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by Edwin J. Feulner, Jr.



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These are difficult times for the Chinese people, and for friends of China as well. We at The Heritage Foundation take pride in our long-time friendship with the Republic of China, and especially in our close and productive relationship with the Institute for International Relations. It is at times of difficulty that we truly appreciate how important our friends are. In times of peace and stability, we often take good relations between allied countries for granted. The People's Liberation Army and the Chinese Communist Party have forced us out of our complacency.

The tragic events of June 4th and later in Peking have shocked the world. However, considering the experience of the Cultural Revolution, we should not have been surprised by the atrocities committed by the communist authorities. The massacre of hundreds, and possibly thousands, of students in Tiananmen Square has placed the differences between Communist and Democratic governments in sharp relief. As the Republic of China prepares for another round of elections, the People's Republic of China is rounding up, and executing, demonstrators who committed the "crime" of assembling. The moral bankruptcy of communism has never been more apparent. When PLA tanks rolled over the "Goddess of Democracy" in Tiananmen Square to crush a peaceful protest, freedom-loving people the world over were assaulted as well.

International attention also has focused on Hong Kong, where an outraged population withdrew so much money from Mainland Chinese banks, that the authorities were forced to inject some 25 billion dollars into the banking system. Since the turmoil in China began, over two months ago, the Hong Kong Stock Market has dropped nearly 25 percent. One million people there participated in demonstrations supporting the Peking students — a very impressive number for a colony of only five and one-half million people. It now appears that unless the British move to allay the fears of Hong Kong citizens, the colony could become ungovernable, and the economy could become much less vigorous and vibrant.

Effects on the ROC. Looking at these events from Washington, I have observed that the one aspect of the current debate over events in Greater China that is curiously absent, or at least subdued, is what these events portend for the Republic of China. Will the ROC be able to expand informal and indirect contacts with the Mainland, as have been done in recent years, or will some revisions be necessary? How will recent events affect the ROC's relations with the rest of the world? Has your government been given a tremendous public relations advantage because of the tragic events in Peking? And if so, what should be done with this advantage? Whatever the answers to these questions might be, it will be very

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difficult for the PRC to exert pressure on third countries with regard to dealings with the ROC without it being portrayed as yet another heavy-handed intimidation tactic.

It must be with some sense of satisfaction that your countrymen view the consternation of the Western world in the light of recent events. With regard to my own country, a decade after the Republic of China was “de-recognized” by the United States, in favor of the Mainland, it is clear that the presumed benefits of such a new relationship must be reevaluated in light of the massacre in Tiananmen Square. Recent events must lead to a review by political leaders, both in Taipei and in Washington.

Prescient Taiwan Relations Act. First, we must recognize the importance of the Washington-Taipei relationship. Thanks to diligent efforts by the United States Congress in passing the Taiwan Relations Act ten years ago, we did not make the mistake of improving relations with Peking at any cost. I am reminded of a story carried on American television news reports immediately following the Peking massacre, which told of a United States businessman who had just moved his production facilities from Taiwan to the Mainland, to take advantage of lower labor costs. Following the bloodshed, he was seriously questioning the wisdom of that decision, wondering if he would have to relocate again.

Unlike that businessman, the United States is not in a position to recoup a lost friend. If the United States had really abandoned Taiwan ten years ago, we could very well have been in a position of losing an old ally and gaining nothing in return. Britain is now realizing that the promises exacted from Peking with regard to freedoms promised to Hong Kong may not be worth the paper they’re printed on. We must all remember that such strategic and political maneuverings are advantageous only to the extent they do not leave you weakened in the long term. Temporary situations often change perceptions to an unwarranted degree, making us slow to react to fast-changing events.

U.S. Objectives. America’s improvement in relations with the Mainland was designed to achieve a number of objectives. Strategically, we sought an ally in our struggle to contain Soviet expansion, and hoped that the seven million active and reserve troops in the People’s Liberation Army would force the Soviets to maintain a large border presence, limiting their ability to project force abroad. However, China’s opposition to the Soviets is clearly based on its own interests and, as we are seeing now, may change over time. As we are now aware, the United States does not necessarily gain from Sino-Soviet hostility, nor do we lose if relations between the two improve. China and the USSR will have their difficulties in the future based upon bilateral differences, not because of some U.S. “grand strategy.” Clearly, the United States must continue to take into account Mainland China’s relationship with the Soviet Union when crafting a viable “China” policy, but this relationship should not be the only factor that influences U.S. China policy.

Another important consideration in U.S.-China policy has been the **enhancement of stability in Asia.** A stable Asia depends upon a stable Mainland, and a stable situation in the Taiwan Straits. By improving our relationship with Peking while maintaining close relations with Taipei, the United States sought to play a moderating influence in the region. In this regard, U.S. policy has been remarkably successful. I believe it was because of this stable environment that informal and indirect contacts between Taiwan and the Mainland have been able to grow dramatically in the past several years.

One Billion Consumers. The United States and the West also sought to enhance their economic interests by aiding the economic development of Peking. This served two major purposes: first, to strengthen Peking economically vis-a-vis Moscow and second, to enhance

business opportunities in the most populous country in the world. Many joint ventures and other businesses were formed in response to the “siren call” of “the world’s largest market.” Many exporters sought trade ties to a country of one billion consumers. And, although many businesses were set up, some successful projects were completed, and some profits were made, the “Mainland Market” has failed to live up to the early expectations. This is primarily because the expectations were far from the economic reality of China. It was not what it was portrayed to be.

Dispelling the Myth. As realists, we must dispel the myth that “China is the world’s largest market.” It isn’t. A market is not merely a collection of people. It is a combination of people and capital. A market requires not only a demand for foreign goods, but the ability to buy them. Recognizing that, the United States is the world’s largest market. When Europe unifies economically in 1992, it will be the second largest market and Japan will be the third largest (currently, it is the second largest). In fact, China’s gross national product is only 4 percent larger than the combined GNPs of the “four tigers” (Hong Kong, Singapore, South Korea, and Taiwan) – even though those nations only have less than 7 percent of the population of the Mainland.

This is not to say that Mainland China does not hold economic opportunities for businessmen both here and in the United States. It does. It was, until recently, an area of rapid growth and great promise. And, if the reforms are renewed, it may be again. However, our economic contacts with the Mainland have profound effects that extend far beyond the commercial realm. We have not only exchanged goods and services, but ideas and ideals. While the United States cannot claim credit for giving the Peking students the courage to stand up to their government and demand freedom and democracy, we can take pride in the fact that the symbol they chose to represent their ideas – the Goddess of Democracy – looked remarkably like the Statue of Liberty. In fact, it has been our contacts with Mainland China, our trade, our businessmen, our radios – particularly the Voice of America – our tourists, and the opening of our universities to some 40,000 Chinese students from the Mainland, that has been an important motivator for change.

REFORMED COMMUNISM – THE LAST STAGE

As the world watches the current retrenchment in the PRC, the new elections in Poland and Hungary, and Gorbachev’s perestroika, a growing number of observers have come to the conclusion that “reformed” communism is the last stage of communism. In an effort to survive in a rapidly changing technological world, communist countries have attempted to take on the external characteristics of capitalism without changing the basic nature of their governing structures. History has shown that empires in reform often are empires in decline. Current events have shown that only free societies can engender the kind of economic dynamism necessary for a country to be internationally competitive. And only free societies can permit the political development required for educated, talented people to determine their own destiny. Communism will not be defeated because the West was able to out-compete it economically, but because communist countries which have tried to compete with us have forced themselves to become more like us.

Every attempt to improve their technology base, every Western export that is of higher quality than domestic products, every development that improves productivity – that raises living standards, that improves economic efficiency – necessarily moves communist societies closer to their day of reckoning. As The Heritage Foundation’s China Policy Analyst Andrew Brick states: “In conditions of modernity, totalitarianism cannot survive.”

When the economic crisis in these countries leads to a political crisis, and it will, the communist leaders will have to decide whether to be accountable to the party, or the people. Only when governments decide to truly represent the people can economic and social progress be made.

Vital ROC Role. This is where the Republic of China can play a vital role in the events in Peking. By the force of example, Taipei can demonstrate to Peking, and the world, how economic dynamism is complemented by political pluralism and a free society. The ROC's importance in the determination of Peking's policies far outweighs its size and population. With a GNP one-third of that of Mainland China, and the second largest foreign exchange reserves in the world, you have made the Republic of China a global economic power.

Not many years ago, prior to the normalization of relations between Washington and Peking, some in the United States criticized our government's policy of supporting Taipei. They belittled the differences between "Free China" and "Communist China." They said that there was no difference between the two governments, that they were both repressive, one-party states, that civil liberties were withheld in both societies, and that since the Republic of China had been under a continual state of martial law for decades, both societies were police states.

Those people have disappeared today. The ROC has proved that its supporters in the West were correct. For we knew what the critics didn't: that it was the attitude of the government toward its people which was of primary importance. A government must remain accountable to the people it serves. We have seen in recent years your government's recognition of new economic and social conditions. And we have applauded its ability to adapt to new situations rather than to stop changes from occurring. The next round of elections in December will be another reaffirmation of the continual, steady, and peaceful democratization process begun by President Chiang Ching-kuo and continued by President Lee Teng-hui. As the world watches the elections, we must hope that a number of those observers will be the leaders of the Chinese Communist Party in Peking. Let us hope that they learn that it is not necessary to have strong party control to have a strong country.

CHINA – LOOKING AHEAD

If the history of China has taught us anything, it is that the current situation is easily changed, and that few things in the political realm are truly permanent. In China today, as in its ancient past, change is the only constant. So, as we look at Peking's policies in what may now be termed the "Post-Reform Period," we should remember the old Chinese saying: "This, too, shall pass." For just as the movement toward economic and political reform was halted – seemingly overnight – so it may yet begin anew with equal speed.

It is imperative that we in the United States do what we can to encourage Peking to renew its efforts to reform both its economic and political systems, not just for our own strategic reasons, but to improve the well-being of all Chinese citizens. U.S. interests would not be served if Peking were to retreat into another isolationist period, when it shunned contact with the outside world. The United States should continue demonstrating to officials in Peking that moving toward a free enterprise economic system and increased civil liberties is the only sure way to both improve the national economy and assure domestic stability.

Sure Path to Prosperity. Free market capitalism has its detractors, but when compared to the centrally planned economies of the communist world, or to the socialist experiments in

the developing world, it remains the one sure path to prosperity. True development can only be based upon recognizing and respecting the principles of the free market system: individual freedom, private ownership of property and reliance on market processes to determine prices and allocate resources.

Responding to the People's Demands. The United States must continue to encourage Peking to follow Taipei's lead and move to this exciting system. The Mainland can not grow and develop economically with a half-capitalist, half-socialist system, nor can it continue to withstand the shocks of a system that undergoes massive policy changes every few years. If the Chinese Communist Party does not adapt to the demands of the people for more freedom, the Mainland will cease to develop economically and politically. As Nobel Prize-winning economist Milton Friedman recently stated: "It [is] hard to believe that the current group [of Chinese leaders] will still be in power a year from now. [However], if [they are, they], will be an early Maoist regime."

Only with Mainland China's entry into the free-market nations of the world will Asia's long-term stability be assured. At the same time, we believe that it will also benefit the region to have the ROC increase its formal integration into the world economy.

At The Heritage Foundation we believe that two major steps could be taken to achieve this goal. First, to continue efforts toward a Free Trade Area between the U.S. and the Republic of China, to increase trade and economic opportunities in both countries. Second, for both countries to actively pursue Taiwan's participation in international economic organizations, to more effectively make use of the ROC's sizable economic power.

With continued political liberalizations in the ROC, it is vital that both the U.S. and the Republic of China show Mainland Chinese leaders that increased political freedoms do not threaten economic growth, rather, that they are a necessary component of true economic development.

Emphasizing the Difference. It is incumbent on your leaders to emphasize this difference. At this point let me deviate from my prepared speech to present some specific action items for the ROC. All of these ten suggestions meet three criteria:

- a) They move the ROC to the diplomatic offensive in international public diplomacy and away from the defensive.
- b) They cannot be construed – at least by reasonable men – as being interventionist.
- c) They are positive actions which can be taken or at least announced by the ROC government without inciting counter actions more serious than verbal criticism from the PRC.

These suggestions include:

- 1) **The U.S.-ROC Economic Council should endorse** and advocate the bilateral Free Trade Area between the United States and the Republic of China.
- 2) **The U.S.-ROC Economic Council should help** the ROC government – which has already endorsed the FTA – explain the benefits of an FTA to the people of Free China.
- 3) **Students, acting independently** of political party or government agency in the Republic of China, should invite the student leaders from Peking now residing in the United States to Taipei. They should be invited to march in your Double-Ten Celebration with the Goddess of Democracy.

4) **The Goddess of Democracy statue** should be kept on permanent exhibit here in Taipei until the students can freely bring it back to the Mainland.

5) **Your government should continue** the visitors program of ROC citizens to the Mainland. This kind of “people-to-people” diplomacy where the real contrasts between the two systems stands out is vital.

6) **Your government should not hesitate** to take advantage of opportunities like your new relations with Grenada on the diplomatic front.

7) **You should consider expanded visits** to the United States and Europe of ROC leaders from the government, private sector, academic and think tank, and business communities. These leaders should give speeches to local groups to remind other free people of the fundamental differences between the ROC and the PRC and show that there is another road for China to follow.

8) **Neutral and objective observers should be encouraged** to come to the ROC to view your December elections and report back around the world.

9) **Contacts with Third World leaders and peoples** should be expanded to show the successful road you have charted to economic development and human freedom.

10) **The Republic of China should** continue with internal political reform.

On the domestic front, the effects of the Republic of China’s upcoming elections will extend far beyond the polling places – they will serve as highly visible examples of how economic and political liberalization go hand in hand. They will remind Peking that the movement toward greater economic and political freedoms must go beyond reforming a failed system – a modern economy can only exist within a modern political system. And, the upcoming elections will convincingly demonstrate your government’s commitment to a fair and open political process, a dramatic contrast to recent events in the Mainland. Taipei is demonstrating to the authorities in Peking how the future is to be made.

Will they listen?

Will they learn?

Ultimate Triumph of Freedom. The future stability of China, and that of all of Asia, depends on how the Chinese Communist Party leadership responds to these questions. As Vice President Dan Quayle said at The Heritage Foundation just one month ago:

We have every reason to be confident in the ultimate triumph of freedom... as we look at Asia and the world today, it is clearer than ever before that the future does not lie with Soviet communism or its Asian variants... democratic ideals are on the march in Asia.

