

# Chapter 7

## Taiwan

Taiwan is part of the sacred territory of the People's Republic of China. It is the lofty duty of the entire Chinese people, including our compatriots in Taiwan, to accomplish the great task of reunifying the motherland.<sup>1</sup>

7.1 Taiwan's uncertain political status represents one of Australia's foremost obstacles to maintaining good relations with both China and the U.S. From China's perspective, reunification with Taiwan represents a key foreign policy goal. Evidence received during the inquiry generally emphasised the centrality of the unresolved Taiwan issue to China's identity and relations with the rest of the world. According to Professor Colin Mackerras, emeritus professor of Asian Studies at the University of Griffith:

For China, Taiwan and national reunification is at the heart of domestic policy and national identity. But because any country that recognises the [PRC] *ipso facto* also adopts the one China policy that Taiwan is a province of China, Taiwan has also become an issue in its foreign policy.<sup>2</sup>

7.2 At times, declarations from the U.S. that its military would defend Taiwan in the event of an attack has placed Australia's dual commitment to its strategic alliance with the United States, and its expanding trade relationship with China, under strain.<sup>3</sup> As explored further in this chapter, balancing these two foreign policy objectives would become increasingly difficult for Australia if relations across the Taiwan Strait deteriorate in the future.

7.3 This chapter discusses the nature of prevailing cross-strait relations, the role of the United States in facilitating a peaceful resolution to the issue and, in this context, the implications of Australia's strategic alliance with the U.S.

### Background

7.4 Taiwan's present political status has emerged from the Chinese civil war in the 1940s when the Communist Party drove the ruling Kuomintang (KMT) from power on mainland China, thereafter restricting them to control of Taiwan—which has continued to be known as the Republic of China (ROC). From their defeat and withdrawal in 1949 until the early 1990s, the KMT government maintained that the ROC was the legitimate government for all of China. However, political and social change in Taiwan, democratisation and the reality of the widespread diplomatic recognition of the People's Republic of China (PRC) led the KMT to abandon this

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1 Preamble, *Constitution of the People's Republic of China*, <http://english.peopledaily.com.cn/constitution/constitution.html> (accessed 17 July 2005).

2 Professor Colin Mackerras, *Submission P54*, p. 23.

3 See for example 'Bush commits US forces to defend Taiwan', the *Age*, 26 April 2001, p. 11.

position in 1991. For its part, the PRC maintains the position that Chinese sovereignty is indivisible; Taiwan is part of its sovereign territory and the reunification of Taiwan and mainland China remains the ultimate goal.<sup>4</sup>

7.5 Beginning in the early 1970s, most countries have chosen to recognise the PRC as the legitimate government of China. In 1971, the United Nations voted to transfer the seat held by the ROC to the PRC and endorsed the PRC's one-China policy.<sup>5</sup> This acknowledges that Taiwan is a province of the PRC and cannot attain the status of a national government. The U.S. afforded the PRC official recognition in 1978. Only 26 countries, mostly in Africa, Latin America and the Pacific, today recognise the ROC as the official government of China.<sup>6</sup>

7.6 The Australian government officially recognised the PRC as the sole legal government of China in the Joint Communiqué of 21 December 1972, a position that has retained bipartisan political support since then. It stated that:

The Australian Government recognises the Government of the People's Republic of China as the sole legal Government of China, acknowledging the position of the Chinese Government that Taiwan is a province of the People's Republic of China.<sup>7</sup>

7.7 In response to Taiwan's changing political status, the U.S. Congress passed the *Taiwan Relations Act* in April 1979, providing for the U.S.' non-diplomatic relations with Taiwan. Under this legislation, the U.S. government is authorised to provide Taiwan with weapons of a defensive character. The Act does not, however, obligate the U.S. to defend Taiwan.<sup>8</sup>

7.8 The Taiwanese government no longer claims to govern all of China but maintains a somewhat ambiguous position on its own political identity. Taiwan does not accept that the PRC is Taiwan's legitimate government, but nor does it assert its formal independence from China. Instead, Taiwan has adopted a status of *de facto* independence from China; an autonomous, democratic administration that rejects

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4 See footnote 1 to this chapter and paragraphs 6.18–6.24. Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06.

5 Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06, p. 3.

6 DFAT website, [http://www.dfat.gov.au/geo/taiwan/taiwan\\_brief.html](http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html) (accessed 19 August 2005).

7 PRC Embassy, *Submission P66*, p. 25.

8 Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06, pp. 8–9.

China's right to coercively alter the existing situation by enforcing its reunification with mainland China.<sup>9</sup>

### **People and trade: close cross-strait ties**

7.9 Despite their political differences, China and Taiwan still have close people-to-people ties and continue to deepen their economic relationship. In their submission to this inquiry, Reg Little and James Flowers also emphasised the importance of the person-to-person Taiwanese–Chinese relationship:

The divisions that feature so loudly in the Western press rarely seem relevant when Chinese and Taiwanese mix in economic or cultural environments. Indeed, such divisions seem to belong to another world, where information is manipulated in ideological terms solely to maintain an appearance that remains relevant to little more than American foreign policy and Taiwanese domestic politics, although it retains the potential for damaging confrontation.<sup>10</sup>

7.10 This close cultural relationship between the people of China and Taiwan is reflected in the economic ties between them. In the past decade, China's increasing participation in the global economy has led to the development of very close financial and economic ties across the Taiwan Strait, even where attention has been focussed on their differences. Although exact trade figures are difficult to acquire—most trade passes through Hong Kong or other commercial centres—China and Taiwan are becoming increasingly economically interdependent, despite the absence of direct commercial trading links.

7.11 According to the Taiwanese Bureau of Foreign Trade, China was Taiwan's largest export market (in excess of US\$50 billion) in 2004 and the third largest source of imports. Only Japan exceeded China's share of total trade volume with Taiwan, which was 15 per cent.<sup>11</sup> Furthermore, a U.S. Congressional Research Service report has indicated that Taiwanese businesses' total investment in China stands between US\$70–100 billion, around half all Taiwanese overseas investment. The report also noted that about one million Taiwanese businessmen and their families live in China.<sup>12</sup>

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9 Taiwan's leaders have referred at times to Taiwan as an independent sovereign country. See for example, President Chen's interview by the Washington Post, 30 March 2004; The Office of the President of the Republic of China, President Chen Shui-Bian, 'Writing History with Democracy and Defending Taiwan with Referendum', 3 February 2004; Ministry of Foreign Affairs, Republic of China (Taiwan), 'The Ministry of Foreign Affairs issues the following solemn statement: the government of the Republic of China...', January 2004.

10 Reg Little and James Flowers, *Submission P26*, p. 9.

11 Taiwanese Bureau of Foreign Trade, 'Value of imports and exports by country January 2004–January 2005', *Trade Statistics* (link), <http://eweb.trade.gov.tw/kmDoit.asp?CAT597&CtNode=649> (accessed 24 October 2005).

12 Dick Nanto and Emma Chanlett-Avery, CRS Report to Congress, *The Rise of China and its Effect on Taiwan, Japan and South Korea: US Policy Choices*, April 2005, p. 12.

7.12 The committee notes that in spite of their diverging attitudes on political sovereignty, China and Taiwan have shown restraint, even though tensions have ebbed and flowed in recent years. Neither has behaved recklessly in seeking to force a resolution to Taiwan's status, instead demonstrating preparedness—albeit reluctantly at times—to adhere to the status quo until a diplomatic solution can be reached.

### **The cross-strait status quo**

7.13 Both the U.S. and Australia support a continuance of what is regularly referred to as the cross-strait 'status quo' until a peaceful resolution can be found. Essentially, the status quo refers to a bundle of commitments between China, Taiwan and the U.S. to ensure peaceful relations across the Taiwan Strait. Central to this status quo is China's undertaking to pursue reunification peacefully and Taiwan's acceptance of its present, uncertain political status.<sup>13</sup> Helping to sustain it has been the U.S.' overwhelming military capabilities and its policy of strategic ambiguity.

7.14 The U.S.' policy of strategic ambiguity aims to provide a deterrent to both sides from upsetting the uneasy peace prevailing across the strait. On one hand, the U.S. maintains its adherence to the one-China policy and openly discourages the Taiwanese from declaring political independence (with the implication that recklessly declaring independence would jeopardise U.S. military support in the event of conflict). On the other, the U.S. maintains substantial (albeit unofficial) links with Taiwan and provides arms in accordance with the provisions of the *Taiwan Relations Act*.

7.15 Critically, the U.S.' strategically ambiguous stance operates as a deterrent to both parties to engage in action that will potentially threaten the status quo, these being:

- a) Taiwan formally moving towards declaring its independence; and/or
- b) China instigating military action against Taiwan to force reunification.

7.16 Roy Pinsker has described the rationale for strategic ambiguity:

[The] case for the United States retaining strategic ambiguity rests on the idea that this posture enables it simultaneously to deter each of two strategic actors from unilaterally pursuing their mutually exclusive maximal objectives: independence in the case of Taiwan and reunification in the case of the PRC.<sup>14</sup>

7.17 Although the U.S.' policy of strategic ambiguity has helped maintain the status quo, recent events have demonstrated that the arrangement remains a tenuous

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13 Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06, p. 4.

14 Roy Pinsker, 'Drawing a line in the Taiwan Strait: strategic ambiguity and its discontents', *Australian Journal of International Affairs*, vol. 57, no. 2, July 2003, p. 356.

one. It is dependent on the three participants persevering with an arrangement that is, in the longer term, less than satisfactory to all.

### **Difficulties facing the status quo**

7.18 Peace over the Taiwan Strait was most immediately threatened during 1995–1996 in the months preceding Taiwan's first direct presidential election. Reportedly interpreting this event as the Taiwanese damaging future reunification prospects by forging its own political identity, from July 1995 the PLA conducted a series of missile 'tests' directed into the sea off Taiwan's two main ports. In March 1996, the U.S. responded by positioning two aircraft carrier groups adjacent to the Taiwan Strait.<sup>15</sup> The standoff dissipated after the election, but it indicated that Taiwan's ongoing process of democratisation could place significant strain on the status quo.

### ***Taiwan's evolving political environment***

7.19 While direct military confrontation has not been a characteristic of recent cross-strait tensions, a critical element in peaceful cross-strait relations remains Taiwan's domestic political developments. Given its economic imperatives, China is unlikely to engage militarily with Taiwan (and potentially the U.S.) unless provoked by moves by Taiwan to declare its own independence. Taiwan's democratisation and the rise of a domestic political movement for independence have generated the political environment in which this has become a possibility.

7.20 The election of the Taiwanese Democratic Progressive Party (DPP) in December 2000 was highly significant in this respect. The DPP was established on a platform of democratic reform and the advancement of a distinct identity for Taiwan, generating concerns that Taiwan may seek to declare independence from the PRC. In March 2004, DPP leader President Chen Shui-bian narrowly retained power.<sup>16</sup>

7.21 For its part, the Taiwanese government has not moved to exert formal independence and thus abandon the status quo. Nonetheless, there has been some strong rhetoric from President Chen Shui-bian on Taiwan's sovereignty:

The sovereignty of the Republic of China is vested with the 23 million people of Taiwan. The Republic of China is Taiwan and Taiwan is the Republic of China. This is an indisputable fact.<sup>17</sup>

7.22 The Taiwanese government also unsettled the status quo when it moved to hold a referendum on Taiwan's constitutional status. The referendum placed two

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15 Roy Pinsker, 'Drawing a line in the Taiwan Strait: 'strategic ambiguity and its discontents'', *Australian Journal of International Affairs*, vol. 57, no. 2, July 2003, p. 357 and 364.

16 Professor Bruce Jacobs, 'A victory for Taiwanese sovereignty', *the Age*, 23 March 2004, p. 11.

17 'President Chen's address to the National Day rally', Office of the President Republic of China, News Release, 10 October 2004, <http://www.mac.gov.tw/english/english/macpolicy/c931010e.htm> (accessed 25 July 2005).

issues of national security concerning Taiwan's defence capabilities and cross-strait negotiations before the people. In support of this 'peace' referendum', the President stated that the aim was to 'realize the principle of popular sovereignty and prevent China from unilaterally changing the status quo in the Taiwan Strait through a military offensive against Taiwan'.<sup>18</sup> The language was inflammatory and indicates the tension and potential for serious flare-ups in the relationship:

Beijing unilaterally denies the sovereignty of our nation and conspires to force us to accept the so-called 'one China' and 'one country, two systems' formulae. In recent years, it has continuously increased the deployment of missiles against Taiwan and repeatedly threatened us by refusing to renounce the use of force against Taiwan'.<sup>19</sup>

7.23 According to Professor Stuart Harris, a China specialist in the School of Pacific and Asian Studies at the Australian National University (ANU):

What Chen was trying to do was to change the One China policy, basically, by separating the constitution of Taiwan from the constitution of China, and doing it with a referendum only of Taiwanese, which would have provided the basis for saying, 'We are legally independent.' The Americans eventually woke up to that and said, 'That's not on,' and they have been very firm.<sup>20</sup>

7.24 Whatever the intentions, provocative moves by either Taiwan or China against the other have the potential to escalate tensions. This increases the risk that one side may miscalculate or misjudge the situation, drawing both closer to the brink of conflict.<sup>21</sup>

### ***China's response***

7.25 China is clearly uneasy about the direction of Taiwan's political momentum. The Embassy of the PRC's submission stated that:

Since 2000, Taiwan authorities under Chen Shui-bian have recklessly challenged the status quo that both sides of the Straits belong to one and the same China...

7.26 The submission continued:

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18 President Chen Shui-bian, 'Writing History with Democracy and Defending Taiwan with Referendum, The Office of the President of the Republic of China, 3 February 2004

19 The Office of the President of the Republic of China, President Chen Shui-Bian, 'Writing History with Democracy and Defending Taiwan with Referendum', 3 February 2004.

20 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 5.

21 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 3.

The Chinese people and the Chinese government are resolutely against 'Taiwan Independence' and there will not be an iota of hesitation ambiguity and concession on this significant issue [of principle].<sup>22</sup>

7.27 On 14 March 2005, the Chinese authorities sought to demonstrate their sovereignty over Taiwan when the National People's Congress passed China's Anti-Seccession law (see paragraph 6.22). This stated the PRC's objective of achieving peaceful reunification with Taiwan and, significantly, did not impose deadlines for this action. It should be noted, however, that the law reserved the right to use non-peaceful means as a last resort to preserve China's territorial integrity and sovereignty. This reference caused considerable consternation in Taiwan and the U.S., with U.S. Secretary of State Condoleezza Rice stating that it was unhelpful for China to be unilaterally raising tensions.<sup>23</sup>

7.28 The Australian government has indicated that although the law did not materially change the status quo, it was unnecessarily provocative. The Department of Foreign Affairs, Defence and Trade (DFAT) commented to the committee that:

...our assessment was that overall the law largely restated the longstanding elements of China's policy on cross-strait issues...

Nevertheless, overall we did feel it would have been better had China not proceeded with the law and we were very disappointed by the reference to the use of non-peaceful means and other measures, even though they were termed to be a last resort should efforts towards a peaceful settlement be completely exhausted.<sup>24</sup>

7.29 Professor Harris told the committee that the law did not, however, reflect a more confrontational approach from China:

Beijing is being much more concerned about maintaining the status quo than it is about changing the situation. It feels that the antiseccession law has put a clear marker in the sand and that it can now afford to try to do things which might be helpful.<sup>25</sup>

7.30 On China's present accumulation of missiles directed across the Taiwan Strait,<sup>26</sup> he argued:

It seems to me that China is now satisfied that it is deterring Taiwan and that that is all it needs to do. It does not necessarily want it back in any great hurry. It wants the status quo maintained under deterrence.<sup>27</sup>

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22 Embassy of the PRC, *Submission P66*, pp. 18–19.

23 Transcript from ABC radio, *PM*, 14 March 2005.

24 DFAT, *Committee Hansard*, 16 June 2005, p. 21.

25 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 2.

26 See paragraph 6.26–6.28.

27 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 27.

7.31 Nonetheless, an important element of the strain on the status quo has been China's military build-up in recent years (discussed at length in Chapter 6). Although a unilateral attack upon Taiwan seems unlikely in the present climate, China's increasing military capabilities risk precipitating further mistrust on the part of Taiwan and the U.S., in turn threatening to unsettle the U.S.' policy of strategic ambiguity and undermining the status quo. In evidence to the committee, Professor Bruce Jacobs, Professor of Asian Languages and Studies at Monash University, commented that:

We should bear in mind that the only party threatening war in the Taiwan Strait is China. It is China which has 700 missiles pointed at Taiwan. It is China that is spending a fortune to build up its military might. Taiwan, on the other hand, has reduced its defence expenditures.<sup>28</sup>

### ***U.S. strategic ambiguity***

7.32 It is in the environment of the standoff between China and Taiwan that the U.S. seeks to retain a strategically ambiguous position. While neither China nor Taiwan is wholeheartedly satisfied with the present arrangement, and no peaceful resolution appears imminent, it is a challenge for the U.S. to remain ambiguous in the midst of heightened tension across the Taiwan Strait.

7.33 With the support of allies such as Australia, the U.S. has continued to follow broadly the path of strategic ambiguity whenever an escalation in tension arises. In spite of unhelpful rhetoric from both sides, the U.S. has maintained its support for the one China policy, while continuing to provide arms to, and maintain close relations with, Taiwan.

7.34 However, statements speculating on military intervention in the event of conflict over the Taiwan Strait tested the 'ambiguity' of the U.S.' position. An obvious and notable aspect of strategic ambiguity, as outlined above in paragraph 7.14, has been the absence of a commitment on the circumstances under which the U.S.' military power might be employed to protect Taiwan. Thus, the Taiwanese leadership contemplates that a conflict recklessly provoked may not attract assistance. Similarly, China is discouraged from unilaterally 'reunifying' Taiwan with the mainland, aware of the capabilities of the U.S. military.

7.35 In an interview to mark his first hundred days in office, U.S. President George W. Bush stated in April 2001 that the U.S. would do 'whatever it took' to defend Taiwan in the event of a Chinese attack.<sup>29</sup> Professor Jacobs commented to the committee that President Bush was the first U.S. leader to make the promise that they would defend Taiwan if attacked by China.<sup>30</sup>

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28 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 38.

29 See for example 'Bush commits US forces to defend Taiwan', *the Age*, 26 April 2001, p. 11.

30 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 35.



7.36 China has also criticised the extent of the U.S.' support for Taiwan and the mixed messages inherent in their strategic ambiguity:

The United States has on many occasions reaffirmed adherence to the one China policy, observance of the three joint communiqués and opposition to 'Taiwan independence'. However, it continues to increase, quantitatively and qualitatively, its arms sales to Taiwan, sending a wrong signal to the Taiwan authorities. The U.S. action does not serve a stable situation across the Taiwan Straits.<sup>31</sup>

7.37 Despite this, the U.S. has continued to support China's sovereignty over Taiwan and the central tenets of the status quo remain. Indeed, the most recent comments by the U.S. Secretary of State, Dr Condoleezza Rice, indicate that the U.S. remains firm in its support of the one-China policy and that it is prepared to work with China and Taiwan to ensure that neither acts to upset the status quo:

We've been very clear with China and Taiwan that we don't expect anyone to try and [s]train the status quo unilaterally. From time to time, we've had to say to Taiwan that it has engaged in behaviour that is problematic for stability. From time to time, we've had to say to China, don't threaten with missile batteries that look as if they are aimed at Taiwan. But I think most would tell you that the US has been a kind of upright anchor in this policy. We've kept to our principles, but we've also recognised our responsibility to help the Chinese and Taiwan avoid any conflict, which would be in no-one's interests - China, Taiwan or the region.<sup>32</sup>

### **Can the status quo be sustained?**

7.38 Although an immediate threat of military conflict across the strait appears unlikely, strong rhetoric from both China and Taiwan has strained the status quo. Taiwan's demonstration of its political autonomy, as well as China's continued assertions that anything other than reunification remains unacceptable, leaves the prospect of peacefully resolving Taiwan's status a long-term proposition.

7.39 Professor James Cotton of the Australian Defence Force Academy told the committee that the Chinese government could not afford to yield on the issue of reunification:

...if they were seen to fail regarding this issue, their credibility as a national government would be threatened completely, so it is the one issue where very little compromise is possible...<sup>33</sup>

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31 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 1, 'The Security Situation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(1\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(1).html) (accessed 17 February 2006).

32 Interview with Condoleezza Rice, 'Rice puts US-China relations on the Australian agenda', *Transcript*, 16 March 2006.

33 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 7.

7.40 The lack of a foreseeable solution may be compounded by an emerging tendency for Taiwanese people to regard themselves as distinct, highlighted by their changing attitudes to national identity. In evidence to the committee, Professor Jacobs highlighted that over the past thirteen years surveys indicated that the proportion of Taiwanese who identified themselves as only 'Taiwanese' had increased from 17 to over 40 per cent. Alternatively, those who identified themselves as being just 'Chinese' dropped from 26 to six per cent. The remainder, Jacobs said, identified themselves as both Chinese and Taiwanese.<sup>34</sup>

7.41 The committee does note, however, the countervailing effects of cross-strait people-to-people ties and the increasingly close economic relations, as discussed in paragraphs 7.9–7.11.

7.42 The passage of time also makes the United States' delicate strategic and diplomatic balancing act more challenging in the face of impatience across the Taiwan Strait. One of the major problems with the U.S.' support for the one-China policy within the framework of strategic ambiguity is its inherent contradiction. If Taiwan is recognised as a province of China, then any opposition to China's use of force over Taiwan can be interpreted as a challenge to Chinese sovereignty. Professor Cotton told the committee:

...if we contemplated intervention in a situation where we recognise that there is only one government of China, whichever government that might be, it would be very problematic to ground it in some legal status.<sup>35</sup>

This is an awkward contradiction to sustain as China witnesses Taiwan's steady evolution into an independent (albeit not politically recognised) national entity.

7.43 The difficulty in maintaining the status quo was noted by the Australian government during this inquiry. In referring to strategic competition between the U.S. and China, the Department of Defence's submission stated that 'the possibility of miscalculation over Taiwan persists'.<sup>36</sup>

7.44 However, there are a number of factors that provide for an optimistic outlook for cross-strait relations. The first is that East Asian regional instability would be clearly detrimental to the economic development of both Taiwan and China.<sup>37</sup> Although the prevailing cross-strait stalemate is not ideal for either, it is still preferable to engaging in direct military conflict. Mr Peter Jennings, Director of the Australian Strategic Policy Institute, has commented that:

...a full-scale military confrontation between the US and China over Taiwan would have strategic implications. It would polarise the Asia-

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34 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 39.

35 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 7.

36 Department of Defence, *Submission P9*, p. 4.

37 DFAT, *Submission P19*, p. 17.

Pacific, bring an end to economic growth and threaten dire military escalation.<sup>38</sup>

7.45 For Taiwan, the consequences of a Chinese attack on home soil could be devastating, putting at risk the safety of its people and the growth of its economy. Professor Hugh White of the ANU's Defence and Strategic Studies Centre has stated that:

...it is hard to see how it would be in Taiwan's interest to risk war to gain the legal trappings of independence.<sup>39</sup>

7.46 For China, military conflict would jeopardise its past two decades of economic expansion. As Mr Jennings noted in his submission, China has refrained from repeating its missile tests during the 2000 and 2004 Taiwanese elections, in contrast to the 1995–96 crisis. This, he suggested, stems from a decision by the Chinese to avoid 'actions that might threaten [their] growth path because of international instability'.<sup>40</sup>

7.47 The committee also notes the Pentagon's views concerning China's military capacity with respect to Taiwan. As discussed in Chapter 6, a U.S. Pentagon report released in July 2005 indicated that China's military build-up represented a risk to regional balance and a long term threat to other regional forces. However, the report concluded that China's ability to project conventional power beyond its borders remains limited, and does not yet possess the military capability to attack Taiwan.<sup>41</sup>

7.48 The committee earlier noted the importance of close economic ties between China and Taiwan. Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the ANU, expressed cautious optimism about the effect this could have on their political differences:

...if anything, the risks of conflict across the Taiwan Strait have moderated in recent years, particularly as China has focused on fast economic growth and Taiwan has benefited very substantially from it...But it is not a risk-free situation. You cannot dismiss the risk of a miscalculation or some deliberate provocation on one side or the other across the Taiwan Strait.<sup>42</sup>

7.49 The committee remains optimistic that China, Taiwan and the U.S. can maintain the status quo and ultimately resolve Taiwan's political status peacefully. However, the committee received considerable evidence on the strains this unresolved

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38 Mr Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

39 Professor Hugh White, 'It's not in Taiwan's interest to risk war for the trappings of independence', *Sydney Morning Herald*, 25 March 2004, p. 11.

40 Mr Peter Jennings, Australian Strategic Policy Institute, *Submission P2*, p. 3.

41 See paragraphs 6.25–6.28. 'China not capable of Taiwan attack: US report', *ABC news online*, <http://www.abc.net.au/news/newsitems/200507/s1418134.htm> (accessed on 20 July 2005).

42 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 3.

problem could place on Australia's relations with China. Primarily, the discussion focussed on Australia's approach to Taiwan in the context of balancing its burgeoning trade and political relationship with China against its potential alliance obligations to the U.S.

### **Australia and the cross-strait status quo**

7.50 As noted earlier, since 1972, the one-China policy has received the support of both major Australian political parties.<sup>43</sup>

7.51 Mr Peter Jennings has highlighted the 'delicate and rather unsatisfactory balance' for Australia to maintain a stance of strategic ambiguity:

Since 1972 Australia has recognised Beijing as the sole government of China and Taiwan as a province of the People's Republic. Taiwan is, however, a vibrant and functioning democracy of 20 million people. It's firmly in our interest to uphold the principle that democracies should be respected in the international system. But in the interests of peace, Taiwanese aspirations for more than de facto sovereignty must be curbed.<sup>44</sup>

7.52 While noting Chinese President Hu Jintao's comments on Australia's 'constructive role' in the peaceful reunification of Taiwan, the committee recognises that Australia's potential for assisting in brokering a resolution to this complex and sensitive issue is limited.

7.53 In evidence to the committee, former diplomat Mr Garry Woodard considered the alliance with the U.S. to preclude Australia from having a meaningful role in this regard:

In my view it is by definition and in fact impossible for Australia to be an honest broker if it is tied by an alliance to one side and to automatic military obligations.<sup>45</sup>

7.54 Professor Harris contended that Australia should strive to ensure that the U.S. remained focussed on preventing Taiwan from doing something provocative:

...there is no way that the Taiwanese could in fact go down the independence track without American support or at least tolerance or simply the failure of the Americans to move to stop it. It seems to me that, for Australian policy, it means keeping a very close watch and persuading the Americans very hard to make sure that Taiwan does not do something that will be much more serious for us than it will be for the Americans.<sup>46</sup>

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43 See paragraph 7.6. See also Mr Tony Pratt, 'Off the map: missteps in our one-China policy', *Canberra Times*, 13 December 2005, p. 13.

44 Mr Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

45 Mr Garry Woodard, Submission 61, p. 3.

46 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 10.

7.55 Unfortunately, a breakdown of the status quo could potentially render Australia a participant in Taiwan Strait affairs should the U.S. intervene to protect Taiwan. Were conflict to indeed break out across the Taiwan Strait, Australia would find itself in the unenviable position of needing to decide if, or how, it would assist the U.S. According to Professor Bill Tow, 'Australia's worst foreign policy nightmare will have materialised'.<sup>47</sup> He has written that were we to participate, Australia would 'jettison' Sino–Australian relations and impair its relations with other Asian nations wishing to remain on good terms with China. On the other hand, failing to participate would end Australia's status as a reliable ally to the U.S.<sup>48</sup>

7.56 Australia's response to such a scenario was discussed at length during the inquiry, particularly in the context of our ANZUS Treaty obligations.

### **Australia's responsibility under ANZUS**

7.57 The ANZUS Treaty was signed by Australia, New Zealand and the U.S. on 1 September 1951 and came into force on 29 April 1952.<sup>49</sup> In considering the Taiwanese issue, the relevant provisions of the Treaty are as follows: Article III of the ANZUS Treaty states that:

The Parties will consult together whenever in the opinion of any of them the territorial integrity, political independence or security of any of the Parties is threatened in the Pacific.

7.58 Article IV states that:

Each Party recognises that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.

7.59 Article V explains that, for the purposes of Article IV, an armed attack can include attacks on 'armed forces, public vessels or aircraft in the Pacific'.<sup>50</sup>

7.60 If conflict were to erupt between China and the U.S over Taiwan, would the provisions of the Treaty require Australia to participate in any U.S.-led military action? Although the committee considers this to be a highly speculative question, it was widely discussed during the inquiry.

7.61 Mr Peter Jennings commented in his submission that:

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47 Professor Bill Tow, 'Stand by your mate', *The Diplomat*, Oct/Nov 2004, p. 26.

48 Professor Bill Tow, 'Stand by your mate', *The Diplomat*, Oct/Nov 2004, p. 26.

49 Department of the Parliamentary Library, 'Upside, Downside: ANZUS After Fifty Years', *Current Issues Brief No. 3 2001–02*, p. 1.

50 The full text of the ANZUS Treaty can be found at: <http://www.australianpolitics.com/foreign/anzus/anzus-treaty.shtml> (accessed 16 March 2006).

An attack on U.S. military forces in the Pacific would, in the terms of the treaty, trigger a requirement for Australia and the U.S. to consult on how to respond. If conflict seemed likely to break out over Taiwan it is highly likely that the US would ask Australia to contribute military forces to a coalition operation in defence of the island.<sup>51</sup>

7.62 In his submission to the committee, former ambassador Mr Garry Woodard outlined his understanding of Australia's application of the ANZUS Treaty to the Taiwan situation. He told the committee that Australia never intended ANZUS to apply to Taiwan, given Taiwan's indeterminate political status and Australia's unwillingness to follow the U.S. into what would essentially be a civil war. He also indicated that in 1970, Australia's Ambassador to the Republic of China (Taiwan) discounted Taiwan as falling within ANZUS.<sup>52</sup> Woodard quoted the Ambassador as saying: 'Taiwan is not in the area in which our specific defence obligations to the Americans exist'.<sup>53</sup>

7.63 In evidence, Mr Woodard reinforced this view that ANZUS would not apply to Taiwan:

I argue that historically this area, although clearly 'in the Pacific', did not fall within the ambit of ANZUS. It was not Australia's intention, when ANZUS was concluded, that it should cover Formosa, as it was then called...

In our eyes, Taiwan was not initially an internationally accepted state. Its status remained undetermined. This affected what treaty commitments we could enter into which would apply to it.<sup>54</sup>

7.64 However, he was also of the view that a commitment had been made to the U.S. in the period just prior to or during the March 1996 crisis. Whether this was a commitment related to those specific circumstances or a deliberate redefinition of the scope of ANZUS is, according to Mr Woodard, unclear.<sup>55</sup>

7.65 Professor Dibb argued that Australia's response would depend heavily on the circumstances of any conflict:

The Foreign Minister, Alexander Downer, has talked about: 'It would depend on the circumstances of the time.' I think that is a wise and prudent policy. If it were Chinese provocation it would leave us with little option, and I will come to that. If it were Taiwanese provocation that might be a different matter. But if it were Chinese provocation against a democratically

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51 Australian Strategic Policy Institute, *Submission P2*, p. 5.

52 Mr Garry Woodard, *Submission P61*, pp. 3–4.

53 Mr Garry Woodard, *Submission P61*, p. 4.

54 *Committee Hansard*, 27 June 2005, p. 22.

55 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 23.

elected Taiwan, would the United States invoke the ANZUS Treaty? Absolutely.<sup>56</sup>

7.66 He further added that in the event of a Chinese-provoked war:

I think the implications for the ANZUS treaty would be serious, and perhaps terminal, if we said no.

...

It would not be automatic, but I am saying there would be substantial national security penalties levied on Australia by the United States if we said no in the sort of scenario I painted where no other country said yes.<sup>57</sup>

7.67 Any discussion as to whether Australia would be bound by ANZUS is, however, speculative. As Professor Harris noted, it is unlikely that the source of provocation for any conflict would be 'clear-cut'.<sup>58</sup> Peter Jennings has also written that:

There is little value (and indeed some danger) in an Australian government speculating about our response in [a conflict] scenario. This is not shirking alliance obligations...no alliance requires its members to sign a blank cheque for military commitments into the indefinite future.<sup>59</sup>

7.68 Publicly, Australia is maintaining an uncommitted stance in the interests of ongoing positive relations with both the U.S. and China. DFAT informed the committee that:

Our position is that it is not useful to speculate on hypothetical situations when the ANZUS Treaty would not apply.

...

... it would depend on a whole range of circumstances that apply at the time. It is impossible for [the government] to speculate as to what those circumstances might be.<sup>60</sup>

7.69 In spite of the arguments relating to our obligations under the provisions of ANZUS, the committee agrees that Australia has little diplomatic incentive to clarify what Australia's obligations would be in the event of a hypothetical U.S.–China conflict. To adopt either a 'yes' or 'no' approach to Australia's potential obligations under the ANZUS treaty would risk alienating either China or the U.S. It would also commit Australia to a particular course of action regardless of the circumstances at the time.

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56 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 3.

57 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 4.

58 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 4.

59 Mr Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

60 DFAT, *Committee Hansard*, 13 September 2005, p. 35.

7.70 According to Mr Woodard, conflicting statements from the Prime Minister and Foreign Minister on Australia's ANZUS commitment appear to indicate a prevailing diplomatic ambiguity on the issue.<sup>61</sup> On 17 August 2004, the Australian Foreign Minister, after meeting with Premier Wen Jiabao, commented that under the ANZUS alliance Australia may not automatically have to support the U.S. in a conflict with China over Taiwan.<sup>62</sup> On 20 August, the U.S. Ambassador to Australia expressed the view that, although the U.S. opposed Taiwanese independence, under the ANZUS Treaty Australia would be obliged to come to the aid of the U.S. in any conflict in the region.<sup>63</sup> Responding to the subsequent media interest, the Prime Minister reasserted the government's position that the question of conflict over Taiwan was hypothetical; until it actually transpired Australia would continue to discourage conflict between the U.S. and China, within the framework of Australia's support for the one-China policy. He also added, however, that Australia's obligations to the U.S. under ANZUS were clear:

We have to consult and come to each other's aid when we're under attack or involved in conflict. That's the situation.<sup>64</sup>

7.71 A pertinent question arises from an ambiguous approach to this issue. Is it wise to allow uncertainty to exist over Australia's contingency plans for conflict over Taiwan?

7.72 Mr Woodard stated that Australia's present stance was acceptable, so long as it is clarified before any potential conflict eventuated:

The presently ambiguous nature of our statements in relation to the application of the ANZUS Treaty towards Taiwan—that is, the statement by Foreign Minister Downer on the one hand and the statements by the Prime Minister on the other—are acceptable to both Washington and Beijing, and that is no mean feat. So I say let sleeping underdogs lie. However, it will be better for us if we can choose our own occasion for clarifying our military position, rather than being forced to do so one way or the other at some stage.<sup>65</sup>

7.73 Professor Jacobs disagreed with Australia's cautiously ambiguous approach:

China is very important to Australia, but genuflecting to China will not win concessions from Beijing, just as it did not win concessions from Suharto. As a middle-ranking world power with special importance in the Asia-Pacific region, we must stand up and clearly state our positions to all sides

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61 Mr Garry Woodard, *Submission P61*, p. 4.

62 John Kerin, 'Beijing puts the flame to Downer', *Weekend Australian*, 21 August 2005, p. 3.

63 Taken from quote on ABC radio, *PM*, 20 August 2005.

64 Transcript of interview with Neil Mitchell on 3AW, 20 August 2004.

65 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 24.



without fear or favour. This can be done quietly, but it must be done. Ultimately, it will win respect and friendship.<sup>66</sup>

7.74 In his evidence to this committee, Mr Woodard suggested that Australians would not support our involvement in a conflict over Taiwan.<sup>67</sup> Similarly, in February 2005, a poll by the Lowy Institute revealed that 69 per cent of Australians held positive feelings about China, while the U.S. achieved a positive response from just 58 per cent,<sup>68</sup> indicating that support for military conflict with China would be unlikely.

7.75 The Australian government's 2003 *Foreign and Trade Policy White Paper* stated that:

Whether Australia takes military action in a particular circumstance will be determined by careful case-by-case consideration based on our broad national interests.<sup>69</sup>

## Conclusion

7.76 Australia has made clear that it supports the one-China policy and encourages both China and Taiwan to work together to find a solution. It has also made plain that it is a staunch ally of the U.S. and that ANZUS remains an important agreement. The committee believes that this approach is the wise course of action. It also notes and welcomes the recent statement by Dr Condoleezza Rice indicating the preparedness of the U.S. to exert pressure, when required, on either China or Taiwan to prevent any escalation of tension.

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66 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 38.

67 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 23.

68 Cited in Peter Jennings, 'Getting China Right: Australia's policy options for dealing with China', *ASPI Strategic Insights*, October 2005, p. 4.

69 Department of Foreign Affairs and Trade, 'Advancing the National Interest', *Foreign and Trade Policy White Paper*, Canberra, 2003, p. 21.

