 SRBM	None	150 + SRBM	
Total ground forces	1 830 000	240 000	300 000	
Tanks	10 030	1625	2300 estimate	
Artillery (self-propelled and towed)	14 5000	1375	2500 est.	
Total air-force personnel	420 000	68 000	not known	
Total combat aircraft	3520	668	3000 est.	
Bombers	320+	None	Not known	
Fighters	3000, total including 50 Su-27	562 total, including 150 F-16 A/B, 60 <i>Mirage</i> 2000-5 130 IDF	1300 within 500 km radius	
Airborne early warning	None	4 E-2T	None	
Total naval personnel	230 000, including 5000 marines	68 000, including 30 000 marines	Not known	
Principal surface combatants	53, of which 18 destroyers 35 frigates	37, total of which 16 destroyers, 21 frigates	20, of which 4 destroyers, 16 frigates	
Submarines	70, of which 1 SSBN <i>Xia</i> , 5 SSN <i>Han</i> , 1 SSG <i>mid-Romeo</i> , 63 SS (1 Song, 4 Kilo, 17 <i>Ming</i> , 41 <i>Romeo</i>)	4 SS (2 Guppy, 2 <i>Zwaarduis</i>)	Not known	
Anti-submarine warfare aircraft	4	32		
1999 Defence Budget \$US	12.6 billion	10.9 billion		

Notes: Probably fewer than 20 of China's submarines are actually operational while most of China's bomber and fighter aircraft are too antiquated to be of significant use against Taiwan.

Sources: IISS, *The Military Balance*, Oxford University Press, London, 2000; Andrew Yang, Chinese Council for Advanced Policy Studies, Taipei; Federation of American Scientists, Taiwan Crisis web page, (www.fas.org); James H. Nolt, The China–Taiwan Military Balance in Winston L. Yang and Deborah A. Brown, eds, *Across the Taiwan Straits: Exchanges, Conflicts and Negotiations*, Centre for Asian Studies, St. John's University, New York, 1999, p. 181.

Endnotes

1. For example, Yan Xuetong, CICIR, discussions, ANU, Canberra, 3 March 2000; and Jia Qingguo, School of International Studies, Peking University, interview, Beijing, 30 May 2000.
2. See Greg Austin, ed., *Missile Diplomacy and Taiwan's Future: Innovations in Politics and Military Power*, Canberra Papers 122, ANU 1996.
3. *The One-China Principle and the Taiwan Issue*, The Taiwan Affairs Office & the Information Office, People's Republic of China, Beijing, February 2000, p. 17–18, (hereafter, *White Paper*). The same wording with the same message was repeated in the *White Paper on China's National Defense 2000*, published by the Information Office of the State Council, Beijing, 16 October 2000.
4. These goals were adopted by the DPP at its First National Congress on 10 November 1986 and reaffirmed at its 8th National Party Congress on 8 May 1999: *Democratic Progressive Party, Documents*, DPP Headquarters, Taipei, 8 May 1999.
5. The Chinese attack on Vietnam in 1979—across a land border—took almost a year of preparations and blew out the defence budget by 50 per cent.
6. US Senate, Committee on Foreign Relations, *Report on Mutual Defence Treaty with the Republic of China*, 8 February 1955, Senate, 84th Congress, 1st Session, Executive Report No. 2, US Government Printing Office, Washington, 1955, p. 8.
7. US Department of State, *Foreign Relations of the United States 1955-1957*, Volume II, US Government Printing Office, Washington, 1987, p. 62, 80.
8. *Keesing's Contemporary Archives*, 1972, 25150.
9. *Keesing's Contemporary Archives*, 1979, 29534.
10. Lori Fisler Damrosch, *The Taiwan Relations Act After Ten Years*, Occasional Papers No 4, School of Law, University of Maryland, 1990, p. 2.
11. *New York Times*, 18 August 1982, p. A12.
12. David Shambaugh 'Patterns of Interaction in Sino-American Relations', in Thomas W. Robinson and David Shambaugh, eds, *Chinese Foreign Policy Theory and Practice*, Clarendon Press, Oxford, 1994, pp. 210–212.
13. By 1995, however, China had overtaken Taiwan, and when Hong Kong is factored into the equation, it is well in front as America's third largest trading partner, with Taiwan in sixth position: International Monetary Fund, *Direction of Trade Statistics Yearbook*, IMF, Washington, 1996, pp. 445–6.
14. US arms sales to Taiwan in 1983 were worth \$US774 million. By 1992, the figure had declined to \$US573 million.
15. USIS Wireless File, Canberra, 14 September 1992.

16. For one of the best accounts of Sino–US relations and the part played by Taiwan, see Patrick Tyler, *A Great Wall: Six President and China: An Investigative History*, The Century Foundation, New York, 2000.
17. President Bill Clinton, address to the UN General Assembly, New York, 27 September 1993 in USIS Wireless File, Canberra, 29 September 1993.
18. Reported by *Agence France Presse*, Washington, 11 May 1995.
19. Shen Guofang, Chinese Foreign Ministry spokesman, *Zhongguo Xinwen She*, Beijing, 18 May 1995.
20. Personal interviews, Beijing, 21 July 1995.
21. See Gary Klintworth, *Crisis Management: China, Taiwan and the United States—1995–6 Crisis and its Aftermath*, Department of the Parliamentary Library, Research Paper No 14, 24 March 1997, (hereafter cited as Klintworth, *Crisis Management*).
22. Personal interviews, Beijing, 22 July 1995.
23. For a different analysis of the leadership reaction, see Andrew Scobell, 'Show of Force: Chinese Soldiers, Statesmen, and the 1995–96 Taiwan Strait Crisis', in *Political Science Quarterly*, volume 115, number 2, 2000, p. 227; and June Teufel Dreyer, 'Flashpoint in the Taiwan Strait', *Orbis*, volume 44, number 4, Fall 2000, p. 615.
24. Six missiles were fired into the sea 140 km north of Taiwan between 21–24 July 1995. Between 15–25 August 1995, China fired another four missiles and live artillery rounds into the sea 136 km north of Taiwan. In November 1995, Chinese television showed the test-firing of surface to air missiles. Another three M-series surface to surface missiles were fired into the sea north and south of Taiwan between 8–15 March 1996, just before Taiwan's Presidential elections on 23 March 1996.
25. US Secretary of State Warren Christopher and Chinese Foreign Minister Qian Qichen, press conference, Washington, 27 September 1995, quoted in USIS Wireless File, 28 September 1995.
26. Keeping channels of communication open and signalling in a clear, unambiguous way is critical for successful management of a diplomatic crisis: James L. Richardson, *Crisis Diplomacy: The Great Powers Since the Mid-Nineteenth Century*, Cambridge Studies in International Relations 35, Cambridge University Press, Melbourne, 1994, pp. 365–6.
27. Remarks by Chen Li-an at a private seminar, ANU, Canberra, 11 July 1996.
28. *Central News Agency*, Taipei, 13 February 1996; *Tzu-li Wan-Pao*, Taipei, 15 February 1996; *Free China Journal*, 12 April 1996.
29. *White Paper*.
30. Interview with Lee Teng-hui, *The New York Times*, 3 September 1995.
31. Quoted in *US News & World Report*, 23 October 1995.
32. Quoted in *Free China Journal*, Taipei, 20 October 1995.

33. *Lien Ho-Pao*, Taipei, 26 April 1996. Jiang also sent a conciliatory message (via US Senator Craig Thomas), in the form of a line of poetry to the effect that after the storm, the sky was clear. Ku Chen-fu, Chairman of Taiwan's Straits Exchange Foundation, said the phrase was an expression of goodwill: *Chung-Kuo Shih-Pao*, Taipei, 11 April 1996.
34. President Lee Teng-hui, Text of Inaugural Speech, *Central News Agency*, 19 May 1996, internet.
35. Personal interview with an adviser to Lee Teng-hui, Taipei, 3 July 1996.
36. For a more pessimistic analysis of events at this time, see Andrew Scobell, 'Show of Force: Chinese Soldiers, Statesmen, and the 1995–96 Taiwan Strait Crisis', in *Political Science Quarterly*, volume 115, number 2, 2000, p. 227. He suggests, at p. 245, that there was a dangerous lack of clear communication between Beijing and Washington.
37. *Central News Agency*, Taipei, 15 March 1996.
38. Personal interviews, Ministry of Defence, Taipei, 19 March 1996.
39. Reported in *Kyodo*, Washington, 8 March 1996; *Reuters*, Washington, 7 March 1996.
40. Reported in *Reuters*, Washington, 14 March 1996.
41. Reported in the *Asia Times*, 28 March 1996.
42. According to Taiwan's National Security Bureau: *Agence France Presse*, Taipei, 9 February 1996; and Winston Lord, statement, hearings on 'Taiwan's Security: Threats and Responses', US Senate, East Asian and Pacific Affairs Subcommittee, Washington, 7 February 1995.
43. See *Ping Guo Jih Pao*, Hong Kong, 8 March 1996. John Deutch, Director of the CIA, said the US monitored China's military moves on a minute by minute basis: *AAP*, Washington, 22 February 1996.
44. Reported by *Reuters*, Tokyo, 1 March 1996.
45. As reported by *Associated Press*, Washington, 10 March 1996 and *Reuters*, Dubai, 14 March 1996.
46. Reported in *Zhongguo Tongxun She*, Hong Kong, 20 April 1996.
47. *ibid.*
48. The latest round was in October 2000 when General Yu Yongbo, Central Military Commission member and Director of the PLA's General Political Department met President Clinton's National Security Adviser Samuel Berger and Deputy Secretary of State, Strobe Talbott: 'Chinese generals converge on US for talks', *Taipei Times*, 25 October 2000. Taiwan was one of the main subjects discussed in Beijing in November 2000 when General Henry Shelton, Chairman of the US Joint Chiefs of Staff met China's Defence Minister Chi Haotian, the Chief of the PLA's General Staff, General Fu Quanyou and Zhang Wannian, Vice Chairman of the Central Military Commission. 'Sino-US military exchanges resume gradually', *Wen Wei Po*, Hong Kong, 4 November 2000.

49. Interviewed by the CBS News '60 Minutes', Jiang said the United States had state-of-the-art technology so all the explanations about a mistaken bombing of the Chinese embassy were 'absolutely unconvincing': 'Jiang Zemin Comments on US International Role, Embassy Bombing', *Renmin Ribao* Beijing, Internet Version, 1 September 2000.
50. Select Committee US House of Representatives, *US National Security and Military Commercial Concerns with the PRC*—the Cox Report, 25 May 1999.
51. See Michael M. May et al., eds, *The Cox Committee Report: An Assessment*, Center for International Security and Cooperation, Stanford University, December 1999. According to President Bill Clinton, the US government could not justify the way it dealt with Wen Ho Lee, the former Los Alamos scientist at the centre of the spying allegations: 'Clinton says government cannot justify handling of the Lee case', *Xinhua*, Beijing, 14 September 2000.
52. 'Senator Bunning says China does not deserve Permanent Normal Trade Relations', USIS Washington File, EPF112, 11 September 2000.
53. 'Taiwan Security Enhancement Act opposed', *Zhongguo Tongxun She*, Hong Kong, 1 February 2000.
54. *White Paper*, p. 26.
55. Interview with President Lee Teng-hui, 9 July 1999, *Deutsche Welle*, reported in *Taipei Speaks Up, Special State-to-State Relationship*, Mainland Affairs Council, Taipei, August 1999.
56. PLA Army Daily, (*Jiefangjun Bao*), Beijing, 10 September 1999, 'Not Dropping the Threat of Force'.
57. *White Paper*, pp.17–18.
58. Author interviews, Beijing, 20 May 2000.
59. *White Paper*, pp.1–5.
60. Hu Qihua, 'Missile system threatens relations', *China Daily*, 16 August 2000.
61. China presently has only about 20 missiles with the range to reach the US whereas the latter has thousands of missiles capable of hitting China. Beijing fears it will be exposed to US intimidation if China's small strategic rocket force is rendered useless by a US national missile defence (NMD) that shields the US and allows the US to retain its strategic arsenal intact. A theatre missile defence (TMD) that similarly protects Taiwan would neutralise what Beijing regards as its only credible military leverage over Taiwan and the latter's drift towards independence. According to PLA Deputy Chief of Staff Xiong Guangkai, a US TMD for Taiwan would amount to a new version of the 1954 US-Taiwan mutual security treaty. The treaty was abrogated in 1979 as a pre-condition to the establishment of diplomatic relations between China and the US: General Xiong Guangkai, address to the Australian Defence College, Canberra, 7 November 2000.
62. More than a billion Chinese have access to television.
63. See Edward S. Steinfeld, *Forging Reform in China The Fate of State-Owned Industry*, Cambridge University Press, Cambridge, 1998.

64. China is losing grasslands to desertification at the rate of more than 2000 sq km per annum with the nearest desert to Beijing 180 km away and approaching at a rate of 1.8 km per annum.
65. See John Pomfret, 'Beijing receives wake-up call on farmers' woes', *Washington Post*, 4 September 2000, p. A16.
66. Ligang Song, 'Trade reform and development', in Ross Garnaut and Ligang Song, eds, *China twenty years of reform*, Asia Pacific Press, Canberra, 1999, p. 87.
67. Lawrence Greenwood, 'APEC promotes sustainable economic growth in the Asia-Pacific', Speech to APEC Colloquium, Washington, USIA Washington File, EPF403, 17 August 2000.
68. *China embraces the market*, East Asia Analytical Unit, DFAT, Canberra, 1997, p. 137.
69. Geoff Hiscock, 'China poised for great leap', *The Australian*, 12 June 2000, p. 41.
70. East Asia Analytical Unit, *China embraces the market*, DFAT, Canberra, 1997, p. 153.
71. Taiwanese investment in China rose from \$US1 billion in 1991 to \$14.5 billion in 1999. Cumulatively, it is worth about \$US45 billion involving about 45,000 Taiwanese enterprises although the real figure is probably much higher as many Taiwanese investors in the mainland do not declare their activities or they operate out of Hong Kong.
72. *The APEC Region Trade and Investment*, DFAT, Canberra, 1999, p. 45.
73. 'Xinhua reports growing cross-strait trade', *Xinhua*, Beijing, 13 September 2000.
74. 'Renmin Ribao on prospects of cross-strait exchange, cooperation', *Renmin Ribao*, Beijing, 14 September 2000. According to Heather Smith and Stuart Harris, the dependency is the other way around, with Taiwan's economic future 'irrevocably tied' to the mainland. They quote former Premier Lien Chan to the effect that by the year 2000, the mainland would be Taiwan's biggest trading partner, the most important destination for Taiwanese foreign investment, the major source of Taiwan's foreign exchange surpluses and the heartland of Taiwan's economic future: Heather Smith and Stuart Harris, 'Economic Relations across the Taiwan Strait: Interdependence or Dependence?' in Greg Austin, ed., *Missile Diplomacy and Taiwan's Future: Innovations in Politics and Military Power*, CP No 122, Strategic and Defence Studies Centre, Canberra, 1997, p. 171, 172.
75. On China's record on arms control, see Gary Klintworth, 'China and Arms Control: A Learning Process', *Journal of East Asian Affairs*, Volume XIV Number 1, Spring/Summer 2000, p. 84–117.
76. Major General Yao Youzhi, Institute of Strategy, PLA Academy of Military Science, Beijing, quoted in Ching Cheong, 'Why China is going easy on Taiwan for now', *The Straits Times*, Singapore, 18 August 2000.
77. *China's National Defence in 2000*, Information Office of the State Council of the PRC, October 2000.
78. A respected specialist on the PLA, David Shambaugh, believes that the real figure is about 15 per cent higher than the official figure: 'Here is a welcome shift by China toward military transparency', *International Herald Tribune*, 24 October 2000.

79. According to the June 2000 *Annual Report to US Congress on the Military Power of the PRC*, the Secretary of US Department of Defence assessed that China would not begin to gather the capabilities to successfully capture Taiwan until 2020. The Report states that the Chinese navy is vulnerable to air attack; its submarine warfare capabilities are modest; it does not yet have operational long range cruise missiles, and achieving air superiority over the Taiwan Strait against Taiwan would be exceedingly difficult. In other words, it will be many years before the mainland is able to mount a credible threat to Taiwan, assuming that it intended to do so. For the foreseeable future, therefore, the military balance in the Taiwan Strait is such that the PLA cannot be certain of a quick victory.
80. Tom Raum, 'New images question Chinese threat', *Associated Press*, Washington, 12 May 2000.
81. 'Military might focused on Taiwan', *China Post*, Taipei, 19 May 2000.
82. Taiwan ranked as the second largest buyer of US military equipment (after Saudi Arabia) in 1992–99: Richard F. Grimmett, *Conventional Arms Transfers to Developing Nations 1992–1999* Congressional Research Service, Library of Congress, Washington, 18 August 2000. On shortcomings in mainland pilot training and related matters, see Shirley Kan et al., *China's Foreign Conventional Arms Acquisitions: Background and Analysis*, CRS Report for Congress, Congressional Research Service, The Library of Congress, Washington, 10 October 2000, p. 36.
83. USIA, Washington File, EPF404, 8 June 2000.
84. John Schauble, 'Zhu renews Taiwan warning', *The Age*, 2 October 2000, p. 6. Taiwan's continued superiority, however, will depend on the type of air to air missile sold to China by Russia. There are, for instance, four versions of the AA-10 Alamo air to air missile and two versions of the AA-11 Archer and the AA-12 Adder. See *Aviation Week & Space Technology*, 17 January 2000, p. 167.
85. Kenneth W. Allen, Glenn Krumel and Jonathon D. Pollack, *China's Airforce Enters the 21st Century*, RAND Corporation, Santa Monica, 1995.
86. Admiral Dennis C. Blair, US Navy Commander in Chief, US Pacific Command, Statement to the House International Relations Committee, Subcommittee on Asia and the Pacific, Washington, 8 March 2000 (<http://www.house.gov>).
87. *Sydney Morning Herald*, 12 February 1999, '200 new missiles target Taiwan'.
88. Robert Wall, 'China seen building conventional might', *Aviation Week and Space Technology*, 3 July 2000, p. 32.
89. See John Zeng, 'PLA thinking about an invasion of Taiwan in the year 2000', in Peter Kien-hong Yu, *The Chinese PLA's Perception of an Invasion of Taiwan*, Contemporary US-Asia Research Institute, New York, 1996, p.133.
90. 'Defence Minister, Tang Fei says Taiwan to build its own missile defence', *Central News Agency*, Taipei, 23 August 1999. The US Administration, meanwhile, is considering the supply to Taiwan of early warning radars and anti-missile platforms such as the Aegis-class anti-missile warship. 'Defense Minister Wu Shih-wen maps out Taiwan's military build-up plans', *Central News Agency*, Taipei, 2 July 2000.

91. Klintworth, *Crisis Management*, p.17.
92. According to public opinion polls, most Americans support Taiwan and perceive China as challenging the US: 'Moral Question for America', *The Straits Times*, Singapore, p. 41, 2 July 2000. According to other opinion polls, however, only one third of Americans believe the US should defend Taiwan against the mainland, with 21 per cent supporting provision of weapons only, and one quarter favouring the avoidance of all military action: Floyd Ciruli, 'US defense strategy changes focus', *Taipei Journal*, 22 September 2000.
93. Quoted in 'Between Asian bedrock and a hard pact', *The Australian*, 1 September 1999, p. 13.
94. Nat Bellochi, 'US Parties' Platforms on Taiwan', *Taipei Times*, 24 August 2000.
95. See Gary Klintworth and Murray McLean, 'China and the United States: Neither Friends nor Enemies', in Stuart Harris and Gary Klintworth, eds, *China as a Great Power*, Longman, Melbourne, 1995, p. 65.
96. Transcript, remarks by Martin Petersen, Office of East Asian Analysis, Central Intelligence Agency, in Hearing of the Joint Economic Committee on China's Economy, US Congress, Washington, 30 July 1993.
97. Paul Mann, 'Chinese hegemony called decades away', *Aviation Week & Space Technology*, 3 July 2000, p. 32.
98. See Klintworth, *Crisis Management*.
99. Quoted in A. Doak Barnett, *China and the Major Powers in East Asia*, Brookings Institution, Washington, 1977, p. 166.
100. Qian Qichen, 'Toward a China-US relationship for the 21st century', *Beijing Review*, 19–25 May 1997, p. 9.
101. USIA Washington File, EPF409, 20 March 1997, 'Current US-China trade relationship unsustainable'.
102. Mathew Vita, 'Senate approves normalised trade with China 83-15', *Washington Post*, 20 September 2000. China claims that the surplus in its trade with the US is exaggerated by the US practice of including trade with Hong Kong as part of its trade with China: 'US accused of exaggerating trade deficit with China', *Xinhua*, Beijing, 13 February 1996.
103. There are over 50 000 Chinese students presently studying the US: 'Chinese Ambassador to US Li Zhaoxing on Sino-US relation', *Zhongguo Xinwen She*, Washington, 4 November 2000.
104. Remarks by the President on China and the national interest, *Voice of America*, USIA EPF505, 24 October 1997.
105. Professor Zhang Zhaozhong from the PLA's National Defence University, quoted in 'Will foreign armed forces be involved in a war between the two sides of the Taiwan Straits', *Ta Kung Pao*, Hong Kong, 17 August 1999.
106. See Stuart Harris and Richard N. Cooper, 'The U.S.-Japan Alliance', in Robert D. Blackwill and Paul Dibb, eds, *America's Asian Alliances*, The MIT Press, Cambridge, Massachusetts, 2000, p. 31.

107. See Peter Kien-Hong Yu, 'Keeping an eye on Tokyo', *Defense News*, 2 October 2000, p. 19.
108. Author interviews, Japanese Defence Agency, Tokyo, 15 February 2000. Speaking at a news conference, Japanese Chief Cabinet Secretary Seiroku Kajiyama said Japanese support for the US in the event of conflict in the Taiwan Strait was 'inevitable': reported by *Agence France Presse*, Tokyo, 19 August 1997.
109. Japan has extended more than US\$23 billion in economic assistance to China since 1980: John Pomfret, 'Rocky Road for China-Japan talks', *The Washington Post*, 29 August 2000, p. A14. According to data in *The APEC Region Trade and Investment 1999*, DFAT, Canberra, 1999, p. 44, Taiwan is Japan's third largest trading partner.
110. Stuart Harris, 'China, Economics and Security', paper presented to an international conference on *China and the Asia-Pacific Economy*, University of Queensland, July 1996.
111. See Klintworth, *Crisis Management*. On 17–18 February 2000, just before Taiwan's Presidential elections, Vice Premier Qian Qichen, (the chief architect of China's Taiwan policy), CMC Vice Chairman Zhang Wannian and PLA DCGS Xiong Guangkai consulted on Taiwan with a high level US delegation led by US Deputy Secretary of State, Strobe Talbott, US Undersecretary of Defense Walter Slocombe, Vice Chairman of the Joint Chiefs of Staff, Joseph Ralston and the Deputy National Security Adviser to the President, James Steinberg: 'More on FM Spokesman on PRC-US Strategic Consultations', *Zhongguo Xinwen She*, Beijing, 22 February 2000. Such exchanges are ongoing.
112. 'MAC: US Shuttling between two sides of the Taiwan Strait', *Central News Agency*, Taipei, 3 June 2000.
113. Steven Mufson, 'In a meeting, Clinton presses Jiang', *The Washington Post*, 9 September 2000, p. A16.
114. 'China turns benign', *Australian Financial Review*, p. 2, 13 July 2000. Cohen subsequently reiterated that this was indeed a very significant change from China's earlier more threatening approach: 'Remarks by Secretary of Defense William S. Cohen', Center for Strategic and International Studies, Washington, 2 October 2000.
115. 'PRC's Jiang urges psychological warfare campaign on Taiwan', *China Post*, 23 May 2000.
116. Samuel B. Griffith, *Sun Tzu The Art of War*, Oxford University Press, London, 1963, p. 79.
117. *Wen Wei Po*, 'Missiles, China has them too!!', 1 June 1999.
118. According to the US Department of Defence (*1988 Soviet Military Power*, p. 86), the Sunburn's performance characteristics would make it difficult to intercept.
119. Shirley Kan et al., *China's Foreign Conventional Arms Acquisitions: Background and Analysis*, CRS Report for Congress, Congressional Research Service, The Library of Congress, Washington, 10 October 2000, p. 54.
120. Interviews by the author in the Ministry of Defence, Taipei, 19 May 2000.
121. See *China's National Defense in 2000*, Information Office of the State Council, Xinhua, Beijing, 16 October 2000.

122. See *Defence Economic Trends in the Asia-Pacific Region*, DIO, Department of Defence, Canberra, 1999.
123. James H. Nolt, 'The China-Taiwan Military Balance', in Winston L. Yang and Deborah A. Brown, eds, *Across the Taiwan Strait: Exchanges, Conflicts and Negotiations*, Centre for Asian Studies, St. John's University, New York, 1999, p. 183.
124. Deng Xiaoping, quoted in 'A powerful ideological weapon for guiding external work in the new era—understanding through study of Deng Xiaoping's diplomatic thinking', *Renmin Ribao*, Beijing, 13 July 2000.
125. *ibid.*
126. Jiang's eight point offer to Taiwan, issued in January 1995, was as follows: 1. The principle of one China was the basis and premise for peaceful reunification; 2. China would not challenge the development of non-government ties between Taiwan and other countries (intended to address Taiwan's demand for more international living space); 3. China was ready to hold negotiations with Taiwan on peaceful reunification; 4. China and Taiwan should strive for peaceful reunification since Chinese should not fight fellow Chinese; 5. efforts should be made to expand economic exchanges and cooperation between the two sides in the interests of common prosperity; 6. China's cultural tradition of 5000 years was an important basis for peaceful reunification, (similar to President Chen Shui-bian's remark in his inaugural speech on 20 May 2000 that China and Taiwan share the same ancestral, cultural and historical background); 7. China would fully respect the lifestyle of the Taiwanese Chinese and protect all their legitimate rights, interests and investments; 8. leaders from Taiwan were welcome to visit China in appropriate capacities and Chinese leaders would accept invitations to visit Taiwan.
127. In fact, the *White Paper* mentions the word **equality** between China and Taiwan on several occasions: cross-Straits negotiations were to be conducted on **the basis of equality**; China had taken account of Taiwan's request for negotiations to be held on an equal footing; that on the basis of the one China principle, the two sides will hold **consultations on an equal footing** in order to discuss national reunification; and the two sides have already held talks between China's ARATS and Taiwan's SEF **on an equal footing** and demonstrating that that it is entirely possible to hold talks **based on equality** between the two sides.
128. Lee Teng hui was the former President of Taiwan. He made his statement about China and Taiwan having 'a special state-to-state relationship' on 9 July 1999. See n.55, above.
129. The *China Times* 3 July 2000, 'PRC Making Overtures to Legislators', reported that mainland Chinese officials had stepped up their efforts to initiate a dialogue with members of Taiwan's legislature and create a 'second track' for cross-strait relations. Mainland representatives have been communicating with Taiwan through academic, business and non-governmental channels, and in some cases have directly contacted legislators. *The Taipei Times*, 11 September 2000, 'US to hold Track Two Cross-Strait talks' reported that representatives from China, Taiwan and the US met in Washington on 15–17 September 2000 in talks designed to break the cross-strait deadlock. According to another report, Taiwanese Foreign Minister Tien Hong Mao has invited Singapore's Lee Kuan Yew to assist with future talks

between Taipei and Beijing: 'Taiwan FM says Singapore's Lee to visit 'to assist' future talks with PRC', *Agence France Presse*, Hong Kong, 12 August 2000

130. 'Jiang Zemin at CPPCC Tea Party', *Xinhua* Beijing, 1 January 2000. Chen Shui-bian, when asked, said that he accepted Jiang's speech as a sign of pragmatism and goodwill—'HK Paper interviews Chen Shui-bian', *Ming Pao*, Hong Kong, 17 January 2000
131. Remarks by Tsai Ying-wen, press conference, Taipei, 19 May 2000.
132. It suggested, inter alia, that Taiwan could become part of a great power China with enhanced international status; it could have a say in the management of China's state affairs; it would gain better access to a huge and prosperous Chinese common market and it would be given legal guarantees for its rights and interests: *People's Daily*, Beijing, 29 May 2000.
133. On 20 June 2000, some DPP members proposed dropping the independence proposal from the DPP's policy platform altogether. The motion generated heated debate and was not carried, but the idea and its implications have not gone away. On 13 September 2000, the Chairman of the DPP, Frank Hsieh alluded to the possibility that the DPP might yet consider reunification between Taiwan and mainland China. Hsieh survived a bout of internal party strife and claimed, moreover, that he had the backing of President Chen Shui-bian: 'DPP Chairman survives Party internal strife', *Central News Agency*, Taipei, 13 September 2000.
134. 'Remaining vigilant to two-states theory', *China Daily*, 27 May 2000; 'Chen Shui-bian's middle of the road line de facto Taiwan independence', *Ta Kung Pao*, Hong Kong, 5 July 2000. Another mainland expert on Taiwan claims that Chen has implemented a new middle of the road pro-independence strategy and has thereby outsmarted a weak and dispirited Kuomintang: 'PRC expert discusses Taiwan opposition parties', *Ta Kung Pao*, 5 October 2000.
135. For a discussion, see Klintworth, *Crisis Management*.
136. Chen Shui-bian, *The Son of Taiwan*, Taiwan Publishing Co, Taipei, 2000.
137. In Chen's view, Taiwan's independence would depend on whether the KMT sold out Taiwan through unilateral peace talks with the mainland, if the KMT did not introduce democratic reforms and if China attempted to use force against Taiwan.
138. In the March 2000 elections, Chen received 4 997 737 votes or 39.30 per cent of the total compared to the two pro-mainland candidates Soong Chu-yu who received 4 664 32 or 36.8 per cent, and Lien Chan who received 2 25 13 or 23.1 per cent. Of Chen's 39 per cent, 15 per cent voted for him because they wanted clean government and because Chen, who had promised not to pursue independence if he was elected, seemed like the best candidate to do that. If the issue had been independence per se Chen would not have won the election.
139. 'Taiwan President accepts one China, respective interpretations', *Central News Agency*, Taipei, 27 June 2000.
140. 'Taiwan President urges PRC to resume cross-Strait dialogue', *Central News Agency*, Taipei, 14 September 2000.

141. Stephen J. Yates, 'Better US treatment of Taiwan', Executive Memorandum 694, The Heritage Foundation, 11 September 2000.
142. See *Der Spiegel* interview with President Chen Shi-bian', Central News Agency, Taipei, 16 October 2000, and 'Taiwan Presidential Office: Chen Shui-bian proud as an 'ethnic Chinese'', *Central News Agency*, Taipei, 17 October 2000. The distinction between being an ethnic Chinese (huaren) and a Chinese (zhongguoren) is probably lost on a Western audience. In the author's view, however, the fact that Chen declared he was Chinese, despite the subsequent qualification, and the fact that he did so in an interview with the German media are positive signals in the arcane world of China–Taiwan relations. First, many mainland commentators took Chen's previous failure to declare that he was a Chinese as an indication that he was in favour of independence and secondly, it was to the German media that Chen's predecessor, Lee Teng-hui, made his controversial remarks about China and Taiwan having 'a special state-to-state relationship'.
143. Interim 'mini-links' between Taiwanese-held offshore islands and China's southern ports are to open in mid-December: 'MAC Chairwoman Tsai Ing-wen says preparations to link Kinmen with PRC 70 per cent complete', *Central News Agency*, Taipei, 14 September 2000.
144. 'Bringing Young Taiwan Toward a New Normalised Relationship with China', speech to DPP China Policy Conference, Taipei, 20 September 1999; 'HK Paper interviews Chen Shui-bian', *Ming Pao*, Hong Kong, 17 January 2000.
145. Premier Tang Fei, a former ROC Airforce Commander, Chief of General Staff and Defence Minister, stated that while Taiwan should continue to strengthen its defence capabilities, it should also establish cross-strait trust building mechanisms to avoid possible conflict resulting from miscalculation or misinformation on either side. Taiwan's Ministry of National Defence is preparing mechanisms for military exchanges across the Taiwan Strait: 'Taiwan Defense Ministry Holds Seminar on Cross Strait Military Mechanism', *Central News Agency*, Taipei, 6 July 2000.
146. Chen's DPP holds only 67 seats in the 221 member legislature while the Kuomintang holds 115, the People First Party holds 19 and the New Party holds nine. There are 12 independents
147. Face the reality of cross-Strait relations', *China Post*, Taipei, 26 October 2000.
148. This reality explains moves by some members of the DPP to have the independence plank dropped from the Party's platform.
149. The Guidelines endorse the idea that the mainland and Taiwan are parts of Chinese territory, that unification was the responsibility of all Chinese people, that 'under the principle of one China', the two sides should solve their disputes through peaceful means and that 'after an appropriate period based on parity and reciprocity, and a consensus on democracy, freedom and equal prosperity, the two sides should 'build anew a unified China'. Although Peng Ming-min, the so-called father of Taiwan's independence, declared that the Chen's inauguration speech was satisfactory 'because the issue of one China cannot be solved overnight', other more radical DPP members thought it was inappropriate for Chen to publicly endorse the National Unification Guidelines and the National Unification Council.
150. Quoted in 'Ah Bian's retrogressive cross-Strait policy', *Ta Kung Pao*, Hong Kong, 23 August 2000.

151. 'One China principle not saddled on Taiwan', *China Daily*, 25 May 2000.
152. *Ta Kung Pao*, Hong Kong, 'ARATS Tang Shubei welcomes Taiwan's comments moving closer to one China', 29 June 2000.
153. Chen Ming-tung, Vice Chairman of Taiwan's Mainland Affairs Council, 'No consensus reached in 1992 on one China', *Central News Agency*, Taipei, 1 July 2000.
154. 'Lien tells Chen about one China consensus', *Straits Times*, Taipei, 28 October 2000.
155. William Foreman, 'Taiwan-China relationship explored', *Associated Press*, Taipei, 18 October 2000.
156. 'More on PRC FM Spokesman on Taiwan's one China, different interpretations', *Agence France Presse*, Beijing, 29 June 2000.
157. *Xinhua*, Beijing, 29 June 2000, quoting PRC Foreign Ministry spokesman, Zhu Bangzao.
158. 'Taiwan's Chen talks tough on 'one China'', *Reuters*, Taipei, 30 June 2000.
159. 'President Chen's National Day Address', *Central News Agency*, Taipei, 10 October 2000.
160. Asked to comment, Premier Zhu Rongji said in Seoul that he did not understand Chen because he said one thing one day and something else the next. 'Chinese Premier cold to Taiwan's bid to mend fences', *Reuters*, Taipei, 22 October 2000.
161. Chen Shui-bian said in his speech on 20 May 2000 that he would not change the status quo before 2004, provided China did not attack. Meanwhile, Chinese leaders decided during their annual retreat at Beidaihe that all military options would be put on hold for five years: Ching Cheong, 'Why China is going easy on Taiwan for now', *The Straits Times*, 18 August 2000.
162. Tang Fei statement, Legislative Yuan question session, Taipei, 4 July 2000, *Kyodo News*.
163. 'Premier Proposes a 'Future New China'', *Taiwan News*, 5 July 2000.
164. Chang Chun-hsiung, a lawyer and foundation DPP member like President Chen Shui-bian, replaced Tang Fei as Premier of Taiwan on 4 October 2000.
165. 'Premier Chang Chun-hsiung urges Taipei-Beijing dialogue not conflict', *Agence France Presse*, Taipei, 17 October 2000.
166. I am reassured on the correctness of this interpretation by the similar analysis of Su Chi, former Chairman of Taiwan's Mainland Affairs Council, reported in 'Taiwan's Ex-MAC chief claims 'spirit of 1992' invented by foreigner', *Central News Agency*, Taipei, 14 October 2000.
167. 'Tsai, Tang Stress 'Separate Interpretations'', *United Daily News*, Taipei, 7 July 2000.
168. Qian used a similar formulation in a speech on 29 September 2000: 'Qian Qichen's speech at National Day reception', *Xinhua*, Beijing, 29 September 2000.
169. Then, a wily President Lee Teng-hui was manoeuvring to optimise Taiwan's position *vis-à-vis* the mainland. He sought to get a re-affirmation of US support and acceptance from China that any negotiations by Taiwan would be on an equal footing and would not cast Taiwan in the role of a subjugated province of a central government in Beijing. Lee's moves—his June 1995 visit to Cornell University in the US and his 1999 remarks about China and Taiwan having 'a

- special state-to-state relationship'—succeeded in infuriating China and exasperating Washington. But Lee achieved his goals.
170. Discussions by the author in Beijing with Sha Zukang, Disarmament Ambassador, Ministry of Foreign Affairs, 26 May 2000.
 171. Senior Colonel Chenghu Zhu, Professor and Deputy Director, Institute for Strategic Studies, National Defence University, PLA, Beijing, discussions with the author, Canberra, 7 July 2000.
 172. Michael Dwyer, 'Cross-Strait rapprochement in the offing', *Australian Financial Review*, 10 July 2000. 'One country, two systems', as applied in Hong Kong after its reversion to China in July 1997, means that Taiwan would be able to preserve its existing political, legal, social and economic system but Beijing would exercise control in the area of defence and foreign policy.
 173. 'Beijing redefines dogma in overture to Taiwan', *Reuters*, Taipei, 27 August 2000; 'Chen Shui-bian meets with US Senator Jack Reed 10 August 2000', fax, Taiwan Economic and Cultural Affairs Office, Canberra, 14 August 2000.
 174. Chinese Vice-President Hu Jintao stated that China would adopt policies to resolve the Taiwan issue that were more flexible than those applied to Hong and Macao. 'PRC Vice-President Hu Jintao discusses Taiwan issue', *Xinhua*, Beijing, 28 October 2000.
 175. Author interviews, Taipei, 19 May 2000. Jiang will be stepping down as President in 2003 although he will probably keep his pivotal influence on Taiwan policy by retaining his position as Chairman of the PLA's Central Military Commission.
 176. See Gary Klintworth, *The Korean Leadership Summit—More Security and Less Uncertainty for the Asia-Pacific Region*, Research Note No 34, Department of the Parliamentary Library, 27 June 2000.
 177. Condoleezza Rice, 'Promoting the National Interest', *Foreign Affairs*, vol. 79, no. 1, January/February 2000, pp. 45–55.
 178. As a member of the WTO, China will be obliged to reduce censorship and open its door even more widely to Western liberal values and the rule of law. As President Clinton's National Security Adviser observed, China's entry into the WTO amounts to a declaration of interdependence—an act of recognition by Chinese leaders that China cannot meet its domestic challenges without opening its economy and participating in a global economic system of rules and responsibilities. It would have to speed up the dismantling of the command economy (through which the Communist Party wielded much of its power) and it would ultimately have to face up to the reality of political reform: 'A foreign policy for the global age', speech by National Security Adviser Samuel Berger, Georgetown University, 19 October 2000, Washington File, EPF508, 20 October 2000.
 179. Joint Communique on the Establishment of Diplomatic Relations between Australia and China, *Australian Foreign Affairs Record*, vol. 43, no. 12, 1972, p. 632.
 180. See Gary Klintworth, *Australia's Taiwan Policy 1942–1992*, Australian Foreign Policy Papers, Department of International Relations, ANU, Canberra, 1993.

181. Geoffrey Barker, 'China lashes out over visit by Taiwan politician', *Australian Financial Review*, 10 March 2000.
182. Paul Daley, 'PNG links strained by cheap loans', *The Age*, 3 July 1999, p. 21.
183. *Australian Financial Review*, 13 March 1996.
184. See Stephen Sherlock, 'Australia's Relations with China: What's the Problem?' Current Issues Brief No 23, 1996/97.
185. Several senior US officials, such as the Commander in Chief US Pacific Forces, Admiral Denis Blair, Assistant Secretary of State for East Asia, Stan Roth and Richard Armitage, an adviser to Republican Presidential candidate George W. Bush, have made it clear that in the event of a conflict in the Taiwan Straits, the US expects Australia to provide military support for US forces in defence of Taiwan. See 'Australia must be prepared for inevitable battle', *Australian Financial Review*, 11 October 1999, p. 12.
186. *Composition of Trade Australia, 1999*, Department of Foreign Affairs and Trade, May 2000.
187. Lee Kuan Yew, Interview, *Far Eastern Economic Review*, 8 June 2000.
188. See *In the National Interest, Australia's Foreign and Trade Policy White Paper*, Department of Foreign Affairs and Trade, Canberra, 1997, p. 33.
189. See *Australia's Strategic Policy*, Department of Defence, Canberra, 1997, p. 8.
190. Lincoln Wright, 'Downer tips post-poll easing of tensions', *Canberra Times*, 20 March 2000.
191. Geoffrey Barker, 'Downer joins chorus for amicable talks', *Australian Financial Review*, 20 March 2000.
192. See articles by the author 'China's PLA consolidates a beachhead in Australia', *Jane's Intelligence Review*, vol. 11, no. 6, June 1999, p. 38; and 'Australia prompts a pacific realignment', *Jane's Intelligence Review*, vol. 11, no. 10, October 1999, p. 46.
193. Or a long-term solution along the lines of the European Union, which gradually developed from the European Coal and Steel Community of 1951, as suggested by Yachung Chang, 'What to learn from EU Integration: Some Points on Cross-Strait Development', paper, Institute of Asia-Pacific Studies, Nanhua University, Taiwan, November 2000 (www.dsis.org.tw/peaceforum/papers/2000-11/E0011001e.htm)