

Working Paper No.1995/2

RELATIONS FOR AUSTRALIA

Stuart Harris

*Canberra
June 1995*

National Library of Australia

Cataloguing-in-Publication Entry

Harris, Stuart, 1931- .

Implications of Taiwan-Chinese Relations for Australia.

ISBN 0 7315 2156 0.

1. Australia – Foreign relations – China. 2. China – Foreign relations – Australia.
3. Australia – Foreign relations – Taiwan. 4. Taiwan – Foreign relations – Australia.
5. Taiwan – Foreign relations – China. 6. China – Foreign relations – Taiwan.
I. Australian National University. Department of International Relations. II. Title.
(Series: Working paper (Australian National University. Dept. of International Relations);
1995/2.)

327.94051

© Stuart Harris

DEPARTMENT OF INTERNATIONAL RELATIONS
WORKING PAPERS

The Department's Working Paper series seeks to provide readers with access to current research on international relations. Reflecting the wide range of interest in the Department, it will include topics on global international politics and the international political economy, the Asian–Pacific region and issues of concern to Australian foreign policy.

Publication as a 'Working Paper' does not preclude subsequent publication in scholarly journals or books, indeed it may facilitate publication by providing feedback from readers to authors.

Unless otherwise stated, publications of the Department of International Relations are presented without endorsement as contributions to the public record and debate. Authors are responsible for their own analysis and conclusions.

Department of International Relations
Research School of Pacific and Asian Studies
Australian National University
Canberra ACT Australia

ABSTRACT

Australia sees Taiwan as an important, independent regional trading power. Although never central to Australian foreign policy, since the mid-1980s in particular, Australia has been upgrading its relations with Taiwan in the light of Taiwan's economic growth, the emergence of political freedoms, and pragmatism in its relations with Beijing. While official policy remains that diplomatic relations are maintained only with Beijing, with no expectation of change in the future, economic relations with Taiwan have grown substantially in various directions in recent years. Australia has also supported strongly Taiwan's membership of global economic organisations as well as its participation in regional discussions of economic cooperation.

Relations between Beijing and Taipei are an important factor in regional stability. While there are some longer-term fears of a greater China, Australia's policy sees closer cross-strait relations as contributing in several directions: to economic development in Taiwan, China and thereby to the Asia-Pacific economic community, including Australia; in the development on the mainland of institutional reforms that in the long run could help political change in China and stabilise the region; and in strategic terms in reducing the risks of cross-strait conflict, particularly if supported by careful and pragmatic approaches by members of the regional community, particularly the United States.

IMPLICATIONS OF TAIWAN-CHINESE RELATIONS FOR AUSTRALIA

Stuart Harris

Introduction

Australia's policies regarding Taiwan have been, until recently, largely governed by its relations with mainland China: 'inevitably connected because each claimed to be hosting the true government of all the peoples of China, but also separated because at times each had made an association with Australia dependent upon not having an association with the other'.¹

The factors influencing those policies have not been limited to cross-strait relations, however, nor is it possible to consider them by looking at cross-strait relations alone. We need to look as well at the regional framework for those relations which encompasses changes in Taiwan, in the PRC, and in the relations of both with the rest of the international community. We also need to consider, not only specific policies, but how attitudes have changed towards Taiwan and China and the factors that have been critical in shaping and changing those attitudes. It is in that broader context that Australia's policy responses to cross strait relations have evolved.

The regional context

Just as Taiwan's global influence is small, so is that of Australia. That means that Australian policies are decided in terms both of the concerns that small powers have about their security and about the rules that apply to small powers in an often predatory world. It also means that Australia, like other small powers, tends to set its policy within the framework of the economic and security order that exists in its region.

In the early years of the Cold War, Australia's relationship with Taiwan was seen primarily in the context of what was considered to be an appropriate ordering of the region, with strategic factors uppermost in the minds of policy makers. Those strategic factors were closely reflected and perhaps highlighted by the cross-strait tensions of the time.

¹ Gareth Evans and Bruce Grant, *Australia's Foreign Relations in the World of the 1990s*, Melbourne University Press, Melbourne, 1991, p. 235.

Much of Australia's concern for relations with Taiwan in the early postwar years was based on strategic considerations in the region, accepting and supporting Taiwan as part of the western barrier in the containment of communism. As a concomitant of that, Australia reflected the attitude of its regional neighbours, but most particularly the position of the US. Subsequently, the position was reinforced by the heightened concerns about the Soviet Union and the changed strategic relationship between China and the USSR. At this stage, however, Australia stopped short of seeking diplomatic representation in Taiwan.

With the growing hostility between Moscow and Beijing in the 1970s, and as China became strategically much closer to the West as part of the anti-communist front, and with the Soviet invasion of Afghanistan in particular, Australia along with the US and others put considerable weight on strategic relations with China. At this time, the focus of conflict between Taiwan and mainland China shifted outward from the Taiwan Strait into the international arena. 'Now the competition between the two sides took the form of attempts at international isolation and counter isolation'.²

Yet in the economic sphere, interest in economic cooperation in the 1960s onwards was becoming a factor in Australian thinking—as with the Asia-Pacific Council (ASPAC)—which although not very successful, included Taiwan as well as Australia and seven other regional countries. At this stage, however, regional economic cooperation tended to reflect a strategic concern for cooperation that saw itself as part of a global context.

In the 1970s, Australia's interest in regional economic cooperation developed a more regionally related aspect. In that context, given Taiwan's growing economic importance, not just as a trader but as an investor and a provider of economic aid, Taiwan's absence from regional cooperative discussions and from participation in regional economic organisations would have left a major—and growing—gap. Australia was therefore to the forefront of those keen to see Taiwan play an international role commensurate with its economic power.

Australia still sees Taiwan's position in the regional economic and security framework as crucial but in a different context. Australia has been active in helping to develop regional processes of economic cooperation, and in doing so it has been keen to see Taiwan participate. Australia played a role—at times a major role—in assisting the often difficult negotiations to enable Taiwan to be involved in groupings such as PECC and APEC, where sensitive negotiations took place with Beijing over the terms in which Taiwan could participate along with the PRC, as well as in the Asian Development Bank and the various global institutions. It also

² Mainland Affairs Council, *Relations Across the Taiwan Straits*, The Executive Yuan, Republic of China, July 1994, p. 6.

accepts that relations between Taiwan and China are basic to strategic security in the region, but primarily in the sense that regional stability depends upon those relations remaining peaceful.

Australia–Taiwan bilateral relations

Australia's bilateral relationship with Taiwan has passed through a wide variety of conditions since the end of the Second World War. Over that period it has been said that in Australia, Taiwan was 'despised, embraced, discarded and then

3

In particular, the uniqueness of Taiwan's position and the complexity of the relationship with the PRC meant that there was considerable ambivalence in Australia's policy towards Taiwan for the last three decades at least, and to a degree that ambivalence remains.

Although the history of the interaction between cross-strait relations and Australian policy starts well before the mid-1960s, notably in 1941 when Australia's first official representative was posted to the Nationalist Government in China, it is probably sufficient for present purposes to start at that time.

Direct political links were weak in the early postwar years for a number of reasons, and economic exchanges did not bridge the political gap at the time because of Taiwan's low incomes and as an agricultural country, it was more likely to be competitive with, rather than complementary to, the Australian economy.

Australia did ultimately open diplomatic relations with Taiwan. Although it was controversial in Australia, given its growing economic interests in the PRC, and an increasing domestic pressure to normalise relations with the PRC, an embassy was opened in Taipei in 1966. Up to that time, successive governments had been reluctant to do so and it was not an uncontested policy then. Nevertheless, there was a degree of public support for Taiwan's position, arising from a favouring of Taiwan because it was the underdog⁴—an influence not unimportant today.

During the 1960s, there was considerable Australian policy interest in looking to the PRC and Taiwan being accepted internationally as separate and independent entities—in part as a way of limiting the chances of a military conflict between the two countries and in part as a way of resolving other issues involved. The difficulty for that Australian policy objective in the 1960s, however, was that it would have involved recognition of the PRC, to which the US was adamantly

³ Gary Klintworth, *Australia's Taiwan Policy*, Australian Foreign Policy Papers, Department of International Relations, Australian National University, Canberra, 1994, p. 1.

⁴ *ibid.*, pp. 43–4.

opposed, and it would also have meant that Chiang Kai-shek would have had to give up claims to the mainland, including taking the mainland by force. He was not prepared to relinquish that ambition, an ambition that was already giving rise to increasing unease in Australia, reinforcing disquiet over the lack of political freedoms on the island.

Pursuit of a one-China, one-Taiwan policy faced the problem that Australia would have to stay in step with the US, in particular, and other regional allies in general. This posed for Australia a particular concern in 1971 when US policy changed suddenly, and growing domestic pressure for improved relations with mainland China increased. The then government was embarrassed by the need to make a choice that would involve withdrawing official relations with a country with which it had recently established diplomatic relations. As a result, it tried to see how the PRC could join the UN while leaving Taiwan as a member. The Australian government's policy was not successful. Although it was part of the majority that voted for the PRC's admission, it was in the minority that voted unsuccessfully to

Ultimately Australia made the decision to withdraw its embassy in 1972, after the election of the Whitlam government in that year, although withdrawal would undoubtedly have happened in any case, if more slowly. Associated with that was Australia's position that 'it recognises the PRC as the sole legal government of China and acknowledges the position of the Chinese Government that Taiwan is a province of China'.⁵

The rapid economic development of Taiwan and the growth of trade between Australia and Taiwan which became significant in the 1970s, was even more marked in the 1980s. An unofficial representative office had been opened by Taiwan in Australia in 1979 and a commercial office was opened unofficially by Australia in Taiwan in 1981. It was not until the mid-1980s, however, that the Australian government recognised the need to revamp its trade strategy to raise the profile of its economic relations and to direct more attention to Asia. This included an acceptance of the need to focus more specifically on Taiwan as an important bilateral relationship and led to moves to upgrade bilateral links in a number of ways.

Around this time, there was concern expressed by potential Taiwanese investors, notably state-owned corporations, about the security of Taiwanese investment in Australia. In 1989, after a protracted debate, and in the expectation of sizeable foreign investment from Taiwan, the Australian parliament legislated to protect Taiwanese investment in Australia from the possible claims of the PRC.

⁵ Senator Gareth Evans, then spokesperson for the Minister for Foreign Affairs in the Australian Senate, in Klintworth, *Australia's Taiwan Policy*, pp. 78–9.

A report prepared for the government in 1989 brought together a number of these ideas and highlighted the need for their implementation in the context of a basic redirection of Australia's policy.⁶ There is no doubt, also, that advantage was taken of the adverse international reaction to the slaughter in Tiananmen Square to upgrade the relationship significantly in the economic field, while remaining consistent with the one-China policy.

In 1991, Taiwan was permitted to upgrade its offices in Australia and to establish what was now called the Taipei Economic and Cultural Office in Canberra.⁷ The establishment of an office in Canberra for the first time—the others, known as the Far East Trading Company, were in Sydney and Melbourne—was particularly important in that Canberra was the seat of government and Taiwan's representatives could now meet with, and were given access to, officials of the Australian government on commercial and trade matters. In 1992, a way was found by which the Australian government could offer diplomatic privileges to Taiwan's representatives without the Taiwan office being recognised internationally as a mission of a sovereign state. As far as I know we are one of the few countries to do that.

In the meantime in 1991, after negotiations, first with the Chinese and then, much more extended, with Taiwan, an agreement was finally reached between the two government airlines on a direct bilateral airlink. For this purpose both airlines established appropriate subsidiary companies, given the sensitivity of the PRC about government flag carriers (Qantas and China Airlines) being overtly involved in direct links. Visa delays and inconveniences, having been seen as an increasing irritant in the relationship as it had grown in size and diversity, were also addressed with facilities being changed to facilitate and speed up the grant of visas for travellers in both directions. There had also been an increase in first, junior and then senior officials, and subsequently junior and more senior ministers, dealing with commercial or at least non-political issues. Such talks are likely to continue and indeed are unavoidable if the bilateral commercial relationships are to grow and mature.

The significance of the bilateral relationship has now changed substantially from the position of the early postwar decades. Taiwan is now Australia's sixth export market and in addition to a considerable and expanding tourist trade, a

⁶ Ross Garnaut, *Australia and the Northeast Asia Ascendancy*, Australian Government Publishing Service, Canberra, 1989.

⁷ This is one of the more common titles used for Taiwan representative offices in now over 120 countries and areas. See Dennis Van Vranken Hickey, 'Taiwan and Tiannanmen: An Analysis of Taiwan policy towards the Democracy Movement', *Journal of Northeast Asian Studies*, vol. 9, no. 3, Fall 1990, p. 21.

growing level of inwards migration, particularly business migration, is occurring. The bilateral relationship is now important in its own right.

Developments in Taiwan

Changes in Taiwan and in their implications for cross-strait relations were important factors in the development of Australian policy, and in the development of Australia–Taiwan relations. Taiwan's ideological commitment to capitalist values and a trading culture resonated with sections of the Australian community, while the political stability and economic progress in the 1960s and subsequent decades was important in shaping political ideas in Australia towards Taiwan.

There is no doubt that Taiwan's growing economic strength was a major factor in the move to enhance the bilateral relationship. There was not only a direct recognition of this from the government itself but those doing business with Taiwan, some of whom were politically well-connected, started to apply pressure on the Australian government.

Other factors, however, have been important. One was the move towards political freedoms and the removal of the condition of being technically at war with China. The removal by President Chiang of martial law in 1987, and the removal of restrictions on Taiwanese visits to the mainland started the progress towards rapid growth in economic and trade ties in cross-strait relations. Constitutional reform, notably the removal in 1991 of the law suspending the constitution which allowed repressive measures to be taken against dissenters, facilitated increased political plurality. It was also influential in changing political attitudes within Australia towards Taiwan and made the opportunity provided by the 1989 events in Beijing easier to grasp.

With the ending of the Cold War, and as regional tensions subsided, the greater concentration of economic development gave Taiwan a strong bargaining position in its international relations which it used to good effect. Taiwan leadership gradually became sensitive to criticism, however, that it had been buying support through its economic strength, and may well have recognised the long-term weakness of that position in its competition with China. Thus the aim now, as President Lee has put it, is to gain support because of Taiwan 'culture and

Developments in China

In the early postwar decades, the Chinese involvement in the Korean War, its support for local communist parties in the region and for their subversive activities against governments then in power, and its close relations with the USSR together with its revolutionary rhetoric, made China the prime security threat to many in

the region. Various conflicts over the off-shore islands in the Taiwan Straits from 1949 to 1958 confirmed that perception and the sensitivity of cross-strait relations.

In the 1960s, China's concerns with the superpower conflict, and its domestic concerns which included the cultural revolution, the deterioration of its links with the USSR and border conflicts with India and the USSR, took Taiwan largely off China's political agenda.

That position remained largely unchanged until the early 1970s, when various countries made overtures in one form or another to develop relations with Beijing. With the breakdown in Sino-USSR relations and the death of Mao, these efforts were intensified. Critically, however, the Chinese made attitudes to Taiwan a requirement for these relationships. In that context, Australia along with other countries accepted the conditions for the reestablishment of Sino-Australian relations.

Subsequent developments in China, such as the economic reforms initiated by Teng Tsiao-ping in the late 1970s, suggested that this decision was a sound one. The gradual opening up of the Chinese economy seemed to offer unlimited potential.

In the 1980s, the greater international attention given to Taiwan as a result of its economic growth put Taiwan higher on China's policy agenda, demonstrated the extent of contacts being made at senior official levels.⁸

The violent response to the pro-democracy movement in Tiananmen Square in June 1989 saw a major reappraisal of international attitudes to China. That situation provided the opportunity for many countries to enhance their relations with Taiwan while China, seeking to minimise the diplomatic fall-out, was less able to respond. Taiwan's growing liberalisation was put into a sharper focus not just internationally but domestically as well. I have already noted that the international opprobrium towards China following May 1989 made it easier for the Australian government to upgrade bilateral relations.

At the same time, the receptivity in China to Taiwanese trade and investment as a favoured element in the economic growth of China was seen as an important signal of greater pragmatism on both sides and therefore a healthy development. China is now concerned, however, over the success of the new Taiwanese search for international recognition. This is not because it fears diplomatic recognition of Taiwan but that it will facilitate acceptance of one-China, one-Taiwan.

⁸ Chen Jie, 'Major Concerns in China's ASEAN Policy', in Chandrar Jeshuran (ed.), *China, India, Japan and the Security of Southeast Asia*, Institute of Southeast Asian Studies, Singapore, 1993, pp. 147-8.

Developments in cross-strait relations

Relations between Taiwan and China have been an important component of regional political stability for much of the postwar period. Given that China has not renounced the use of force against Taiwan, assessments of Australia's regional security environment have customarily seen the Taiwan straits as a point of potential instability if the relationships cannot be handled satisfactorily.

Prohibitions on trade between Taiwan and China existed for much of the postwar period, falling into the category of trading with the enemy. Since the late 1970s, trade between them has increased very substantially but significant barriers remain to bilateral trade and economic interchange. Despite these barriers, the interdependence between Taiwan and China has increased greatly over a period of little more than fifteen years. In 1993 Taiwan exports direct and indirect (mainly through Hong Kong) exceeded \$US15 billion. Hong Kong after 1997 will, of course, be part of China and thus Taiwanese export dependence upon the China market will rise, on present proportions to around one-third of its total exports. China is less dependent upon Taiwan in trade terms—with imports amounting to some 7 per cent of total imports, but with Taiwan having a persistent balance of trade surplus. Taiwan is, however, an important source of investment, entrepreneurial skills and technology that China would not easily replace.

Despite the large and growing mutual benefit of this economic interchange, the normal concern that any country has about high levels of economic dependence on any one market or supplier is greatly accentuated in cross-strait relations by the long period of distrust and suspicion. In many respects, however, the growth in economic exchanges has been important in breaking down that distrust and suspicion. Consequently, related questions and problems arising from the massive interchange of visitors and the large trade and investment volumes have increasingly been handled, at times after protracted negotiation, in a basically cooperative way.

We noted earlier that China was not unhappy to see greater Taiwanese involvement in regional economic cooperation processes provided the sovereignty issues, such as concern with the names adopted by Taiwan in such processes, were satisfactorily resolved. Beijing also is not unhappy to see economic progress in Taiwan, and the links with economic organisations assist this process.

In the strategic field, the issues are much more complex. Security issues, for example, raise questions of sovereignty on which Beijing's position has not only been much more resistant but has firmed up as Taiwan has pressed harder in its diplomatic offensive, including its efforts to rejoin the UN, and President Lee's golfing diplomacy.

Thus, efforts for Taiwan to participate in regional security dialogues have met with much less success, and will continue to face major difficulties if not sustained

opposition to the point of veto. Given the perception of China's overwhelming importance to regional security, including its importance in settling disputes peacefully, it is inevitable that China's participation in security dialogues will be regarded as the priority.

Relations between Taiwan and China improved in the period of political relaxation in Taiwan which began in 1986 and were first formalised in 1987 with the end of martial law, and despite the June 1989 fall-out, with the formal ending of the state of war in 1991. The improvement in cross-strait relations is seen among Australian policy-makers as achieving major progress, both in terms of the models—economic and political—it provides and in the direct relationships established, including the human contacts.

A significant recent development has been Taiwan's bid for readmission to the UN. There is no doubt that the participation of an economy the size of Taiwan's, particularly given its international economic activities and its political pluralism, would make a substantial contribution to the UN and to UN-related activities in the Asia-Pacific region, and on that basis the Australian government would no doubt see considerable advantage in Taiwan's readmission. Yet, whatever the motivation for the bid, that is not the determining factor. There is a general acceptance that ultimately such membership will depend upon agreement being reached between the PRC and Taiwan. This is the position Australian policy-makers have taken, accepting that Taiwan has to persuade China that, as Taiwan has itself argued, the bid is a precursor to reunification, rather than a move in the opposite direction.

One factor judged by many observers as being critical in the development of cross-strait relations is difficult to assess accurately. That is how far Taiwan has been, and will in the future be, a model in either or both the economic and political field. The argument ranges through a demonstration effect—the comparison between standards of living on either side of the strait; the impact of Taiwanese investment and the illustration of how market methods work; and, more speculatively, the political changes that may become a pattern for the PRC regime or indeed take the form of a peaceful evolution that would be subversive of authoritarian systems on the mainland.

A major issue in Taiwan has been the emergence of an opposition party with a platform which advocates formal independence of Taiwan from China. Given the particular sensitivity of the issue in China and the Chinese threats of military action should independence be declared, the questions for those in the region, including Australia, include how far the population will support the Democratic Peoples Party (DPP) platform at the ballot box. There seems at present to be sufficient reluctance for them to do so for the DPP to be reexamining its position. Another question is whether the Chinese are bluffing, making the threat simply to

hold off such a declaration, or whether they would in fact act in such a situation. Some in the DPP argue that they believe the Chinese have too much to lose in terms of trade, international respectability and perhaps even militarily to carry out the threat.

Whether that is so or not—and it is a major question for the Taiwanese to face—one can say that a regime change in China is not a favourable time to be taking risks of this kind. Australian policy-makers understand that there is a lack of consensus on policy towards the mainland between the Kuomintang (KMT) and the (DPP). While this is not an issue on which a government of another country would comment publicly, it would be hard to avoid the view that the lack of such a consensus has the potential to be destabilising in Taiwan cross-strait relations.

The years 1994 and 1995 have seen further moves towards greater cooperation despite some increase in cross-strait tensions, arising from such things as Chinese hostility over Taiwan's more active international diplomacy, and Taiwan's strong response to what was seen as an inadequate official Chinese response to the killing of a number of Taiwanese tourists in southern China. In particular, in January 1995, China's President Jiang Zemin made a statement on relations with Taiwan. Although the Taiwanese response was predictably cautious, much of it was not new, and its motivations included Chinese domestic factors, it seems to have been a way of reducing cross-strait tensions. Moreover, it did offer some small added concessions, such as Jiang's acceptance of the proposal for a non-governmental agreement to protect Taiwanese investments on the mainland.

Not surprisingly, President Jiang repeated the Chinese unwillingness to renounce force but one unofficial translation cites this as being directed not against the Chinese compatriots in Taiwan 'but against the schemes of foreign forces to interfere with China's reunification and bring about Taiwan independence'. Although Jiang did not mention the US in his speech, and there may well be other interpretations of his intended meaning, it is possible to see this as a reaction to actions and statements by some notable figures in the Republican dominated US Congress, from Senator Helms down, particularly coming after the shock of the Bush deal on F16s. That is likely to have been accentuated by the decision of the Clinton administration to grant a visa to President Lee to visit the United States.

How have cross strait relations impinged?

During the 1970s there was growing public acceptance in Australia of mainland China and recognition of its increasing economic importance. China was seen as a natural market for Australia, the growth in agricultural exports from Australia had become important, and the potential seemed large. At that time, expectations of comparable trade growth with Taiwan were not high. In practice, of course, notably after official relations were discontinued, bilateral trade with Taiwan eventually

¹⁰ In this context it has used often effectively a number of standard diplomatic techniques.

It has used a concession, or a purported concession, on the part of one country in its relations with Taiwan, as a pressure point for others. Consequently, Australian visitors to Taiwan (as is true in the case of other countries) are inevitably told—and often believe—that other countries are moving faster, and thereby gaining readier access to the Taiwanese market and to its capital. The hope or expectation is that pressure will build for a comparable move in the country concerned—on which they are often correct.

A respected Australian financial newspaper argued that the legislation to protect Taiwan's financial investments in Australia was made as a consequence of a well planned campaign to improve Taiwan's regional diplomacy. The bait was an integrated steel mill complex, a proposal floated with the Australian central and state governments but which, after the legislation was in place, was not proceeded with.¹¹ Klintworth also notes that during the negotiations between Australia and Taiwan over direct air links, Taiwan imposed a ban on imports of beef from Australia, at that time a sizeable and politically sensitive item in the bilateral trade which it was suggested had a broader political purpose.

Similarly, the airlines agreement was used to pressure the Australian government to improve visa facilities and to raise the status of visas for travel by Taiwanese to Australia. Although the Australian government, having made that change, claimed that the required change in the visa format made at about that time was made independently of the airlines agreement, the coincidence of the timing seemed remarkable.

⁹ Penny Wensley, 'Australian Policy Towards Taiwan', in Gary Klintworth (ed.), *Modern Taiwan in the 1990s*, Canberra Papers on Strategy and Defence no. 75, Strategic and Defence Studies Centre, Australian National University, Canberra, 1991, pp. 194–5.

¹⁰ Klintworth, *Australia's Taiwan Policy*, p. 117.

¹¹ *Australian Financial Review*, 4 December, 1989, cited in Klintworth, *Australia's Taiwan Policy*, p. 123.

While there has been irritation at these and other ways of what Garnaut called 'pressing at the boundaries' of official contacts,¹² Taiwan has limited alternative means of exercising political influence and of advancing its interests.

On the other hand, the greater degree of pragmatism in Taiwan's policy towards the PRC initiated by President Lee in 1988 has been regarded, on balance, as an important contribution to stability in the region. Competition in the diplomatic field with the PRC remains strong, and although in the formal field the losses may outweigh the gains, in the informal field Taiwan has clearly made considerable progress, and has constrained the actions that China might feel able to take in dealing with the question of reunification.

Another question concerns how the PRC and Taiwan advanced their respective interests. In effect, Taiwan and the PRC have been competing for influence, and in their relations with Australia, both Taiwan and the PRC had clear political agendas. As far as China is concerned, in the 1960s the growing trade with China in wheat became important to Australia's rural sector. Although this gave China potential influence over Australia, it was not until 1971–72 that the Chinese government gave any indication that the amount of wheat bought from Australia could be dependent upon diplomatic recognition.¹³

After diplomatic relations were restored with the PRC in 1972, China had been very sensitive to exchanges with Taiwan and has watched carefully any changes in the approach to relations, protesting strongly and often at any change that has seemed to affect the one-China policy as China interpreted it.

As well as in the contexts already considered, such as the form which direct airlinks could take, a further concern developed over high level official visits because of the fear that such visits would result in practice in Taiwan being treated as a separate political entity. The Chinese position has not been consistent, however, since it does not apply to Singapore, which more than most treats Taiwan as a separate political entity. An additional sensitive area has been the sale to Taiwan of military equipment. This sensitivity has had a clear effect on Australian policy although sales of such equipment to Taiwan have been small to date. Given China's unwillingness to renounce a forcible resolution of the differences across the straits, Taiwan has built up a substantial military capability. Since accepting that retaking the mainland was no longer a Taiwanese objective, defence planning on the island has been essentially defensive.

¹² Garnaut, *Australia and the Northeast Asia Ascendancy*, p. 281.

¹³ J. Wilczynski, 'Sino-Australian Trade, and Defence', *Australian Outlook*, vol. 20, no. 2, 1966, pp. 154–67.

With its numerical disadvantage, it has concentrated on building up its technological capacity in its military planning. In doing so, it has been heavily dependent on imports of advanced equipment.

The US has been the major supplier within constraints set by its interpretation of the stated and enacted position, and its agreements with Taiwan. Particularly during the 1980s, however, when the US was not meeting what Taiwan saw as its needs, other suppliers including Australia were approached. Responses by China to sales of military equipment to Taiwan, however, have been sharp. Dutch sales of two submarines in the early 1980s led to a downgrading of diplomatic relations between the Netherlands and China; the French sale of Mirage fighter aircraft resulted in the closure of a French consulate and a loss of a major infrastructural contract. In the light of such responses, considerable caution is exercised in the export of arms to Taiwan.

Defence industry representatives in Australia and many others keen to gain from increased sales of military equipment, have pressed strongly for relaxation of restrictions on the sale of military equipment to Taiwan. Australia has a general policy, however, of not selling weapons systems to countries in potential conflict areas, something which, perhaps conveniently, includes the Taiwan straits, thus ruling out sales of such things as the Collins-class submarines currently in production in Australia. Complaints from China are likely to be less, and retaliation less likely, from sales of military equipment falling short of a whole weapons system—such as electronic subsystems—and this seems to be an area where Australian producers are more competitive.

Where are we today?

Throughout the history of the postwar relationship, it has been generally accepted that the question of the PRC and Taiwan was a problem for the two entities themselves to resolve in their cross-strait relations. In that sense, for much of the period Australia hoped to put aside the problems that emerged—in their substantially varying forms. As it happened, of course, it was not—and is not—possible for Australia to stand back in this way completely, although that almost certainly remains an important policy objective in the issue.

As already indicated, Australia's overall belief remains that ultimately the issue of cross-strait relations is a matter to be resolved by the PRC and Taiwan; how the Chinese people on both sides of the straits solved the problem of reunification was a matter not for Australia but for the Chinese themselves.¹⁴ Within that, the broad underpinning of Australian government policy is support for

¹⁴ Gary Klintworth, *New Taiwan, New China: Taiwan's Changing Role in the Asia-Pacific in the 1990s*, Longman Cheshire, Melbourne, 1995, p. 205.

the current position of the Taiwan government. That is, it supports the Taiwanese government's position that there is one China and that Taiwan is part of China. It welcomed Taiwan acknowledgement of Beijing's rule over mainland China. It has not said so but it would be consistent with that to see it judging a declaration of independence as provocative, however much it might sympathise with the aspirations of those wanting to move in that direction.

It is probably still relevant that Australian policy for much of the first two decades after the Second World War was to favour Taiwan's position largely for political and strategic reasons. That did not extend, however, to backing the Chinese Nationalists to the point of going to war with the PRC, as over the islands of Quemoy and Matsu.¹⁵

There are also areas where the Australian position is an open one, where the PRC and Taiwan are as one. Thus, Taiwan's and China's sovereignty claims over the Senkakus and over the Spratly islands, are ones in which the Australian government would want to avoid taking sides. Policy-makers are concerned, however, at the potentially destabilising effect of reports about Taiwan willingness to help the mainland defend the Chinese claims, militarily if necessary, as was illustrated in the recent events over China's actions on Mischief Reef. It would regard it as important that genuine efforts are made to resolve the disputes over boundaries peacefully and sees that as an important component of a cultural and morally principled approach.

A further implication of cross-straits relations for Australian policy-makers arises from the implications for Hong Kong. In most respects, the causal relationship is likely to be in the other direction—with the Hong Kong experience being an example for Taiwan to observe. Yet, the development of relations with Taiwan will itself give some guide and to some extent influence Chinese policies towards Hong Kong.

Finally, not a few of those involved on either side of the straits have a vision of a greater China—involving the labour resources, skills, technology and capital of China, Taiwan and Hong Kong as well as the ethnic Chinese in Southeast Asia. Not a few in the region, including Australia, are disquieted by this same vision.

On the other hand, many in the region, and many in Australia, with perhaps the wish being father to the thought, would see this closer economic integration, and the growing cross-straits cooperation in an expanding range of economic activities, as reflecting the kind of pragmatism that will lead to a typically Chinese type solution to the differences that continue to exist across the Taiwan straits.

¹⁵ Prime Minister Robert Menzies, quoted in T.B. Millar, *Australia in Peace and War: External Relations Since 1978*, (2nd ed.), Australian National University Press, Sydney, 1991, p. 172.

This is no doubt the hope of Australian policy-makers, who would want to see the continuation of the pragmatic approach being pursued on both sides of the Taiwan Strait as leading to peaceful resolution of the issues dividing the two political entities. In this sense, Australia welcomes the progress in cross-strait relations as contributing to peace in the Asia-Pacific region in general and eliminating one potential source of regional instability. It will also help the overall process of regional economic cooperation. President Lee has said that 'Taipei should avoid straining cross straits relations and try to keep them stable to avoid unnecessary and unpleasant developments'.¹⁶ Australian policy-makers' position would be that this needs to be kept in mind as well by others in the region and, while recognising the particular US role with respect to Taiwan, particularly by US legislators.

The PRC faces a dilemma with respect to Taiwan: it feels it has to threaten force because without that threat, Taiwan would be likely to move to independence. That threat of force, however, makes the Taiwanese more antagonistic to the regime on the mainland. Taiwan, however, also faces a dilemma. It sees the US as its ultimate provider of assurance of its own de facto independence. Yet, given that a prime concern of the PRC is that the US is its major rival for influence and the greatest threat to its freedom of action, the closer Taiwan gets to the US the more the concern of the PRC and the danger that what may simply have been a bluff could become a reality. The danger for regional stability and security of the US Congress micro-managing US foreign policy in this respect is one that it will be increasingly difficult for Australian policy-makers to ignore.

¹⁶ *The Free China Journal*, 10 February, 1995, p. 1.

DEPARTMENT OF INTERNATIONAL RELATIONS PUBLICATIONS

as at 1 June 1995

WORKING PAPERS:

Send all orders to:
Publications Officer
Department of International Relations
Research School of Pacific and Asian Studies
The Australian National University
Canberra ACT 0200 Australia
Phone: (06) 249 4451/279 8089 Fax: (06) 279 8010

- WP1989/1 **The Changing Central Balance and Australian Policy**, by Coral Bell
WP1989/2 **Agricultural Trade and Australian Foreign Policy in the 1990s**, by Stuart Harris
WP1989/3 **The Politics of Reassurance: Egypt and the Arab World, 1977–1987**, by Ralph King
WP1989/4 **Analysing the Impact of International Sanctions on China**, by Peter Van Ness
WP1989/5 **Economic Change in the International System Implications for Australia's Prospects**, by Stuart Harris
- WP1990/1 **Middle Power Leadership and Coalition Building: The Cairns Croup and the Uruguay Round**,
by Andrew Fenton Cooper and Richard A. Higgott
WP1990/2 **The Soviet Far East**, by Geoff Jukes
WP1990/3 **The Environmental Challenge: The New International Agenda**, by Stuart Harris
WP1990/4 **India in Southwest Asia**, by Amin Saikal
WP1990/5 **Is Unilateral Trade Liberalisation the Answer?** by Trevor Matthews and John Ravenhill
WP1990/6 **The Politics of Baltic Nationalisms**, by William Maley
WP1990/7 **Peacekeeping in the South Pacific: Some Questions for Prior Consideration**, by Greg Fry
WP1990/8 **Informal Theories of Rationality**, by James L. Richardson
WP1990/9 **The Limits to Liberalisation in Industrialising Asia: Three Views of the State**, by James Cotton
WP1990/10 **The Influence of the United Nations on the Antarctic System: a Source of Erosion or Cohesion?** by Stuart Harris
- WP1991/1 **International Trade, Ecologically Sustainable Development and the GATT**, by Stuart Harris
WP1991/2 **Middle Powers and International Sanctions: Generic Theory Reconsidered**, by Kim Richard Nossal
WP1991/3 **Continuity and Change in Cooperative International Regimes: The Politics of the Recent Environment Debate in Antarctica**, by Lorraine M. Elliott
WP1991/4 **Foreign Policy Analysis, International Relations Theory, and Social Theory: Critique and Reconstruction**, by Ian Bell
WP1991/5 **China as a Third World State: Foreign Policy and Official National Identity**, by Peter Van Ness
WP1991/6 **The Drawbacks of the Detached View: Russia, the USSR and the Pacific**, by Artem Rudnitskiy
WP1991/7 **'Civil Society' and Nationalism in North Korea: Foundations for Political Change?** by James Cotton
WP1991/8 **Australia and the South Pacific: From 'Strategic Denial' to 'Constructive Commitment'**, by Greg Fry
WP1991/9 **Implementing Foreign Policy: The Environmental Challenge**, by Stuart Harris
WP1991/10 **The Korean Nuclear Issue**, by Song Young Sun
- WP1992/1 **After the Cold War and the Gulf War: Prospects for Security in the Asia-Pacific**, by Andrew Mack
WP1992/2 **Questions About a Post-Cold War International Order**, by J.L. Richardson
WP1992/3 **New Hierarchies in East Asia: The Post-Plaza Division of Labour**, by Mitchell Bernard and John Ravenhill
WP1992/4 **Federalism and Australian Foreign Policy**, by Stuart Harris
WP1992/5 **Moving Target—Korea's Nuclear Proliferation Potential**, by Peter Hayes
WP1992/6 **The Economic Aspects of Pacific Security**, by Stuart Harris
WP1992/7 **The Gulf War and Australian Political Culture**, by James L. Richardson
WP1992/8 **The Case For a Nuclear Weapon-Free Zone in Northeast Asia**, by Andrew Mack
WP1992/9 **Nuclear Dilemmas: Korean Security in the 1990s**, by Andrew Mack
WP1992/10 **Arms Proliferation in the Asia-Pacific: Causes and Prospects for Control**, by Andrew Mack
- WP1993/1 **The Practice of Common Security: China's Borders with Russia and India**, by Gary Klintworth
WP1993/2 **Strategic Trade Policy: The East Asian Experience**, by Trevor Matthews and John Ravenhill
WP1993/3 **Environmental Regulation, Economic Growth and International Competitiveness**, by Stuart Harris
WP1993/4 **The Environment and Sustainable Development: An Australian Social Science Perspective**, by Stuart Harris
WP1993/5 **Gaddis' Lacuna: Foreign Policy Analysis and the End of the Cold War**, by Valerie Hudson
WP1993/6 **The Return of Practical Reason**, by Hayward R. Alker, Jr.
WP1993/7 **An American New World Order?**, by James L. Richardson
WP1993/8 **Concepts of Security in the Post-Cold War**, by Andrew Mack
WP1993/9 **Australian Security in the 1990s**, by Andrew Mack
WP1993/10 **Nuclear-Free Zones in the 1990s**, by Andrew Mack

WP1994/1	Inter-Civilisation Conflict: A Critique of the Huntington Thesis , by Jacinta O'Hagan
WP1994/2	The Future of Asia-Pacific Security Studies in Australia , by Pauline Kerr and Andrew Mack
WP1994/3	Australia's Regional Security Environment , by Stuart Harris
WP1994/4	Policy Networks and Economic Cooperation: Policy Coordination in the Asia-Pacific Region , by Stuart Harris
WP1994/5	North Korea's Nuclear Program: the Options are Shrinking , by Andrew Mack
WP1994/6	The Asia-Pacific: Geopolitical Cauldron or Regional Community? , by James L. Richardson
WP1994/7	'Climbing Back onto the Map?': The South Pacific Forum and the New Development Orthodoxy , by Greg Fry
WP1994/8	Human Rights and Cultural Specificity: The Case of Papua New Guinea , by Michael Jacobsen
WP1994/9	Nuclear Endgame on the Korean Peninsula , by Andrew Mack
WP1994/10	China's Public Order Crisis and Its Strategic Implications , by Greg Austin
WP1995/1	New Light on the Russo-Japanese Territorial Dispute , by Kimie Hara
WP1995/2	Implications of Taiwan-Chinese Relations for Australia , by Stuart Harris
WP1995/3	In Search of a New Identity: Revival of Traditional Politics and Modernisation in Post-Kim Il Sung North Korea , by Alexandre Y. Mansourov
WP1995/4	The Neo-Classical Ascendancy: The Australian Economic Policy Community and Northeast Asian Economic Growth , by Trevor Matthews and John Ravenhill

Price: All at the one price of \$A5.



CANBERRA STUDIES IN WORLD AFFAIRS:

Send all orders to:
Reply paid 440, Bibliotech
ANUTECH
Canberra ACT 0200 Australia
Telephone: (616/06) 249 3811/5662
Fax Order: IDD (616) STD (06) 257 1433

CS21	Politics, Diplomacy and Islam: Four Case Studies , edited by Coral Bell	\$10.00
CS22	The Changing Pacific: Four Case Studies , edited by Coral Bell	\$10.00
CS23	New Directions in International Relations? Australian Perspectives , edited by Richard Higgott	\$10.00
CS24	Australia and the Multinationals: A Study of Power and Bargaining in the 1980s , by Neil Renwick	\$10.00
CS25	Refugees in the Modern World , edited by Amin Saikal	\$10.00
CS27	Northeast Asian Challenge: Debating the Garnaut Report , edited by J.L. Richardson	\$15.00
CS28	The ANZUS Documents , edited by Alan Burnett with Thomas-Durell Young and Christine Wilson	\$15.00
CS29	Human Rights in the Asia-Pacific Region , edited by John Girling	\$15.00
CS30	International Relations: Global and Australian Perspectives on an Evolving Discipline , edited by Richard Higgott and J.L. Richardson	\$15.00



STUDIES IN WORLD AFFAIRS:

Send all orders to:
Allen & Unwin Pty Ltd
9 Atchison Street
St Leonards NSW 2605 Australia
Ph: (02) 901 4088, Fax: (02) 906 2218

Ethics and Foreign Policy , edited by Paul Keal	\$24.95
Korea Under Roh Tae-woo: Democratisation, Northern Policy, and Inter-Korean Relations , edited by James Cotton	\$24.95
Asian-Pacific Security After the Cold War , edited by T.B. Millar and James Walter	\$24.95
The Post-Cold War Order: Diagnoses and Prognoses , edited by Richard Leaver and James L. Richardson	\$24.95
Dependent Ally: A Study in Australian Foreign Policy , 3rd ed., by Coral Bell	\$24.95
A Peaceful Ocean? Maritime Security in the Pacific in the Post-Cold War Era , edited by Andrew Mack	\$24.95
Asian Flashpoint: Security and the Korean Peninsula , edited by Andrew Mack	\$24.95
Taiwan in the Asia-Pacific in the 1990s , edited by Gary Klintworth	\$24.95
Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific ,	

edited by Andrew Mack and John Ravenhill	\$24.95
The Gulf War: Critical Perspectives , edited by Michael McKinley	\$24.95
Search for Security: The Political Economy of Australia's Postwar Foreign and Defence Policy , by David Lee	\$24.95

AUSTRALIAN FOREIGN POLICY PAPERS

Australian Foreign Policy Papers are published by the Australian Foreign Policy Publications Programme in the Department of International Relations:

Send all orders to:

Reply paid 440, Bibliotech

ANUTECH

Canberra ACT 0200 Australia

Telephone: (616/06) 249 3811/5662

Fax Order: IDD (616) STD (06) 257 1433

Australia's Alliance Options: Prospect and Retrospect in a World of Change , by Coral Bell	\$15.00
Coping With Washington: Players, Conventions and Strategies , by Davis Bobrow	\$10.00
The European Community in Context , by John Groom	\$15.00
Australia's Human Rights Diplomacy , by Ian Russell, Peter Van Ness and Beng-Huat Chua	\$15.00
Selling Mirages: The Politics of Arms Trading , by Graeme Cheeseman	\$15.00
The Search for Substance: Australia-India Relations into the Nineties and Beyond , by Sandy Gordon	\$15.00
Protecting the Antarctic Environment: Australia and the Minerals Convention , by Lorraine Elliott	\$15.00
Australia's Taiwan Policy 1942-1992 , by Gary Klintworth	\$20.00
Australia and the New World Order: Evatt in San Francisco, 1945 , by W.J. Hudson	\$20.00
The Beijing Massacre: Australian Responses , by Kim Richard Nossal	\$15.00
The Pacific Patrol Boat Project: A Case Study of Australian Defence Cooperation , by Anthony Bergin	\$10.00
A Select Bibliography of Australia's Foreign Relations, 1975-1992 , compiled by Pauline Kerr David Sullivan and Robin Ward	\$20.00
Australia's Evolving American Relationship: Interests, Processes and Prospects for Australian Influence , by Henry S. Albinski	\$10.00

* Plus \$3.00 postage and packaging per copy ordered.

DEPARTMENT OF INTERNATIONAL RELATIONS

Publications Order Form

WORKING PAPERS ONLY

Please Supply

.....Copies of IR Working Paper No.Copies of IR Working Paper No.
.....Copies of IR Working Paper No.Copies of IR Working Paper No.
.....Copies of IR Working Paper No.Copies of IR Working Paper No.
.....Copies of IR Working Paper No.Copies of IR Working Paper No.
.....Copies of IR Working Paper No.Copies of IR Working Paper No.

* All Working Papers are \$A5.

Method of Payment (please tick)

- Money Order
- Cheque (made payable to: The Australian National University)
- Mastercard/Visa Card Number.....
Expiry Date Signature

For Overseas Orders: Payment by Mastercard/Visa or by Bank Draft in Australian Dollars only, payable to Australian National University.

Name/Organisation:
Postal Address:
Suburb:..... State: Postcode:.....
Signature: Date:.....

Please forward completed form and payment to:

Publications Officer
Department of International Relations
Research School of Pacific and Asian Studies
Australian National University
CANBERRA ACT 0200 AUSTRALIA
Phone: (06) 249 4451/279 8089, Fax: (06) 279 8010
Email: rxw404@coombs.anu.edu.au

*** Standing Orders Welcome ***