

December 20, 1978

## **THE CHINA DECISION AND THE FUTURE OF TAIWAN**

### **SUMMARY**

The decision by President Carter on December 15th. to normalize relations with the People's Republic of China has precipitated enormous controversy despite the expectation of such an action since the signing of the Shanghai Communique by President Nixon nearly seven years ago. The controversy over the decision arises not so much because of the extension of full diplomatic relations to Peking, but from the manner in which the decision was made and the apparent failure to adequately provide for continued American relations with the government of the Republic of China on Taiwan.

Rather than consulting with Congress or the Republic of China about the prospective action, the President simply informed them of his decision to break diplomatic relations with Taipei by January 1, 1979 and to terminate the Mutual Defense Treaty of 1954 one year later. Thus, in two weeks the Republic of China must close its Embassy in Washington and will be prohibited from further governmental contact with the United States. Also, rather than waiting for Congress to reconvene in January and secure its approval for terminating a treaty, the President has assumed the authority, which many in Congress question, that he alone can break a treaty with another nation. Moreover, he seemingly defied a unanimous Senate resolution adopted in the form of an amendment which provided for prior consultation with Congress before breaking this particular treaty.

Despite over seven years of discussion and debate on the dilemmas of U.S.-China diplomacy, the basic decision by President Carter to recognize Peking as the legitimate government of China quite likely will create an enormous range of problems:

- \* The decision to "recognize reality" substituted a new mythology that Peking governs not only the mainland but also Taiwan.
  - \* Rather than having even the status of a liaison office in Taipei, the U.S. will have no government relations and the R.O.C. embassy in Washington, as well as all consulate offices, will officially close on January 1. Thus normalizing relations with the P.R.C. means the abnormalization of relations with the R.O.C.
  - \* With no government relations, and recognizing Peking as the government of Taiwan, this will undoubtedly precipitate enormous legal complications in any continued working relations between the U.S. and the R.O.C. The so-called Japanese formula of continued relations with the R.O.C. cannot adequately protect her vital economic and security interests.
  - \* The announced termination of the Mutual Defense Treaty and the controversy that has already arisen between the U.S. and the P.R.C. on the status of continued American arms sales to Taiwan can only create insecurity in the R.O.C. in the wake of the withdrawal of American forces and the abrupt breaking of diplomatic relations.
  - \* Rather than engaging in a military conflict over the R.O.C., the P.R.C. will quite likely use her new diplomatic status to attempt to isolate and destroy the R.O.C. through economic strangulation. Legally the R.O.C. can be regarded as simply a rebellious province of China and, even if not immediately, the P.R.C. will probably exploit this eventually, possibly later seeking U.N. sanctions as the British did with Rhodesia.
  - \* In order to insure her continued survival as an independent political entity, the R.O.C. may be forced to develop nuclear weapons (now that she may no longer be legally bound to the non-proliferation treaty). She may also contemplate making some political or military arrangement with the Soviet Union against the common P.R.C. threat.
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- \* While opinion polls indicate popular support for extending diplomatic relations to Peking, all major polls indicate even greater support for continuing diplomatic relations with Taipei and maintaining the Mutual Defense Treaty.
  - \* Rather than simply acquiescing to the decision of the President, the Congress has the capacity to alter the conditions for extending diplomatic recognition as they affect Taiwan. In the months and years ahead, the reality of Taiwan will continue as an integral element of congressional and public actions affecting U.S. China policy.

## INTRODUCTION

Ever since the 1972 Shanghai Communique, the P.R.C. has demanded three preconditions before establishing full diplomatic relations with the United States:

- 1) The United States must recognize the P.R.C. as the only legitimate government of all of China, including Taiwan.
- 2) The United States must withdraw all military forces from Taiwan.
- 3) The United States must terminate its mutual defense treaty with the Republic of China.

For nearly six years, the P.R.C. stubbornly insisted on fulfillment of these three demands as the United States sought to modify them and secure some firm assurance from Peking that they would not attack Taiwan if the United States withdrew formal support from the R.O.C. The United States constantly moved in the direction of the fulfillment of these terms by incrementally withdrawing forces from Taiwan and steadily upgrading its mission in Peking and downgrading the one in Taipei. Thus, the P.R.C. liaison office in Washington became a virtual Embassy in Washington as did the American liaison office in Peking.

Finally, on December 15, 1978, President Carter agreed to the three demands by Peking in order to complete the process of normalization begun by Richard Nixon in 1972. While important details of this decision are examined below, the most basic question raised, particularly by critics of the action, is what specific benefits did the United States receive in exchange for accepting Peking's conditions for diplomatic recognition. Presumably prior to taking any action with the gravity of breaking diplomatic relations with a nation and unilaterally terminating a defense treaty with an ally who has not violated the terms of the treaty, the United States should have had compelling reasons for making such a change.

## THE NATURE AND TIMING OF THE ANNOUNCEMENT

The announcement by President Carter that he would establish diplomatic relations with the People's Republic of China came quite unexpectedly in his national television address. Only seven hours before the announcement did the United States inform the Republic of China of the action, awaking President Chiang Ching-Kuo in the middle of the night Taiwan time. Similarly, only hours before the speech, the President informed key congressional leaders of the impending action.

Although early in the Carter Administration a definite decision was made to establish full diplomatic relations with Peking, only in early December did they have what they felt was a breakthrough in negotiations with Peking, and then moved quickly towards a Joint Communique and prepared for a visit of Chinese Vice Premier Teng Hsiao-ping to Washington in late January. The Administration provided no compelling reasons for the hasty decision which coincided with, and diverted attention from, the failure to achieve the December 17th deadline on completing a Middle East treaty between Israel and Egypt. Some members of Congress particularly resented the President's taking the action at a time when they were out of session and, therefore, apparently deliberately avoided their consultation and advice.

### THE CONGRESS AND THE CHINA DECISION

The actions by the President undoubtedly will lead to some confrontation with the Congress -- both because of his failure to consult with them and for assuming the authority to unilaterally terminate the 1954 Mutual Defense Treaty with the Republic of China. In a resolution passed by a unanimous 94-0 Senate roll call vote, and subsequently adopted by the House, the Congress last summer instructed the President to consult with the Congress before taking action to terminate the treaty with Taipei. The most relevant clauses of the amendment stated the following after acceptance by both the Senate and then a joint conference committee on the bill: "It is the responsibility of the Senate to give its advice and consent to treaties entered into by the United States. It is the sense of the Congress that there should be prior consultation between the Congress and the executive branch on any proposed policy changes affecting the continuation in force of the Mutual Defense Treaty of 1954." (Section 26(a)(4) International Security Assistance Act of 1978.) Senator John Glenn, Chairman of the Far East Subcommittee of the Senate Foreign Relations Committee somewhat bitterly stated: "Calling a few of us in one hour before he goes on television doesn't seem like much consultation."

Serious legal questions have been raised over the authority of the President to act under Article X of the Mutual Defense Treaty without approval of the Congress. Article X provides for termination by stating that "Either Party may terminate it (the treaty) one year after notice has been given to the other Party." Senator Goldwater argues that just as the President cannot make treaties without a two-thirds approval vote of the Senate, he cannot terminate them without its consent. He notes that historically, the definition of "Party" to a treaty means not simply the President, but the President and the Congress.\* Otherwise

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\*The question of the Congress and the Mutual Defense Treaty is examined at length by Senator Goldwater in China and the Abrogation of Treaties. (Heritage Foundation, 1978.)

it is argued, all defense treaties of the United States, such as those with NATO, Japan, Korea or the Philippines could be cancelled by a unilateral presidential action.

Other Senators, beyond those who questioned the wisdom of terminating the treaty with the Republic of China, have raised this serious constitutional question that ultimately may have to be resolved in litigation before the Supreme Court. Senator Goldwater bluntly warned that if the President "attempts to circumvent the Congress in abrogating our defense treaty with Taiwan, I plan to take him to court and show how the action to be both illegal and unconstitutional." By challenging the legal authority of the Congress to participate in the China decision, the Carter Administration has further complicated its efforts to proceed with an orderly process of normalization.

By failing to even consult with the Congress in the initial stages of changing U.S.-China policy, the President has risked serious confrontation with Congress as he attempts to legislatively carry out the policy. He must secure congressional approval of his new Ambassador to Peking as well as extensive legislation ostensibly designed to preserve the enormous range of treaties and other agreements currently in force with the Republic of China. By setting January 1, 1979, as the date for breaking relations with the Republic of China, the President precluded the possibility of Congress enacting new legislation to protect American interests in the Republic of China and thus cast many present relationships into a very ambiguous legal situation.

#### THE REALITY OF TWO CHINAS

At the center of President Carter's address to the nation is the fundamental point that has promoted the entire normalization process for the past six years: "In recognizing that the government of the People's Republic is the single government of China, we are recognizing simple reality." In an interview that same day, White House national security advisor Dr. Brzezinski emphasized that point: "We are simply ending a fiction, namely that the government on the island of Taiwan governs one billion Chinese who live on the mainland and who in fact are governed by somebody else. Once this becomes clear, I think most people will realize that we have not only recognized reality, but we have taken a step which is good for international peace and very much in the American national security interest." Thus, the U.S. government formally ended recognition of the government of the Republic of China in Taipei as the government of China.

However, the Administration has substituted a new fiction by now ignoring the reality of the existence of the Republic of China.

The communique states that the U.S. "recognizes the government of the People's Republic of China as the sole legal government of China" and that the U.S. "acknowledges the Chinese position that there is but one China and Taiwan is part of China." In reality, the communist government in Peking has never controlled or governed the territory of Taiwan, whereas the Republican government in Taipei once governed all of China with the last freely elected government. Senator Richard Stone, a member of the Foreign Relations Committee, emphasized in a Face the Nation interview that "where the opposition is, in the country and the Congress is to stating that the sole legal government of Taiwan is the mainland government when it isn't." The government in Peking does govern and control mainland China, but Taipei certainly governs and controls Taiwan and the offshore islands of Kinmen and Matsu. Recognizing Peking's claim as the legal government of Taiwan thus creates an even greater fiction than the claim that Taipei continues to govern all of China.

A policy of conforming to reality would thus have recognized the existence of two separate governments controlling different portions of one country, such as the United States currently does formally with East and West Germany and tacitly with North and South Korea. In 1971, the United States previously advanced this two China position before the United Nations so a precedent existed for such action in negotiating with Peking. But rather than advance this position, the United States simply capitulated to the P.R.C. terms for formal recognition.

Many analysts of China believe that the United States had the capacity to resolve the Taiwan question by demanding recognition of the reality of two Chinas. Administration spokesmen, on the other hand, insisted this would constitute interference in the internal affairs of another country and also that no other nation has been able to have formal government relations with both Taipei and Peking. However, the United States, as the most important nation in the free world, undoubtedly has the capacity to make rather than simply imitate policy and possibly could have, and maybe still can, insisted upon ending the fiction that either Chinese government controls the territory of the other. By withdrawing from Taiwan, the United States merely postpones rather than resolves the disposition of Taiwan when the attempt may be made (as indicated below) to reunite China. The mediation role of the United States (as in the Middle East) could be crucial, but will be less likely with Washington apparently aligning itself with Peking on the question of the legal status of Taiwan.

#### PUBLIC OPINION AND U.S.-CHINA POLICY

The President's decision to establish formal diplomatic relations with Peking undoubtedly has the support of the overwhelming majority of the American people. But an even larger

majority dissents from the conditions he accepted by securing an American Embassy in Peking at the expense of the American Embassy in Taipei and the termination of the Mutual Defense Treaty.

An extensive survey of American opinion on China published by the Gallup Organization in August, 1977 found that while 56 percent of the American people favored establishing diplomatic relations with Peking, an even larger majority of 64 percent favored continuing relations with Taipei. And a slightly larger majority of 65 percent felt that the U.S. should not withdraw recognition from the Republic of China in order to establish relations with the People's Republic of China.

Similarly, a survey by Daniel Yankelovich early this year found that Americans both favored recognition of Peking by a 62-17 percent margin, but at the same time did not want to abandon Taiwan by a slightly larger 62-11 margin and wanted to preserve the mutual defense treaty by a 57-12 margin.

Finally, a Harris Survey released in early September 1978, uncovered similarly lopsided sentiment as Americans favored recognition of Peking by 66-25 margin, but again opposed withdrawing recognition of Taipei as a condition for it by a 66-19 margin and continuing the defense treaty by a 64-19 margin.

PUBLIC OPINION SURVEY			
	Gallup	Yankelovich	Harris
Favor recognition of the P.R.C.	56	62-17	62-25
Favor continued recognition of the R.O.C.	64	62-11	66-19
Favor continuation of the Defense Treaty		57-12	64-19

Undoubtedly, additional polls will now be taken in the wake of the decision by the President to proceed with diplomatic relations with Peking. But if the questions continue to be posed in a consistent manner, it seems quite likely that public sentiment would remain the same. Initially, some confusion exists as the emphasis by the President in his statement on the continued non-governmental contact with Taiwan has led many people to believe

that this corresponds to continued diplomatic relations and the existence of the kind of two China policy public sentiment overwhelming favors.

## THE SHANGHAI COMMUNIQUE

At the keystone of the structure of American relations with the People's Republic of China stands the Shanghai Communique. This agreement formally initiated the normalization process and invariably is cited as the most important document in U.S.-China relations. The P.R.C. has consistently called for the fulfillment of the Shanghai Communique and in the Joint Communique issued on December 15, 1978, President Carter "reaffirmed the principles agreed on by the two sides in the Shanghai communique" and reiterated them with some slight modifications.

Given the importance of the agreement, an enormous amount of ignorance surrounds both the meaning and implications of the actual text. For the purposes of arriving at the nature of the American commitment embodied in this agreement, one must examine the precise wording of the document issued in the form of a joint communique on February 27, 1972. The American side simply declared the following:

The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes.

Quite significantly, the declaration did not state what the American position on Taiwan was, only that the U.S. government does not challenge the position that both Chinese governments agree on the unity of all of China. The December 15th communique similarly stated that the U.S. "acknowledges the Chinese position that there is but one China and Taiwan is a part of China." Once again, no clear American position appeared.

In the Shanghai Communique, the United States only agreed to the removal of military forces from Taiwan "as the tensions in the area diminish." President Carter did not mention this in his communique. But it would seem that unless the P.R.C. were willing to proclaim peaceful intentions in the area, then the United States should not withdraw her remaining forces, which have now diminished to about 700 men. However, the P.R.C. has still refused to fore-swear the use of force in settling her dispute with Taiwan.



Therefore, it is difficult to contend that "tensions in the area" have diminished to the point that a complete American military withdrawal is in order and that the treaty should terminate.

While it is now contended that carrying out the terms of the Shanghai Communique required an American withdrawal from Taiwan and abrogation of the Mutual Defense Treaty, Dr. Kissinger denied such implications in a press conference following the signing of the agreement in 1972:

Let me state in response to this and any related question. Let me do it once and not repeat it. Let me state our position with respect to this issue, that is the treaty commitment to Taiwan, in the President's World Report, in which we say this treaty will be maintained. Nothing has changed in that position.

The agreement later acquired a somewhat ambiguous place in American diplomacy. Neither of the two principals who signed the Communique, Richard Nixon or Chou En-lai, is any longer in office and many of their policies have been repudiated. The agreement was never submitted for approval by the United States Congress and thus simply enjoys the status of an executive declaration of policy.

In contrast to the Shanghai Communique, the United States still has a formal Mutual Defense Treaty with the Republic of China, adopted in 1954, which President Carter intends to terminate in one year. In this treaty, Article II pledges both governments to "maintain and develop their individual and collection capacity to resist armed attack and communist subversive activities directly from without against their territorial integrity and political stability." Thus, Article V goes on to provide that

an armed attack in the West Pacific Area directed against the territories of either 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.

Quite clearly the language of a formal treaty ratified by the United States Senate takes legal precedence over a somewhat ambiguously worded executive agreement signed by two former office holders. Nonetheless, the recent actions taken by President Carter allegedly have been mandated by the Shanghai Communique as though that agreement contained a clarity and authority that is entirely unjustified.

## THE JAPANESE MODEL OF CHINESE RELATIONS

In announcing that the United States would break formal diplomatic relations with the Republic of China, President Carter emphasized that

the people of the United States will maintain our current commercial, cultural and other relations with Taiwan through nongovernmental means. Many other countries are already successfully doing so.

Many analysts point to the example of Japan who broke diplomatic relations. The President thus alluded to what has come to be called the Japanese model of relations with the Republic of China. Under this formula, the United States allegedly would largely continue her present relations with Taiwan but simply conduct them from non-governmental offices. The underlying assumption behind this proposal is that because the Japanese pursued such a course of action when they broke diplomatic relations with the R.O.C., no adverse consequences would follow for either the United States or the R.O.C. if this policy were imitated by Washington. Unfortunately, this simple formula of "changing the nameplates" is largely irrelevant to the present circumstances.

First, it is not often mentioned that Japan never enjoyed the long and close relationship with the Republic of China that the United States has had. In fact, the island of Taiwan was a colony of Japan for the first half of this century. This has historical ramifications but also leads to a different basis for the relationship that exists between Japan and the R.O.C. than exists between the United States and the R.O.C.

Japan never had a mutual defense treaty with the Republic of China, nor did she have military bases located on Taiwan at the request of the ruling government. For three decades Japan's relations since her occupation were essentially commercial. Similarly, while Japan has no military forces outside her own territory, the United States maintains bases in the Philippines, Korea, Japan, and Guam. Thus, Taiwan constitutes an important element in a defense designed for the entire Pacific region, as was the case during the Vietnam war. As tensions may again rise in Korea with the withdrawal of American ground forces, the use of facilities on Taiwan could again be important to the United States.

The Japanese formula is also inadequate because it was largely designed as a reaction to the Kissinger secret trip to the P.R.C. in 1971 and subsequent secret diplomacy with Peking. Because the Japanese felt isolated after these events in 1971-72, they opted for a dramatic move to bolster their own diplomatic position in the region and established full relations with the P.R.C.

Members of the Japanese Diet, and former Foreign Minister Kiichi Miyazawa, have pointed out differences which indicated that the Japanese model is not relevant for U.S.-Chinese relations. In fact, they contend that the Japanese action was only feasible because the United States continued to maintain full diplomatic relations with the Republic of China as the necessary backup support for Japan. Only in this manner could Japan and other nations lessen their own diplomatic relations but retain economic relations. Thus, the Japanese formula only worked because of the fall-back position of the United States still sustained the de facto "full diplomatic" status of the Republic of China for all other countries. At this time, the Republic of Korea is the next largest country that maintains full diplomatic relations with the Republic of China. Therefore, with the United States breaking relations with the Republic of China and attempting to follow the Japanese formula, no other country could act in a similar supportive position for the United States.

Given the differences in their relations with Taiwan, the Japanese could much more easily acquiesce to the demands of Peking than could the United States. Quite simply, Japan only had to terminate their formal relations with Taipei in order to establish an embassy in Peking. However, the P.R.C. demanded that the United States not only terminate diplomatic relations with the R.O.C. but also end the Mutual Defense Treaty of 1954 and remove all military personnel from the island.

## THE SECURITY OF TAIWAN

In a press conference on May 12, 1977, President Carter indicated that his principal concern with normalizing relations with Peking centered on the future security of Taiwan: "We don't want to see the Taiwanese people punished or attacked and if we can resolve that major difficulty, I would move expeditiously to normalize relations with China...."

The President implied that if only the Chinese would forswear the use of force in settling the "Taiwan problem" then a satisfactory resolution of the great China dilemma could be found. As indicated below, other probably more serious questions must also be answered, but even this minimal request posed to the P.R.C. has been sternly rejected. The Chinese Vice Premier promptly responded to Carter's views three days later. Chi Teng-kuei simply stated China would accept no such conditions. He declared that "to liberate Taiwan in a peaceful way or by armed force -- this is China's domestic affair and not a U.S. affair." In the following 19 months, the Chinese have not changed their adamant position.

In the December 15, 1978, statement "The United States continues to have an interest in the peaceful resolution of the Taiwan issue and expects that the Taiwan issue will be settled peacefully by the Chinese themselves." However, the statement by the P.R.C.

on the same day remains inflexible on the issue by proclaiming again: "As for the way of bringing Taiwan back to the embrace of the motherland and reunifying the country, it is entirely China's internal affair." When pressed on this issue, Secretary of State Vance indicated that the P.R.C. would make no public declaration on this point but he simply expected a peaceful resolution of the conflict between the two Chinese governments.

The Administration insists that Peking made a major concession in negotiations by both allowing the mutual security treaty to continue for one year beyond the establishment of diplomatic relations and in that the P.R.C. also will continue to allow U.S. arms sale to Taiwan even after the completion of the normalization process and termination of the security treaty in 1980. Largely on the basis of these two concessions from Peking, the Carter Administration contends that the continued security of Taiwan can be guaranteed at least for the next five years.

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As indicated on page 9, the Mutual Security Treaty contained a provision for a termination with a one year notification. Thus, rather than a concession by Peking, it would seem that the Administration had little choice but to obey the terms of the treaty both for legal reasons and to prevent panic in Taiwan or diminished credibility of U.S. security treaty guarantees everywhere in the world.

The question of the sale of arms has led to the greatest initial disagreement with Peking over the meaning of normalization and implications for future U.S. relations with Taiwan. Secretary of State Vance insisted that the United States would not only continue to fulfill orders for weapons already in process for Taiwan, but also would continue to sell additional equipment even after the termination of the Mutual Defense Treaty at the beginning of 1980. But in his first open press conference taking questions from Western reporters, Chinese Communist Party Chairman Hua Kuo-feng warned that "after the normalization, the continued sale of arms to Taiwan by the United States does not conform to the principles of the normalization. So our two sides have differences on this point, nevertheless we reached agreement on the Joint Communiqué." The Administration insisted that this protest was simply pro forma and Peking would not challenge the continued sale of arms to Taiwan, but their public disagreements do not auger well for the future.

Very few analysts expect Peking to attack Taiwan in order to reunify China anytime in the near future. Although it is very curious that many supporters of normalization of relations with Peking emphasize the value of the P.R.C. to offset Soviet military power at the same time they insist that the P.R.C. does not even have the military capability to attack Taiwan. Either a strange inconsistency exists or Taiwan must represent such an awesome military power that the United States should seriously question moving away from her.

When asked by reporters whether he feared a military attack by the P.R.C., the R.O.C. Ambassador to Washington responded to the question as follows: "Not at the moment. We know that they have the intention, but the question is whether they have the capacity to mount an amphibious assault attack across the 90 miles of water or whether they find themselves free to do something like that without inviting trouble on their own borders on both the north and south." The R.O.C. currently has a better air force than does the P.R.C. and a well-equipped and trained army of 500,000 men, or one of the largest standing armies in the non-communist world.

A military threat to Taiwan would arise only over a period of years if the United States refused to sell her new equipment or provide spare parts for existing material. Even before the December 15th communique, the United States has refused to sell numerous military items to Taiwan and she have not been able to upgrade their forces to keep pace with the advances in offensive capabilities of the P.R.C.

In 1974, the R.O.C. began producing her own F-5E fighters<sup>2</sup> under a contract with the Northrop Corporation. She also manufactures her own helicopters, machine guns, rifles, military vehicles and trainer aircraft. However, the R.O.C. has thus far been refused other, more sophisticated equipment by the United States. The R.O.C. has sought F-4 Phantoms, F-16 and F-18 fighters and Harpoon anti-ship missiles. Several months ago, the U.S. refused to allow Taiwan to purchase even the much less sophisticated F-5G fighter plane. But while willing to sell 160 F-16s to Iran, the Defense Department refuses to make them or other advanced fighters available to Taiwan. Similarly, delays in the sale of Harpoons led Taiwan to attempt to buy Israeli-produced Gabriel missiles; she previously purchased Rafael Shafrir air-to-air missiles from Israel in 1973. Taiwan is willing to purchase military equipment and thereby redress part of her balance of trade surplus with the United States, but the Carter Administration has refused to permit such sales. Such sales would now seem much more necessary both to insure that the R.O.C. can maintain both the military balance in the area and the confidence of the people in Taiwan that the United States will reliably replace equipment as the American military forces withdraw from the island. In Korea the American military withdrawal is being accompanied by a large scale upgrading of Korean forces even as the Mutual Security Treaty and U.S. air bases remain intact in the country.

Lastly, without adequate U.S. conventional weapons, Taiwan may have no choice but to develop nuclear weapons to preserve her independence. And technically, as a nation now considered legally part of the P.R.C., she should no longer be bound as far as the U.S. is concerned by the Nuclear Proliferation Treaty which Peking refused to sign.\*

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\*On this point see George H. Quester, "Taiwan and Nuclear Proliferation," Orbis, Spring, 1974.

## ECONOMIC PROBLEMS OF BREAKING RELATIONS WITH THE R.O.C.

While most discussion of U.S.-R.O.C.-P.R.C. relations revolve around politics, alliances, balances of power and potential formulas for reconciling differences, very little consideration has been given to exactly what the American relationship with the R.O.C. currently entails. If there is a change of relations, as indicated by something like the Japanese formula discussed above, then just what will this mean for the Republic of China? Since no real precedent exists for the situation, one can only ponder what will happen to the vast web of economic and other relations that the R.O.C. currently enjoys. Enumerated below are some of the problems that have not been even mentioned in much of the discussion, let alone resolved in any satisfactory manner.

(1) What will become of the status of the Republic of China in the various financial institutions that facilitate her tremendous trade? In the past year, the P.R.C. has signed contracts for over \$60 billion, yet now only exports about \$9 billion in goods and services so she must borrow enormous sums. Thus, she will undoubtedly try to displace the borrowing status of the R.O.C. in such places as the Export-Import Bank. Would the Export-Import Bank call in all loans to the R.O.C. at the demand of the P.R.C.? As of December, 1978, the R.O.C. had outstanding loans of \$2.2 billion, making her the second largest customer in the bank after Brazil.

(2) What will happen to the seat of the R.O.C. in the International Monetary Fund and the International Bank for Reconstruction and Development? Will the P.R.C. be able to force out the then unrecognized government of the R.O.C.? How would this affect the vital trade relations of the R.O.C.? What happens if the P.R.C. demands to join the World Bank as the successor to the seat held by the R.O.C.? If Peking joins the bank, could she request a share of loans comparable to India and therefore force the bank to increase its capital by an estimated \$2 billion simply for loans to China? Would the U.S. have to contribute a part of such an amount if requested? In the past, Peking has demanded the ouster of Taipei but never agreed to actually join herself. American efforts on behalf of the R.O.C. has kept her in the bank over the years; would this be compromised with the change in diplomatic relations?

(3) What will happen to the eight American banks in the R.O.C.? What will happen to their status; who will legally control their funds? Could they continue to operate in an ordinary way? U.S. private banks estimate total loans amounting to \$2.8 billion have been advanced to the R.O.C.

(4) What will happen to the over one-half billion dollars (\$516 million) of U.S. investments in the R.O.C.? The R.O.C. currently has one of the most advantageous climates for American investment in the world; will this be able to continue, or will the R.O.C. lose some legal authority to the P.R.C.? In contrast, Japanese investment only amounted to \$7.7 million. At present

American commercial relations with the R.O.C. are governed by the Taiwan Treaty of Friendship, Commerce and Navigation. A total of 49 treaties govern U.S.-R.O.C. commercial and other relations. But as of January 1, 1979, apparently all of these treaties were cast into legal limbo as the U.S. ceased to recognize the legitimacy of the government which negotiated them.

(5) If the P.R.C., through whatever circumstances, actually comes to power in the R.O.C. and expropriates American properties, would compensation for losses occur? If so, how would a determination of value be made? Or if future political chaos ushers in uncertainty that causes a business collapse in Taiwan, would resulting losses be covered? What about the drastic ripple effect on the American economy of the total disruption of over \$6 billion in trade with the R.O.C.? For example, the U.S. exported \$612 million of agricultural goods to Taiwan in 1978; could a substitute market be readily found?

(6) What will happen to all standard commercial agreements, such as long-term contracts now in effect? Can they be honored or extended? This would include a range of items from nuclear fuel to textile quotas. Would these agreements revert to the P.R.C. as the only legitimate government in China or as the successor government of the R.O.C.?

(7) By recognizing the P.R.C. as the only legitimate government of all of China, could she intervene in commercial and other affairs of Taiwan? Could the P.R.C. call for an embargo of all goods coming from Taiwan, or demand that all commercial relations with Taiwan be first approved in Peking? Could they act in a manner similar to the British and the Sugar Act of 1764, and demand that all shipping to Taiwan must first touch port with the mainland and pay taxes? Could the P.R.C. demand a special levy on any goods being exported from Taiwan?

(8) Could the P.R.C. propose economic sanctions at the United Nations against the allegedly rebellious province of Taiwan? Could sanctions similar to those imposed on Rhodesia be implemented and any American trade be condemned by the U.N.? As the only recognized legitimate sovereign government of all of China, could not Peking declare a general blockade of Taiwan similar to the Union's blockade of the South during the American Civil War? Could they close the Straits of Taiwan to international shipping destined for R.O.C. ports?

(9) Similarly, would the P.R.C. eventually demand an end to any "covert" support of the R.O.C. through trade or bank loans by the United States and contend that the United States is interfering in her internal affairs and thus violating the spirit of the normalization process?

(10) What will happen to the flow of people between the R.O.C., the U.S. and other countries? Could the P.R.C. as the legitimate government of China impose restrictions upon the issuance of visas and thereby intervene in tourism, cultural or educational exchanges of the R.O.C.? Who would control the air space over the R.O.C. and what would become of international air traffic agreements with the R.O.C. and their flag carrier China Air Lines? Can Taiwanese declare themselves political refugees from communism?

The questions posed above deal with the enormous web of relations of the R.O.C. that only indirectly relate to the security of the country. Yet the questions indicate quite clearly that even without the use of actual military force, Peking has an enormous range of options available to pursue a policy of economic strangulation of the R.O.C. The complete political isolation of the R.O.C. can easily lead to economic isolation and the destruction of the country because of its dependence on international commercial and other relations. This is a much more likely course of action for the P.R.C. to take against the R.O.C. than any precipitous military assault and could easily be defined as a "peaceful" resolution of the so-called Taiwan problem. Thus, very serious problems inevitably arise in the proposed formula involving the termination of diplomatic relations with the R.O.C. and discounting all governmental relations with the R.O.C.

#### THE CHINA MARKET MYTH

President Carter implied a definite connection between trade and normalization in his December 15th speech stating: "Normalization -- and the expanded commercial and cultural relations it will bring with it -- will contribute to the well-being of our own nation, and will enhance stability in Asia." Similarly, Christopher Phillips, President of the National Council for U.S.-China trade expected "to see a substantial increase in our trade with China as a result of this announcement." An initial boom in trade with the P.R.C. did follow quickly in the wake of the Nixon visit to China in 1972. However, this initial rise in trade precariously depended upon the purchase of several Boeing aircraft and some food supplies needed to satisfy a short-term shortage. Thus, as the following table indicates, the level of trade precipitously fell after only two years. In 1977 trade rose only slightly and in 1978 it is expected to finally surpass the earlier 1974 level. Still, as the chart below indicates, total U.S.-P.R.C. trade represents less than one-seventh of U.S.-R.O.C. trade.



Year	PEOPLE'S REPUBLIC OF CHINA		REPUBLIC OF CHINA	
	Exports to*	Imports From	Imports From	Exports To
1972	64	32	1,293	628
1973	740	64	1,784	1,170
1974	819	114	2,108	1,427
1975	304	158	1,946	1,660
1976	135	201	3,011	1,802
1977	171	203	3,035	1,520
1978**	700	300	5,000	

\*All figures in millions of dollars.

\*\*1978 figures tentative.

The trade figures reveal quite conspicuously the great myth of the China market. Unlike the R.O.C., the P.R.C. has no significant consumer market and produces few products in demand by Americans. Although China expects to become a major exporter of oil and has concluded substantial economic deals with Japan based on this, she can not contribute to American energy problems. Alaskan oil already overwhelms West Coast ports and Chinese oil has a high sulfur content not suited for U.S. refineries. The oil revenues may be able to promote some purchases, however.

Formal diplomatic relations may help promote some trade, but it cannot change the basic structural problems in the P.R.C. that mitigate against such basic things as foreign investment. Curiously, the same people who assert that full diplomatic relations with Peking are necessary to create a trade boom at the same time insist that even without benefit of a liaison office the Republic of China can continue her enormous trade with the U.S. If political stability continues in Taiwan, this may be true; but it has more to do with the economic systems existing in the two parts of China than to the diplomatic status of businessmen. Eugene A. Theroux, former vice president of the National Council for U.S.-China (P.R.C.) Trade, has concluded that "there is no prospect of trade with the Chinese sufficient to warrant proceeding with normalization."

Beyond marketing problems, the P.R.C. also suffers from existing congressional restrictions on any future trade. Even with full recognition, the P.R.C. could not qualify for most favored nation status or major credit guarantees, because under the Jackson/Vanik Amendment to the Trade Act the P.R.C. violates the freedom of emigration requirements. At present, virtually no

restrictions exist on the sales of U.S. goods to China; nonetheless, P.R.C. purchases have never risen substantially because of a lack of sufficient foreign reserves for overseas purchases. The United States could only sell a large volume of goods to the P.R.C. if American banks loaned the funds necessary for purchasing such goods.

Possibly only through the influx of enormous amounts of foreign goods and technology may the P.R.C. be able to overcome some of the disastrous effects of Mao's economic policies over the past two decades. But the core of their economic problem remains their communist system and hence they will never be able to achieve the levels of growth reached by their neighbors in Japan, Korea, and the R.O.C. Given the increased Soviet threats to Peking and the public acknowledgment by Teng of China's backwardness, China has begun to borrow money for some foreign purchases.

#### THE FUTURE OF TAIWAN

As indicated in the discussion above, the fundamental question initially surrounding the decision of December 15 must focus on the future of Taiwan. The President, in his speech, felt compelled to

"convey a special message to the people of Taiwan, with whom the American people have had and will have extensive close and friendly relations.

"As the United States asserted in the Shanghai Communique of 1972, we continue to have an interest in the peaceful resolution of the Taiwan issue.

"I have paid special attention to ensuring that normalization of relations between the United States and the People's Republic of China will not jeopardize the well-being of the people of Taiwan."

Unfortunately, the nature of the rhetoric used to convey this message as well as the failure to consult with Taiwan substantially undermines the credibility of the Carter Administration. In his entire speech, the President never once referred to the Republic of China nor to the Government of the Republic of China; instead references only allude to the "people of Taiwan" as though they constituted an entity separate from the government. In effect, such language can only serve to undermine the authority of the government of the Republic of China.

Moreover, the emphasis on a "peaceful resolution of the Taiwan issue" implies that the Republic of China should attempt to negotiate a reintegration into mainland China or face perpetual isolation in the world. Without continued support from the United States, the Republic of China will be in a much more vulnerable position to eventually succumb to pressure from the P.R.C. and sacrifice

her independence and with it an alternative way of life for the Chinese people. At present, the Republic of China remains the custodian of ancient Chinese civilization as the mainland continues, even if in a more pragmatic way, to refashion China in the crucible of Marxism.

If the concern of the United States is only on a "peaceful" way of reuniting China then presumably no objection will arise if Peking uses the economic pressures indicated above and thereby destroys a society whose values the United States should particularly appreciate. This is an especially peculiar position for an Administration to adhere to after it has placed such an emphasis on human rights. Instead, it appears that American pragmatism somehow requires a viable nation of 18 million people to become expendable in quest of better relations with its more populous and powerful neighbor.\*

In order to survive the Republic of China may now be forced to consider unpleasant alternatives that quite possibly would cause far greater difficulties for the United States in East Asia than continuing the kinds of relations that have existed for the past six years with the two Chinas. The R.O.C. may, as indicated above, be forced to develop nuclear weapons if they no longer have a defense commitment from the United States, or some other alternative alliance framework.

They may have to opt in their war for survival with some kind of tacit alliance relationship with the Soviet Union. Precisely the same kind of logic that dictated American normalization of relations with Peking to offset growing Soviet power in East Asia could compel President Chiang, who grew up in Russia, to turn again to Moscow in order to deal with the common threat they both face from an ostensible American-Peking Axis.

Others have suggested that the Republic of China simply formally declare its independence as the Republic of Taiwan and renounce her claims to mainland China. But even this drastic action would quite likely fail to enlist any more support for the reality of two Chinas than does the current situation as Peking seemingly maintains a veto power over such an option. Such action would also invalidate all the existing R.O.C agreements on trade and other matters.

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Aside from taking some kind of dramatic action, the Republic of China can attempt to survive their diplomatic isolation as they survived their ouster from the United Nations and derecognition of so many other governments over the past seven years. But survival this time must be much more precarious because Taiwan's relation with the United States consisted of far more than did her relations with any other nation. Moreover, by ostensibly aligning herself with Peking and recognizing the Communist government as the legitimate government of all of China, including Taiwan, the United States becomes a legal adversary even while claiming not to "jeopardize the well-being of the people of Taiwan."

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\*On the human rights question, see author's "The Status of Liberty in China," in Edwin J. Feulner, Jr., China - The Turning Point, Council on American Affairs, 1976.

The future of Taiwan then remains, even with a break in recognition, substantially in the hands of the United States as the American people and the Congress react to the actions of the President and attempt to alter the terms of the new China policy to provide more likelihood of the survival of the Republic of China.

## CONCLUSION

Without some fundamental changes or successful court or congressional challenges, the normalization of relations with Peking will quite likely lead to very abnormal relations with Taiwan and eventually the destruction of the Republic of China as an independent nation. Rather than attempting to resolve the conflict between Peking and Taipei and recognize the reality of two Chinas, the Carter Administration choose to, in effect, change sides in the conflict.

The precipitous action, without prior consultation with Taipei after years of benign neglect can do little to engender the kind of confidence among the Chinese in Taiwan that the United States remains a reliable ally in the years ahead. Only continued governmental contact can provide such confidence.

Although no military conflict appears imminent, the breaking of the Mutual Defense Treaty can only eventually encourage Peking adventurism at an opportune time. The P.R.C. will undoubtedly attempt to move Taiwan from complete diplomatic isolation to complete economic isolation. Through pursuit of this "peaceful" manner of resolving the Peking-Taipei conflict, the P.R.C. may be able to avoid a war and thereby seize the industrial infrastructure of the island intact.

Far from creating either peace or stability, the decision to break relations with the Republic of China in favor of relations with the People's Republic can only create new tension in East Asia and leave to an uncertain fate both the 18 million people on Taiwan and, prospectively, other nations such as Korea and Israel, who rely upon American commitments for their continued independence.

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## **THE CHINA DECISION AND THE FUTURE OF TAIWAN**

### **SUMMARY**

The decision by President Carter on December 15th to normalize relations with the People's Republic of China has precipitated enormous controversy despite the expectation of such an action since the signing of the Shanghai Communique by President Nixon nearly seven years ago. The controversy over the decision arises not so much because of the extension of full diplomatic relations to Peking, but from the manner in which the decision was made and the apparent failure to adequately provide for continued American relations with the government of the Republic of China on Taiwan.

Rather than consulting with Congress or the Republic of China about the prospective action, the President simply informed them of his decision to break diplomatic relations with Taipei by January 1, 1979 and to terminate the Mutual Defense Treaty of 1954 one year later. Thus, in two weeks the Republic of China must close its Embassy in Washington and will be prohibited from further governmental contact with the United States. Also, rather than waiting for Congress to reconvene in January and secure its approval for terminating a treaty, the President has assumed the authority, which many in Congress question, that he alone can break a treaty with another nation. Moreover, he seemingly defied a unanimous Senate resolution adopted in the form of an amendment which provided for prior consultation with Congress before breaking this particular treaty.

Despite over seven years of discussion and debate on the dilemmas of U.S.-China diplomacy, the basic decision by President Carter to recognize Peking as the legitimate government of China quite likely will create an enormous range of problems: