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The Internet, R&D, and U.S. policy in the Taiwan Straits. Conclusion

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Editor, Interface

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.01 Introduction (return to index)

In the February issue of Interface http://bcis.pacificu.edu/interface/?p=2671 I began this analysis. I argued that the current economic and political state of Taiwan are intertwined as the once remarkably vigorous economy of Taiwan, due to the impact of the Internet, is becoming increasingly dependent upon China. This is not only because China remains a huge market for Taiwanese electronic products, but also because the appeal of cheap Chinese labor located within that market has been irresistible to Taiwanese investors. Taiwan, once held to be the highly successful economic alternative to the guided economy of the People’s Republic of China, comes increasingly to seem to be no more than a minor element of it.

Here we conclude by arguing that current U.S. economic and diplomatic policies are rapidly worsening Taiwan’s situation, and paradoxically hastening the day when Taiwan will be forced to submit to direct Chinese control. As the Republic of China probably owes its very existence to American support during the critical period of its founding in 1949, this is a remarkable turn of
events.

.02 United States China-Taiwan Policy (return to index)

The China policy of the United States has always viewed Taiwan very favorably. But that same policy has at best viewed China as a competitor, most usually as an outright enemy. It has been obvious to many, most particularly to the Chinese themselves, that America’s heart was with Taiwan, whatever twists and turns in policy were forced on the United States by events.

Recently, the major assumption behind United States’ Taiwan policy has been that the island nation is capable of defending its own interests, providing that the U.S. makes it clear to the Peoples’ Republic of China that it will not permit a violent takeover of Taiwan. Many have assumed, given China’s earlier weakness and Taiwan’s economic strength, that in fact Taiwan was militarily superior, at least in its home waters. The most controversial element of the network of Chinese-American treaties has been to what extent the United States would be able to continually update and resupply Taiwan’s arsenals with weapons capable of keeping the mainland at bay.

American conservatives, usually Republicans, have often demanded a higher level of assurances for Taiwan than the treaty structure would permit. But business community interests were clear: The gargantuan China market required that the U.S. tread very lightly in supporting Taiwan lest political disagreement become trade war or economic boycott.

Support for Taiwan vis-à-vis China became a sort of political theater. Conservatives demanded more assurances for Taiwan, at critical points when treaties were being renewed or trade agreements signed, then followed the business community’s lead by voting to expand economic relations with China. Taiwan gritted its teeth and did its best to update its weapons’ systems, buying sometimes French aircraft or Russian submarines, but usually American weapons one iteration out of date.

.03 China and Taiwanese Democracy (return to index)

In the political environment described in the first installment of this analysis, Taiwanese, those whose ancestors had lived in Taiwan well before the vast influx of mainlander refugees fleeing the Communist take-over in 1949, had acquired considerable economic influence as they took the lead in investing in industries that began to boom as the development of the Internet sent the electronic industries into a rapid spiral of growth.

Increased economic influence was matched by an increased sophistication in engaging in electoral politics. The mainlander’s governing party, the Kuomintang (KMT), did everything possible by manipulating the political system to delay the day when Taiwanese would be able to dominate local and then national politics on Taiwan. Finally the KMT went so far as to nominate a native-born Taiwanese KMT leader, Lee Teng-hui, for President in 1988. Lee served for the next
As the leader of the KMT, it had been expected that he would continue the KMT political line, which called for treating Taiwan as an inalienable part of China, destined to one day return to the embrace of the mainland, after China itself moved politically closer to the democratic model presented by Taiwan. But Lee proved to be Taiwanese first, and a good KMT member second. While adroitly steering the KMT through, he also developed an increasingly Taiwanese identity for the island, and often came very close to open declarations of independence from China. Some commentators, in fact, felt that he came more than close; he several times did declare independence, though he was always forced to retract.

A critical point came in 1996 when Lee’s steady opening of the Taiwanese political system saw a tumultuous presidential election in which some candidates campaigned openly on independence platforms. China responded by staging military maneuvers in the Taiwan Straits. The United States sent China an unequivocal signal by sending American carriers through the same waters. Tensions were very high.

Then, in 1999, a series of events, including the downing of an American electronic surveillance plane and the destruction of the Chinese embassy by American missiles in Kosovo raised Sino-American tensions to a new post-Cold War high. Lee responded by moving toward independence, but was checked by an angry Bill Clinton who did not want to see Sino-American relations so manipulated. Clinton managed to get China permanent most-favored nation trade status, moving it from the annual political event it had earlier been. [1] Tensions cooled, but China remained high on the list of nations with which the U.S. was likely to experience real conflict. American defense spending was often discussed under the assumption that the probable enemy would be China.

Lee stepped down in 2000, and saw a native Taiwanese party, the DPP or Democratic Progressive Party, win independence on a thinly veiled platform calling for eventual independence. The KMT now treats Lee Teng-hui as a sort of traitor, Taiwanese acknowledge him as a valued elder statesman while hoping that he will stay out of politics.

.04 The Taiwanese Dilemma (return to index)

The DPP, led by Taiwanese Chen Shui-bian, took over in 2000 and immediately faced a familiar dilemma. Taiwan had natural advantages in exploiting the Chinese market. However, there had to be some limits. Taiwanese industries wanted not only the market, but the high-quality low-cost production facilities springing up in China. Taiwanese firms began to migrate to the mainland. This “hollowing out” became more and more pronounced. As of this writing, Taiwan is experiencing unemployment, drops in investment, reduced tax incomes, all attributable to the migration of capital and facilities into China.

This migration has produced many interesting conflicts. Taiwanese businessmen sometimes keep
two families, one in Taiwan, one headed by a wife or mistress in China. There have been many cases of mainland consorts suing for their share of the estate left by deceased Taiwanese businessmen. Such cases, while amusing, are symptomatic of the tangled relations that grow up within a political and economic environment that is in most cases extra-legal.

In January, 2003, Taiwan was rocked by the publication of a book: The Emergence of the United States of Chunghua (Chunghua Lianbang, Guojia Tushuban, 2002) by Kenichi Ohmae. (Another book by Ohmae, The Invisible Continent, was reviewed in Interface, February, 2003). [2] The importance of this book was that the author is a highly-regarded international commentator, particularly knowledgeable in international economic affairs, and a former consultant to the Taiwanese government.

Ohmae’s argument is very simple: Taiwan has voluntarily given so much control over its economy to China that there is no longer any question as to China attaining direct political control: the only question is when, and Ohmae wrote that it would be within five years. This was a shockingly short time frame to Taiwanese, accustomed to seeing this event as perhaps inevitable, but so distant as to permit considerable detachment. Ohmae believes that this process will most probably be peaceful, and that it may result in a sort of federated state of “greater China” that could include Singapore as well. [3]

.05 Conclusion: The United States and Taiwan (return to index)

The United States, since 9-11-2001, has adopted policies that can only with great generosity even be termed “discontinuous”. We have seen Americans abandon both allies and cherished liberties in the belief that the times necessitate such radical changes. This is true in a very wide range of economic and political practices, including U.S. relations with China and Taiwan.

China has, with evident delight, declared that its long-standing conflicts with minorities restless under the heavy hand of Chinese culture are now merely another theater in the world-wide war against terrorism.

Though it is difficult to assess relative weight to causal events, the combination of the marked dampening of demand for Taiwanese electronic goods, whether produced in the mainland or in Taiwan, with the abrupt diversion of American research and development funding from consumer ends to national security concerns has hit Taiwan very hard. Taiwanese firms have lost traditional American customers, and the Taiwanese government has had to pick up the slack in R & D spending with a variety of hasty projects intended to stimulate demand and research.

All of this comes at a very bad time for Taiwan. One wonders if Taiwan will become yet another victim of 9-11, another impact of the Internet.

.06 Notes (return to index)
The “most favored nation” wording caused many to believe that this constituted some sort of economic preference for Chinese goods. In fact, it was a linguistic artifact of 19th century colonial treaties with China. It simply meant that all those receiving “most favored nation” status would get the same trade conditions as that country having the best terms: in short, equivalency, not favor.

As mentioned in the review accessed above, Ohmae believes that the nation state is an artifact of an earlier period, and that the entities of the future are economic "platforms" by which he seems to largely mean currency areas and those firms and cultures associated with them.

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2 THOUGHTS ON “THE INTERNET, R&D, AND U.S. POLICY IN THE TAIWAN STRAITS. CONCLUSION"

app gratis
  on February 5, 2014 at 7:14 AM said:

Hi all, here every person is sharing these experience, so it’s pleasant to read this blog, and I used to pay a visit this weblog everyday.

Amado
  on February 6, 2014 at 5:22 AM said:

Heya i am for the first time here. I found this board and I find it truly useful & it helped me out much. I hope to give something back and help others like you aided me.