

July 1, 1977

## ***AMERICAN DIPLOMACY AND THE TWO CHINAS***

### **SUMMARY**

The relationship between the United States and the two Chinese governments in Peking and Taipei has constituted one of the most complex problems of American diplomacy since the close of World War II. A new review of the nature of the two regimes and interests of the United States has naturally arisen under the new Carter Administration. Unfortunately, many of the assumptions, as well as the questions asked, in the great China debate miss essential points that must be considered if any intelligent resolution of the problem can be posed.

Unlike 1950, when the Korean War broke out, no serious question currently arises as to whether either Peking or Taipei will launch an attack against the other in order to recover their "lost territory." Military questions about the defense of Taiwan must be addressed in any prospective American abrogation of her mutual defense treaty, especially if the United States refuses to sell various items of military equipment to the Republic of China. But the military disparity will only grow over a period of years and, other conditions remaining stable, the Republic of China may be able to acquire the necessary military equipment from other suppliers. The real and immediate threat to the continued existence of the independence of the Republic of China arises more from potential non-military confrontations.

Should the United States formally break relations with the Republic of China, Peking would have nearly completed her process of diplomatically isolating the island nation. Korea is the next largest country that formally recognizes the Taipei government. Peking would then proceed from diplomatic isolation to economic isolation and in this manner attempt to strangle Taipei by denying her access to markets necessary for her survival. United Nations sanctions could be sought against this rebel province, expulsion

---

NOTE: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

could be demanded from the World Bank, and even selective stop and seizure of shipping could be initiated by Peking who desires to seize the vast industrial infrastructure of Taiwan intact.

No formula posed for the diplomatic abandonment of Taiwan by the United States adequately provides any safeguards for the eventual economic destruction of Taiwan. Thus, the so-called Japanese formula for diplomatic relations with the two Chinas has no relevance for the present American position. Only the American back-up support for Taiwan's continued commercial existence has made the Japanese formula successful for nations throughout the world.

The passing of Mao has clearly revealed a crisis situation in the PRC that may only be resolved with massive foreign assistance. In 1976 the Chinese economy suffered its worst growth performance in over a decade. Only now the economic devastation visited upon the country by the policies of Mao has become apparent. The new leadership has begun to pursue possible massive infusions of Western investment capital and advanced technology in order for the country to progress economically. Similarly, the growth of Soviet power in Africa and Southeast Asia has dramatically demonstrated the diminishing influence of Peking in the world. Only through closer relations with the U.S. and Western Europe do many Chinese leaders feel they can avoid encroaching Soviet encirclement.

While the PRC has compelling reasons for establishing full diplomatic relations with the United States, no one in Washington has been able to construct a list of tangible benefits that the United States would gain by terminating their current relations with Taipei. In his speech before the Asia Society meeting on June 29th, Secretary of State Vance termed friendly relations with Peking as "a central part of our foreign policy" and indicated normalization would proceed in the direction of full diplomatic relations. The following day, President Carter expressed his hope that "we can work out an agreement with the People's Republic of China having full diplomatic relations with them." However, coming in the wake of the proposed withdrawal from Korea, any movement towards a further reduction of forces or break in formal relations with Taiwan would set off a tidal wave throughout East Asia that could wash away any remaining credibility of the United States as a reliable ally.

Taiwan, along with Korea, is the best case study in the world of the success of an American aid program engendering productive self-reliance through the creation of a free economic system. The potential destruction of this capitalistic success story through unnecessary concessions to a Marxist state would substantially destroy American investor confidence necessary throughout the developing world for economic progress.

An opportune time now exists for the United States to finally proclaim an American policy that recognizes the reality of two sovereignties operating on different pieces of Chinese territory. Thus the United States could offer diplomatic relations to Peking with the stipulation that formal relations would continue with Taipei. However, if Peking rejects such terms then the presently seemingly awkward, but entirely workable arrangement of relations can continue indefinitely and satisfy the vital interests of all parties concerned.

## INTRODUCTION

Since the conclusion of the Chinese Civil War, the United States has continued to recognize the Republic of China (Taiwan) as the legitimate government of all of China. Even though President Nixon visited the People's Republic of China in 1972 and apparently intended to formally extend diplomatic recognition to the Peking regime in his second term, the Watergate scandal intervened. President Ford concluded Nixon's term in office without proceeding with what has been termed the final step to complete the normalization process begun with the Nixon visit and the signing of the Shanghai Communique. But now, with the advent of the new Carter Administration in Washington and assumption of power in Peking by Hua Kuo-feng, the entire question of American relations with Peking and Taipei has come under review once again. Secretary of State Vance has announced he will go to China in late August, 1977, and hopes to make progress toward normal diplomatic relations between the two countries. This paper examines the nature of the United States' relations with the two Chinas and apparently unresolvable problems inherent in any proposal to completely terminate relations with the ROC and establish them with the PRC.

## 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 recent U.S.-China relations. The PRC has consistently called for the fulfillment of the Shanghai Communique and many American commentators have echoed this plea indicating that this means the establishment of full diplomatic relations with Peking and a termination of any formal relations with Taipei.

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 does not state what the American position on Taiwan is, only that the U.S. government does not challenge the position that both Chinese governments agree on the unity of all of China. Moreover, the United States only agrees to the removal of military forces from Taiwan "as the tensions in the area diminish." Thus, unless the PRC is willing to proclaim peaceful intentions in the area, the United States presumably should not withdraw her remaining forces, which now number about 1400.

In a press conference following the agreement, National Security Advisor Henry Kissinger noted that the Shanghai Communique had not altered the American relationship with the Republic of China.

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 thus has acquired a somewhat ambiguous place in American diplomacy. Neither of the two principals who signed the Communique, Richard Nixon or Chou En-lai, are 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 intension of policy, such as the tentative SALT or Southern Africa agreements also negotiated by Dr. Kissinger.

In contrast to the Shanghai Communique, the United States still has a formal Mutual Defense Treaty with the Republic of China, adopted in 1954. In this treaty, Article II pledges both governments to "maintain and develop their individual and collective 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. Thus, debate on U.S.-China relations should focus on the nature of the problems that must be dealt with in any change of American diplomatic relations and not simply the alleged failure to fulfill the PRC interpretation of the Shanghai Communique.

## THE SECURITY OF TAIWAN

In a press conference on May 12, 1977, President Carter reiterated his previous position on U.S. relations with the PRC. Indicating that he views the normalization process as meaning eventual diplomatic relations with the PRC, the President referred to "the one obstacle - the major obstacle, obviously, is the relationship we've always had with Taiwan." He proceeded to indicate his main concern: "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 implies that if only the Chinese will foreswear 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 PRC has been sternly rejected. The Chinese Vice Premiere promptly responded to Carter's views on May 15th. 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."

Both Jerome Cohen, who has advised President Carter on China policy, and Michel C. Oksenberg, now the National Security Council expert on China, appear to agree that the PRC should not be forced to make a public commitment to peacefully resolve the Taiwan question. In testimony before the House International Relations Committee last year, Cohen said the United States should be satisfied with some quiet verbal assurance of non-aggressive intent. Similarly, Oksenberg has written that "The United States should be prepared to accept a weak Chinese pledge on this issue."

Naturally, the Republic of China remains very distrustful of any vaguely implied agreement which could determine the continued security and viability of their country. But others have raised serious questions about the nature of any assurances and the kind of status they would hold. Ray Cline, Director of the Georgetown Center for Strategic and International Studies, maintained before the House International Relations Committee:

The United States cannot give any kind of credible security assurance to a Taiwan which we have just formally recognized to be legally a part of another state.

Any such assurance would constitute interference in the internal affairs of another country.

Rather than relying upon some pledges of peace to maintain their security, the Republic of China has pressed the United States

for additional military equipment to thwart any prospective military assault. Apparently agreeing with Taipei, the United States has substantially increased sales of military hardware to Taiwan in recent years. The Administration report requesting approval of sales to Taiwan in 1976 noted that "the threat of assault /against Taiwan/ could increase over the next few years as a result of Peking's growing nuclear, air and naval capability." Sales of military equipment to Taiwan rose to \$196 million in 1974, \$215 million in 1975, and reached \$293 million last year. Projected sales in 1977 will run over \$200 million again.

In 1974, the ROC began producing their own F-5E fighters under a contract with the Northrop Corporation. She also manufactures her own helicopters, machine guns, rifles, military vehicles and trainer aircraft. However, the ROC has thus far been refused other more sophisticated equipment by the United States. The ROC has sought F-16 fighters and Harpoon anti-ship missiles. But while willing to sell 160 F-16s to Iran, the Defense Department refuses to make them available to Taiwan. Similarly, delays in the possible sale of Harpoons has led Taiwan to attempt to buy Israeli-produced Gabriel missiles; she previously purchased Rafael Shafrir air-to-air missiles from Israel in 1973.

The PRC has consistently been overrated militarily as both a potential ally or adversary. Thus, as long as Peking must contend with the prospective threat posed by 44 Soviet divisions on her northern frontier, she could initiate no significant offensive against Taiwan. Any accommodation or amelioration of relations with the Soviets could quickly alter this, however. But at present, the real danger to the ROC arises from other adverse consequences that would flow from a break in formal diplomatic relations between Washington and Taipei.

## THE JAPANESE MODEL OF CHINESE RELATIONS

Among the various formulations posed for changing American diplomatic relations with Peking and Taipei, the most frequently mentioned is the so-called Japanese model. As very simply stated by Senator Henry Jackson on his return from the PRC several years ago, all the United States needs to do is "put our embassy in Peking and our liaison office in Taipei." In other words, upgrade the liaison office in the PRC to a regular embassy but continue commercial and other relations with the ROC by downgrading the embassy there to a liaison office. The underlying assumption behind this proposal is that because the Japanese pursued such a course of action when they broke diplomatic relations with the ROC, no adverse consequences would follow for either the United States or the ROC 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 ROC than exists between the United States and the ROC.

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. Any abrogation of America's Mutual Defense Treaty and final withdrawal of forces from Taiwan, while troop withdrawals proceed from Korea, would significantly reduce Seoul's confidence in American support and further encourage aggression by Kim Il Sung.

The Japanese formula is also inadequate because it was largely designed as a reaction to the Kissinger secret trip to the PRC 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 PRC.

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 back-up 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 works because of the fallback position of the United States still sustains 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, if the United States broke relations with the Republic of China and followed 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 PRC has demanded that the

United States not only terminate diplomatic relations with the ROC but also end the Mutual Defense Treaty of 1954 and remove all military personnel from the island.

## PROBLEMS OF BREAKING RELATIONS WITH THE ROC

While most discussion of U.S.-ROC-PRC 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 ROC presently entails. If there is a change of relations, as indicated by something like the Japanese formula discussed above, then just what would this mean for the Republic of China? Since no real precedent exists for the situation, one can only ponder what would happen to the vast web of economic and other relations that the ROC 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 would become of the status of the Republic of China in the Export-Import Bank? Will the PRC automatically take over her seat or refuse to join this capitalist institution, objecting particularly against the rules on financial disclosures? In the past Peking has demanded the ouster of Taipei but never agreed to actually join herself. American efforts on behalf of the ROC has kept them in the bank over the years; would this be compromised if diplomatic relations changed? If ousted, what happens to all of the loans that the ROC currently holds from the Ex-Im Bank? As of December 1975, the ROC had outstanding loans for \$1.7 billion, making her the second largest customer after Brazil.

(2) What would happen to the seat of the ROC in the International Monetary Fund and the International Bank for Reconstruction and Development? Would the PRC be able to force out the then unrecognized government of the ROC? How would this impact the vital trade relations of the ROC?

(3) What would happen to the eight American banks in the ROC? What would happen to their status; who will legally control their funds? Could they continue to operate in an ordinary way?

(4) What would happen to the nearly one-half billion dollars (\$476 million) of U.S. investments in the ROC? The ROC presently has one of the most advantageous climates for American investment in the world; would this be able to continue, or would the ROC lose some legal authority to the PRC? At present, American commercial relations with the ROC are governed by the Taiwan Treaty of Friendship, Commerce and Navigation. No similar treaty exists with the PRC and quite likely could not exist with any communist government.



(5) If the PRC, through whatever circumstances, actually comes to power in the ROC 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 \$4 billion in trade with the ROC? For example, the U.S. exported \$420 million of agricultural goods to Taiwan in 1975; could a substitute market be readily found?

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

(7) If the PRC were recognized as the only legitimate government of all of China, then could she intervene in commercial and other affairs of Taiwan? Could the PRC 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 PRC demand a special levy on any goods being exported from Taiwan?

(8) Could the PRC 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 ROC ports?

(9) Similarly, would the PRC eventually demand an end to any "covert" support of the ROC 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 would happen to the flow of people between the ROC, the U.S. and other countries? Could the PRC as the legitimate government of China impose restrictions upon the issuance of visas and thereby intervene in tourism, cultural or educational exchanges of the ROC? Who would control the air space over the ROC and what would become of international air traffic agreements with the ROC and their flag carrier China Air Lines?

The questions posed above deal with the enormous web of relations of the ROC 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 ROC. The complete political isolation of the ROC 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 PRC to take against the ROC than any precipitous military assault.

As indicated above, very serious problems inevitably arise in any formula involving the termination of diplomatic relations with the ROC. Thus, it must be demonstrated that substantial benefits from the PRC will flow to the U.S. that can effectively offset the detrimental impact upon the ROC. Simply because five years have followed the signing of the Shanghai Communique provides no compelling reason for changing the status quo. Instead, this five-year period should provide abundant evidence of what substantive benefits have derived from the closer relations with the PRC. Only after examining this evidence should one possibly proceed with any further changes.

## THE CHINA MARKET MYTH

Among the potential benefits of closer relations with the PRC, none has perhaps figured so conspicuously as the opening up of a market of over 800 million people for American goods and services. An initial boom in trade with the PRC 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 transient shortage. Thus, as the following table indicates, the level of trade precipitously fell after only two years. For purposes of comparison, the steady growth of trade with the ROC is also listed.

<u>Year</u>	<u>People's Republic of China</u>		<u>Republic of China</u>	
	<u>Exports to</u>	<u>Imports from</u>	<u>Imports from</u>	<u>Exports to</u>
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

\*Figures given in millions

The trade figures reveal quite conspicuously the great myth of the China market. Unlike the ROC, the PRC has no significant consumer market and produces few products in demand by Americans. Full diplomatic relations with the PRC would not substantially alter the present situation. Eugene A. Theroux, former vice president of the National Council for U.S.-China (PRC) Trade, has concluded that "there is no prospect of trade with the Chinese sufficient to warrant proceeding with normalization."

Beyond marketing problems, the PRC also suffers from prospective Congressional restrictions on any future trade. Even with full recognition, the PRC could not qualify for most favored nation status or major credit guarantees, because under the Jackson/Vanik Amendment to the Trade Act the PRC violates the freedom of emigration requirements. At present, virtually no restrictions exist on the sales of U.S. goods to China; nonetheless, PRC purchases have fallen in recent years because of a lack of sufficient foreign reserves for overseas purchases. The United States could only sell a large volume of goods to the PRC if American banks loaned the funds necessary for purchasing such goods.

The PRC has previously refused such loans publicly, though they have used other devices to cover over two billion dollars in world trade deficits over the past three years. Due to the current economic crisis in Peking, the government may be reviewing their past trade policies. Last year the PRC economy suffered its worst growth performance in over a decade, and wage freezes have been in effect since the early 1960's. Possibly only through the influx of enormous amounts of foreign goods and technology may the PRC 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 ROC.

## NORMALIZATION: A FIVE YEAR EVALUATION

The lack of formal diplomatic relations with the United States has undoubtedly embarrassed Peking as well as the alleged "occupation" of a part of her territory by American military forces. Thus on occasions, Peking indicates her impatience with the progress of normalization, meaning quite simply that the process as the PRC defines it has not proceeded to her satisfaction. However, the United States should equally determine what the nature and speed of the normalization consists of and not simply react to alleged impatience of the PRC.

In summarizing the principal actions taken by the two countries since the inauguration of the normalization process, it appears that if either party to the process should be disturbed by the actions or inactions of the other it should be the United States, not the PRC.

A. American actions taken to promote harmonious relations with the PRC:

1. The United States supported PRC admission to UN under two China formulas, but was rebuffed and lost with the ouster of the ROC.
2. The United States has taken all the initiatives in travel from the first breakthrough visit of the Secretary of State to the visit of two American Presidents; this has great symbolic importance, particularly in the Orient. No high level Chinese officials have ever visited Washington.
3. American initiatives set off a rush of countries, beginning with Japan, establishing formal diplomatic relations with the PRC; now only Korea in East Asia officially recognizes the ROC. The United States did nothing to discourage this process that has tremendously raised the prestige of the PRC in their region and around the world.
4. The United States removed many trade restrictions on products produced in the PRC; trade volume initially increased with imports by the PRC of important technical goods and foodstuffs.
5. The United States removed travel restrictions so that American journalists, scholars, and others, can visit and study in the PRC.
6. The United States established a liaison mission and trade mission to further facilitate inter-action between the two countries.
7. The United States has tacitly acknowledged claims by the PRC for their entire continental shelf so that American oil companies have been discouraged from working with either the ROC or Korea in exploration even relatively close to the coasts of Taiwan and South Korea.
8. There has been a drastic reduction of American forces on Taiwan - from 10,000 down to 1,400 men - and total withdrawal of advisors from Quemoy and Matsu.

B. The People's Republic of China has responded to these initiatives by the following reciprocal actions:

1. The PRC has given overt support for the Western defense posture in Europe; however, this principally serves the interest of the PRC by diverting Soviet attention and forces from their common border.

2. The PRC has allowed a selective number of journalists and scholars into mainland China, but has generally greatly restricted their latitude of travel and contact with the Chinese people.
  3. The PRC has dealt with the American liaison office on a par with full embassies in Peking, and thus no significant difference has been drawn between the status of the American and other diplomatic missions.
  4. The PRC apparently discouraged Kim Il Sung in his visit to Peking in May of 1975 from initiating a new war in Korea; however, the PRC continues to side firmly with Kim in the UN, provide assistance to his government, and call for removal of American forces from Korea.
  5. The PRC initially sided with the other anti-Soviet forces in Angola but quickly withdrew when the fighting grew intense. The PRC opposed Angolan membership in the UN.
- C. However, other actions by the PRC have indicated a continuation of an aggressive policy towards the United States and support for revolutionary warfare:
1. The PRC provided increased assistance to North Vietnam after the signing of the cease-fire agreement in January, 1973, although now the Soviets have gained the upper hand in all of Indo China.
  2. The PRC continues to support Communist guerilla movements in Thailand, Malaysia, and the Philippines--even after the formal establishment of diplomatic relations.
  3. In the United Nations the PRC has consistently opposed American interests and sabotaged efforts to use this forum for the genuine promotion of peace. She has supported all of the anti-Israeli moves in this and other international bodies.
  4. The PRC has never demonstrated any willingness to make any concessions regarding the future of the Republic of China, even refusing to foreswear the use of force to settle the dispute.
  5. The PRC has maintained a doctrinaire ideological outlook towards the United States, even maintaining that Puerto Rico is a colony and thus refused to accept a delegation of mayors to China that included the mayor of San Juan.
  6. The PRC has interfered directly in internal American affairs by attempting to restrict reporters covering their archaeological exhibit and demanding the closure of a Tibetan exile office in New York.

7. The PRC has refused to allow the New York Times to establish a news bureau in Peking and demanded that the Times prohibit advertising in their paper by the ROC.

All of these actions do not augur well for the future if the U.S. formally breaks relations with the ROC. If the PRC raises formal protests over a Tibetan exile office in New York, presumably they will later demand the closure of far more important trade and consular offices that the ROC would need to maintain in the United States.

## U.S. ACTIONS AGAINST THE ROC

Rather than simply attempting to deal directly with Peking to achieve harmonious relations, the U.S. has also engaged in a series of actions that damage the interests of the ROC.

1. Although the term of the present Ambassador of the Republic of China expired over a year ago, the State Department has discouraged any change for fear of embarrassing Peking with the necessary formalities that would accompany such action.

2. Similarly, aside from former Vice President Rockefeller, who President Ford only reluctantly sent to Chiang Kai-shek's funeral, no senior American diplomat has visited the ROC in the past decade.

3. The Congress of the United States, without State Department objection, repealed the Formosa Resolution in 1975.

4. The State Department has discouraged any American companies from participating in any oil and gas exploration off the coast of the island of Taiwan.

5. Last July, the State Department requested the abrupt termination of a \$917,000 contract between the ROC and Massachusetts Institute of Technology stating that the program "is not in the furtherance of the foreign policy and national security interests of the United States." This engineering program for building internal guidance systems ended six months early and M.I.T. refunded \$200,000 to the ROC.

6. The U.S. removed all of her combat fighters, including F-4 Phantom jets, from the ROC in May, 1975, but has refused to sell F-16 fighters to the ROC to help fill the void. The State Department has refused to sell other modern equipment to the ROC, but at the same time has approved the sale of two sophisticated computers to the PRC that could be used for military purposes.

This series of relatively minor actions has cumulatively damaged the prestige, security and economy of the Republic of China. But the ROC has managed to survive these minor problems, along with major crises resulting from her expulsion from the United Nations and the break in relations with almost all major countries in the world. But survival in previous crises does not guarantee the future of the country. In fact, survival thus far has been predicated upon the remaining American commercial and military support for the country.

## THE CRISIS IN THE PRC

The death of Mao Tse-tung not only created a leadership vacuum in Peking, but also revealed problems that had grown to crisis proportions during his reign. The prompt purge of the radical Maoists, including the Chairman's wife, reflected both an internal power struggle and the desire of the pragmatic communists to quell revolutionary fervor. The Cultural Revolution, like the Great Leap Forward earlier, set the progress of China back by several years. Michel Oksenberg has calculated that of the twelve major policy commitments initiated by Mao, from managing industry in 1969 to arranging succession at his death in 1976, only two succeeded while ten failed.\* His policies had an especially adverse effect upon production in the country as revolutionary dedication superseded ability.

Thus the PRC remains rich only in size and population, while falling further behind other Asian nations in economic power. Japan's GNP now exceeds that of the PRC and all other Asian nations combined, and total world trade by the ROC surpasses that of the PRC. In order to cope with the disastrous performance of the economy, the present leadership in Peking may seek substantial foreign loans (as indicated above, p.11). In order to further encourage American trade and financial assistance and eventually acquire the industrial might of Taiwan, the PRC will strongly reiterate her desire for diplomatic recognition by the U.S.

Beyond economic requirements, the PRC also desperately needs tacit American support for her deteriorating international position. The Soviet Union virtually eliminated significant PRC influence carefully cultivated for years in Africa. This recently led the PRC to charge the Soviets with "taking the neo-colonialist road of expansionism abroad" under the guise of "the non-capitalist road."

In Europe, even the most devoted PRC ally, Albania, recently attacked the PRC for possibly reversing some of Mao's policies and considering another rehabilitation of Teng Hsiao-ping. The

---

\*Michel Oksenberg, "Mao's Policy Commitments, 1921-1976," Problems of Communism, Nov.-Dec., 1976.

communist triumphs in Southeast Asia have led to close ties between Laos, Vietnam and the Soviet Union. For the past two years, border skirmishes and offshore island disputes have strained relations with Hanoi. PRC Vice Foreign Minister Liu Chen-hua has called attention to the dangers of "Vietnamese expansionism." President Ne Win has issued a stern warning to Peking concerning PRC support for communist guerilla activities in Burma; Thailand and Malaysia have launched similar protests previously. Indonesia, the largest country in East Asia after China, still refuses to restore diplomatic relations with Peking. PRC advice to Japan on how to deal with the Soviets received a stern rebuff as did PRC objections to joint Korean-Japanese seabed exploration. And probably most significantly, the estimated 44 Soviet divisions posted on China's northern border have been supplemented with increasing naval strength in the Pacific. The PRC also fears that Soviet bases will be established at former American facilities in South Vietnam.

Thus, the joint economic and diplomatic problems of the PRC have made closer relations with the United States a much more compelling necessity now than during Mao's reign. The continued independence of the PRC may well rest upon increasing Western trade and technical assistance coupled with the perception of significant American military power offsetting Soviet strength both in East Asia and around the world.

## CONCLUSION

The language of Oriental detente has always been dictated more by the barrels of Soviet guns posed on the China frontier, than by any reconsiderations of Maoist doctrine. Thus at present, while Soviet might grows and a post-Mao era begins, the U.S. should evaluate again her relations with the two Chinas. The United States' fundamental interests continue to consist of encouraging the Sino-Soviet split, maintaining a credible military posture in East Asia, sustaining traditional allies in the region, and fostering the growth of values that respect human rights and economic development.

Other than an irritant in PRC-U.S. relations, the ROC has contributed enormously to fulfilling these American interests in the Orient. This will especially be the case in the next four to five years as the expected withdrawal of ground forces from Korea raises substantially the value of both other American bases in the area and the credibility of the U.S. as reflected in adhering to treaty commitments. Thus the importance of continuing American commitment to the ROC extends well beyond preserving the independence of 18 million people. And, as this analysis indicated, the survival of the ROC depends upon continued American support, because the enormous range of relations between the two countries cannot possibly be sustained if the U.S. recognizes the regime in Peking as the only legitimate government of all of China.



Consequently, at present, a break in diplomatic relations with the Republic of China would precipitate new crises far beyond the confines of the island of Taiwan. Also, the growing problems in Peking should provide the United States with an opportunity to extricate herself from the mythology of the Shanghai Communique and finally proclaim an American policy. An opportune moment arises at this time to pose a final resolution of the China dilemma by offering diplomatic relations to Peking with the stipulation that formal relations would also continue with Taipei. This two-China proposal recognizes the reality of two sovereignties operating on different pieces of Chinese territory. Indications are that the ROC will now accede to this proposal and, given her present circumstances, the PRC should do likewise. However, if diplomatic recognition on such terms is rejected, no compelling reason indicates why the present seemingly awkward, but entirely workable arrangement cannot continue indefinitely and satisfy the vital interests of all parties concerned.

By Jeffrey B. Gayner  
Policy Analyst

