Crisis Management: China, Taiwan and the United States—the 1995–96 Crisis and its Aftermath

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Major Issues Summary

In 1995–96, China and the US seemed headed for a confrontation over the future of Taiwan, with adverse effects for Australia's regional interests. Both great powers, however, managed to contain the crisis through good diplomacy and an eye on their common, long term interests.

An important outcome was the new balance struck between China and the US. Both sides accept that, irrespective of their differences over Taiwan, conflict resolution, stability and prosperity in the Asia-Pacific region are contingent on a cooperative Sino-US relationship. To this end, a new Sino-US compact was reached whereby the Clinton Administration reaffirmed its commitment to one China, including no US support for Taiwan's bid to join the United Nations, while Beijing reaffirmed Jiang Zemin's proposal, which, whilst not renouncing the use of force, nonetheless opts for gradual peaceful reunification.

China and the US also agreed to engage each other through regular high-level dialogue. They agreed to construct a strategic framework that will carry the relationship into the next century.

The Sino-US commitment to crisis management was manifest in the signalling that occurred between Washington and Beijing: both sides made clear that they did not want their relationship to be derailed by confrontation over Taiwan; both sides explained the limits of their activities and each gave the reassurances that the other side sought.

A similar indirect exchange took place between Beijing and Taipei.

These outcomes augur well for the management of similar disputation in the immediate future although there will always be unexpected sticking points as new leaders emerge in all three countries at the turn of the century.

Within the region, meanwhile, China has made clear where its line in the sand has been drawn. Most countries remain concerned about China and its likely behaviour as a prospective superpower. But they are making room for China and will not risk incurring Beijing's wrath by developing any form of official relations with Taipei. This points to a an expansion of China's status and influence as a great power.
With the notable exception of Australia, few countries in the Asia-Pacific region publicly supported America's 'carrier diplomacy' in the Taiwan Strait.

Japan, always reticent to openly criticise China, was seriously concerned. The Japanese response in April 1996 was to reaffirm and broaden the scope of its security relationship with the US. This is a positive development from a regional viewpoint because it helps preserve US involvement in the Western Pacific, and while this may help balance China, it also helps to reassure Japan.

The short term outlook, i.e. for the duration of the Clinton Administration's second term, is for renewed cooperation and improved transparency in Sino-US relations. China's priority with Taiwan will focus on repairing the damage done in 1995–96. The economic integration of the two Chinas is likely to pick up speed after the return of Hong Kong in July 1997 and the opening of direct shipping and transport links between the two sides of the Taiwan Strait.
Introduction

The trade and security interests of Australia—and, indeed, the whole of the Asia-Pacific region—would be jeopardised by rising tension between China and Taiwan and a Sino-US confrontation that would inevitably follow. Conversely, Australia and the Asia-Pacific community can only benefit from a Sino-US relationship that is essentially cooperative.* That, in large part, hinges on a continued rapprochement between the two sides of the Taiwan Strait.

This paper examines how China and the US managed their differences over Taiwan in 1995–96 and how, through skilled crisis diplomacy, they achieved an outcome that, it may be argued, satisfied both sides as well as Taiwan.

Part I: Background

From an historical perspective a cooperative Sino-US relationship has, more often than not, contributed to stability and security in the Asia-Pacific region. Handled well, the relationship could be one of the building blocks for security cooperation amongst the great powers in the Asia-Pacific region. China and the US have worked together in the past, and are working together at present, for example, to defuse the potential for conflict in the Korean peninsula.

Yet in strategic terms, Sino-US relations are the most problematic of all the great power relationships in the Asia-Pacific region. Notwithstanding interludes of great power alliance and cooperation, the relationship has been a troubled one.

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Of the recurring irritants, the one issue with the potential to 'trigger an explosive crisis in Sino-American relations' is Taiwan. Sino-US disputation over Taiwan brought the two powers into confrontation and threats of war in 1954, 1958 and 1962.

In one sense, however, Sino-US tension in the Taiwan Straits in the 1950s and 1960s was a diversion in the aftermath of China's civil war. If the Taiwan issue can be solved, or put to one side, then China and the US would be free to play a great power game where, more often than not, they have been on the same side.

For instance, during World War II, China helped the US defeat Japan and in the 1970s, China and the US joined forces against the Soviet Union. As early as 1945, Mao Zedong argued, with great prescience, that 'China's greatest postwar need is economic development...America and China complement each other economically...America needs an export market [and] an outlet for capital investment...America is not only the most suitable country to assist this economic development; she is the only country fully able to participate'.

But any possibility of a cooperative Sino-US relationship in the 1950s was lost because of US fears in the wake of the Sino-Soviet alliance of February 1950 and the Korean War that began in June 1950. American concern about the threat from communism led to a reversal of its neutrality between Mao's Communists and Chiang Kai-shek's Kuomintang. Instead, the US treated Taiwan as 'an important anchor in the US defensive chain in the Western Pacific'. Strong US support for Taiwan, including civil and military aid, trade preferences, market access and security guarantees then followed.

The US commitment to Taiwan remained intact until 1971. Then, both the US and China changed tack and signalled a willingness to come to terms on Taiwan, primarily because of their shared concern about the USSR. Part of the bargain reached was US acknowledgement that there was but one China and that Taiwan was part of China. For its part, China implicitly undertook not to resort to the use or threat of force against Taiwan. By the late 1970s, Soviet-US antagonism had intensified. President Jimmy Carter wanted a 'China card' to play against what he saw as an expansionist Soviet empire. In that larger strategic game, Taiwan was a dispensable pawn.

Sino-US normalisation was announced on 15 December 1978, with effect from 1 January 1979. The US also gave notice of the abrogation of the 1954 US-Taiwan Mutual Defence Treaty, as of 31 December 1979.

Strategically, Taiwan was very vulnerable. However, China was in no position to take advantage of the situation: firstly, the People's Liberation Army (PLA) General Staff Department had concluded that China was not strong enough militarily; secondly, Beijing needed the US to outflank what it perceived to be a Soviet encirclement strategy; and thirdly, the US Congress passed the Taiwan Relations Act in April 1979.
The Act was intended to reassure the Taiwanese and deter mainland China from the use of force against Taiwan. The Act, as an Act of Congress, has proved to be very close to the spirit and intent of the former US-Taiwan Mutual Defence Treaty. It states *inter alia* that US policy to establish diplomatic relations with the PRC rests upon the expectation that the future of Taiwan will be determined by peaceful means...to consider any effort to determine the future of Taiwan by other than peaceful means...a threat to the peace and security of the Western Pacific area and of grave concern to the US; to provide Taiwan with arms of a defensive character; [and] to maintain the capacity of the US to resist any resort to force or other forms of coercion that would jeopardize the security or social or economic system of the people of Taiwan.²

The Act left open the possibility of renewed US military protection and assistance to Taiwan if that was deemed necessary.⁶

However, American concern about the Soviet Union gave China the leverage it needed to demand an end to US arms sales to Taiwan.³ In November 1981, the Pentagon announced that Taiwan did not need an advanced fighter aircraft like the F-16 or Harpoon anti-ship missiles.⁴ On 17 August 1982, the US and China issued a Joint Communique in which the United States government stated that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since [1979] and that it intends to gradually reduce its sales of arms to Taiwan, leading over a period of time to a final resolution.⁹

China expected that US arms sales to Taiwan would eventually cease. The American position, however, was that arms sales to Taiwan might decline but they would not necessarily terminate: President Reagan said America's future actions would be conducted in accordance with China's statement that its fundamental policy was to find a peaceful solution to the Taiwan question.¹⁰

At the time, both sides were reasonably satisfied with the agreement they had struck to put aside differences over Taiwan's future. Basically, they agreed that there was to be no use of force against Taiwan by China; that the US was not to recognise two Chinas, or one China and one Taiwan; that the US could continue to have strictly 'unofficial' relations with Taiwan; and that Taiwan would not declare itself independent.¹¹

Thereafter, economic linkages between China and Taiwan and the US grew in leaps and bounds. China soon emerged as Taiwan's fastest growing export market. For China, the US is its most important export market. Today, greater China (including Hong Kong) is Taiwan's second largest export market after the US. Although direct exports from Taiwan to the US have fallen, the decline has been offset by increased exports to the US from
Taiwanese factories based in China. By 1994, Taiwan was the leading source of foreign investment in China's booming economy either directly from Taiwan or from Taiwanese-owned businesses in Hong Kong and North America. Clearly, mainland China was emerging as a natural hinterland for Taiwan: it held the key to Taiwan's competitive edge as a global trader in the 21st century. Both sides of the Strait began planning for the opening of direct shipping, postal, telecommunications and air links.

But the synergy between China and Taiwan and two decades or so of relative peace and cooperation between China and the US came under threat in 1995-96. The Taiwan Straits, once again, became the setting for a heated standoff. China straddled Taiwan with missiles while the US deployed aircraft carriers to the east of the island in December 1995 and March 1996.

The Roots of the Crisis

Superficially, the immediate cause came on 22 May 1995, when the Clinton Administration announced that President Lee Teng-hui would be granted a visa to visit Cornell University from 8-12 June 1995. While ostensibly a private visit, this was to be the first time a President from the Republic of China on Taiwan had set foot on American soil.

Lee had studied at Kyoto Imperial University in Japan in 1946 and had later completed post-graduate studies, including a PhD in agricultural economics, at Cornell University in 1968. He said he contemplated visits in a private capacity to both those places. Lee's agenda, according to one of his advisers, was to strengthen Taiwan's armed forces, consolidate his position as President of Taiwan and then make visits to both the US and Japan. At that point, after having secured renewed pledges of support from two of the three biggest powers in the Asia-Pacific region, Lee figured he would be in a strong position to visit Beijing for negotiations on the future of Taiwan.

China was opposed to the Lee visit and had received repeated assurances from the US State Department that it would not be allowed. These assurances were passed on to President Jiang Zemin by Chinese Foreign Minister, Qian Qichen.

But the no-visit policy crumbled under US Congressional pressure. In early May 1995, the US Congress passed majority resolutions urging President Clinton to allow Lee to make a private visit to Cornell because he was 'the President of a model emerging democracy and America's fifth largest trading partner'. Many influential US newspapers, including the *New York Times*, published editorials in support of the visit.
This support was based on two factors. One, there was no Soviet threat for the US to worry about and two, China had a serious image problem for many Americans.

CNN television footage of Chinese demonstrators fleeing from tanks and the polystyrene 'Goddess of Democracy' being toppled by the PLA during the massacre in Tiananmen Square in June 1989 was a brutal assault on core American values.\(^\text{18}\) As Robert Manning observed, Tiananmen ensured that China's behaviour was judged harshly as reflecting the thuggery of a repressive Stalinist regime at home and a rogue, outlaw state abroad.\(^\text{19}\) For many Americans, the Lee visit, as Speaker Newt Gingrich remarked, was 'a way to rattle China's cage'.

For Taiwan, in its contest with China for the hearts and minds of the US Congress, the decision was a great moral victory. Lee Teng-hui said it was Taiwan's 'most remarkable achievement' and it would bring international attention to the separate existence of the Republic of China on Taiwan.\(^\text{20}\)

For China, the Lee visit confirmed suspicions of a US willingness to support Taiwan's separatist tendencies. China feared, moreover, that 'unofficial visits' to Japan, Australia and then many other countries would follow. Taiwan's quest for independence might then become a real possibility. So China felt it had to draw a line because it still smarts from the humiliations it endured between 1839 and 1949. As Harold Hinton observed, 'next to security, sovereign dignity is probably Beijing's most important concern in its external relations.'\(^\text{21}\)

No modern Chinese leader can appear weak and vacillating on the question of Chinese territorial integrity.\(^\text{22}\) China is hypersensitive to anything that smacks of interference in its internal affairs and has a 'prickly insistence' on the principle of state sovereignty.\(^\text{23}\) This 'prickliness' was manifest in China's response to the US decision to approve the Lee visit.

For China, it was simply the last straw in a string of grievances that had begun some years before.

In November 1992, Washington announced the sale of 150 F-16 fighter aircraft to Taiwan in a deal worth $US5.8 billion. Other arms sales followed, including the Harpoon anti-ship missile. The US justified its decision on the grounds that as China was acquiring 24 sophisticated Russian Su-27 fighter aircraft, the US had obligations to help Taiwan under the terms of the Taiwan Relations Act.\(^\text{24}\) The magnitude of the US decision is apparent from Table 1.
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Table 1: US Arms Sales With Taiwan 1983–1993

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (SUS million)</th>
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<tbody>
<tr>
<td>1983</td>
<td>774</td>
</tr>
<tr>
<td>1984</td>
<td>777</td>
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<tr>
<td>1985</td>
<td>754</td>
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<td>1986</td>
<td>738</td>
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<td>1987</td>
<td>719</td>
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<td>1988</td>
<td>700</td>
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<td>1989</td>
<td>611</td>
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<td>1990</td>
<td>658</td>
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<tr>
<td>1991</td>
<td>635</td>
</tr>
<tr>
<td>1992</td>
<td>573</td>
</tr>
<tr>
<td>1993</td>
<td>6,621</td>
</tr>
</tbody>
</table>

Sources: Various media reports.

The sharp reversal to what had previously been a downward trend in US arms sales to Taiwan was, for China, a significant departure from the terms of the 17 August 1982 Joint Communiqué, one of the three Communiques regarded by China as central to the Sino-US relationship. 23

In September 1994, the Clinton Administration reviewed its overall policy on China and Taiwan, the first such review in more than two decades. The result was a plus for Taiwan: US officials could thereafter visit Taiwan and meet in an official setting while officials from Taiwan, other than the President, the Vice President, the Premier and the Vice Premier, would be allowed to visit the US. Further, the name of Taiwan's office in Washington could be changed from the nondescript 'Coordinating Council for North American Affairs' to the more specific 'Taipei Economic and Cultural Representative Office'.

These latter changes allowed the US to catch up with the growing practice of the Asia-Pacific region but for China, they were warning signs of a shift in the US position on Taiwan.

Left unchecked, Beijing judged that its one China policy would be undermined and that regional support for an independent Taiwan might gather momentum.

Taiwan's Strategic Importance

With the demise of the Soviet Union, and with Japan confined to its role as a civilian power, China is seen to be the only great power that might aspire to and have the capacity to challenge US dominance of the Asia-Pacific region. With annual GDP growth rates three or four times the world average, China's modernisation trajectory—if sustained—will
place it ahead of the US in terms of GDP early in the next century. Some American writers have argued that America's number one objective in Asia must be aimed at derailing China's quest to become a 21st century hegemon with regional and global ambitions to match.

In this kind of strategic calculus, therefore, Taiwan's separate existence beyond the reach of China took on a new meaning: when President Clinton observed that the overriding purpose of the US was 'to expand and strengthen the world's community of market-based democracies', he might well have mentioned a democracy like Taiwan.

Taiwan was more important as a trading partner for the US than China, at least up until 1994. And Taiwan's democratic reforms, begun in 1987, gave it the moral high ground in the wake of Tiananmen in 1989. Taiwan, moreover, has always paid close attention to cultivating political support amongst up and coming American decision makers and politicians (including Bill Clinton, who visited Taipei four times whilst he was Governor of Arkansas).

As well as being a rich, democratised Chinese market economy, Taiwan has formidable maritime and air force capabilities, a strong technical-industrial base and excellent ports and transport facilities. It sits at the crossroads of the overlapping strategic and economic interests of Japan, China and the US. More importantly, the Taiwanese modernisation experience is spreading throughout the mainland via an ever-increasing volume of visitors, telephone calls, fax messages and personal letters. This virus-like influence is contributing to the transformation of Chinese communism gradually, effectively and peacefully.

Taiwan is thus a logical part of any array of forces that might coalesce to counter-balance the rise of China, if indeed it does succeed in becoming 'the biggest player in the recent history of the Asia-Pacific region'.

Jiang Zemin's Eight Points

Meanwhile, in Beijing, President Jiang Zemin was intent upon putting his own stamp on China's Taiwan policy. Jiang's bottom line was that China would not renounce the use of force for the purpose of reunification but, he stressed, China's priority was reunification by peaceful means. This offer was based on the following eight points issued in January 1995:

1. The principle of one China was the basis and premise for peaceful reunification.

2. China would not challenge the development of non-government ties between Taiwan and other countries (intended to address Taiwan's demand for more international living space).
3. China was ready to hold negotiations with Taiwan on peaceful reunification.

4. China and Taiwan should strive for peaceful reunification since Chinese should not fight fellow Chinese.

5. Efforts should be made to expand economic exchanges and cooperation between the two sides in the interests of common prosperity.

6. China's cultural tradition of 5000 years was an important basis for peaceful reunification.

7. China would fully respect the lifestyle of the Taiwanese Chinese and protect all their legitimate rights, interests and investments.

8. Leaders from Taiwan were welcome to visit China in appropriate capacities and Chinese leaders would accept invitations to visit Taiwan.  

Lee's Teng-hui's Six Points

The Taiwanese response was cautiously positive. President Lee Teng-hui said Jiang's speech was 'a breakthrough' and that Jiang seemed to be a 'quite reasonable' leader. It was, he said, 'significant and Taiwan should attach importance to it'.

President Lee's formal reply was encapsulated in a six point speech made on 8 April 1995. Lee proposed:

1. To seek China's unification on the basis of the reality that the two sides are ruled by separate political entities (a formula unacceptable to Beijing).

2. Cross-strait exchanges should be stepped-up on the basis of a common Chinese cultural tradition (as proposed in Jiang Zemin's point six).

3. Cross-strait economic and trade exchanges should be increased; both sides should share their experience and develop mutually beneficial economic relations (as proposed in Jiang's point five).

4. The two sides should be able to join international organisations on an equal footing and leaders from the two sides could naturally meet in such forums (a formula unacceptable to Beijing).

5. The two sides should persist in using peaceful means to resolve their disputes—i.e. Chinese should not fight Chinese (as proposed in Jiang's point four)—but consultations could only proceed when China renounces the use of force against Taiwan.
6. Both sides should jointly maintain prosperity and promote democracy in Hong Kong and Macao.36

China was displeased with Lee's claim that Taiwan had a separate government but otherwise it was cautiously positive. Lee's proposal for expanding cross-strait economic ties was said to have 'merit' while the apparent consensus between Lee and Jiang on strengthening bilateral exchanges was regarded as 'progress'.37

While Jiang and Lee darted and weaved over the points that might form the foundation for possible negotiations between the mainland and Taiwan, Koo Chen-fu, the Chairman of Taiwan's Strait Exchange Foundations (SEF), was making arrangements for a second round of talks in Beijing with Wang Daohan, Chairman of the mainland's Association for Relations Across the Taiwan Straits (ARATS). A first round between the ARATS and the SEF in Singapore in April 1993 had established a framework for regular dialogue and contact.

Although China and Taiwan continued to probe each other about talks, contacts and direct transport and communication links, China's relations with the US seemed to progress from one point of acrimony to another. There were harsh exchanges over Tibet, human rights, proliferation issues, intellectual property rights and disputes over MFN and the balance of trade. At the same time, as we have noted, the US Congress was pushing Lee Teng-hui's right to visit Cornell University.

Part II: Damage Control

Damage Control

Chinese leaders were furious, and perplexed, by America's green light for the Lee visit. Few in Beijing—apart from Jiang Zemin and Foreign Minister Qian Qichen—understood the complexities of US Congressional politics. Most instinctively suspected that Lee Teng-hui was talking about reunification whilst planning Taiwanese independence, and that worse, he was being egged on and supported by American interests that wanted to slow down China's rise as a modern state.

From China's perspective, relations across the Taiwan Strait had been making steady, albeit hesitant, progress until the US chose to interfere. US approval for the visit, after assurances to the contrary, confirmed China's view about the basic unreliability of America.
The Chinese Foreign Ministry issued a statement denouncing the visit as an act aimed at undermining China's sovereignty and creating two Chinas. This was absolutely unacceptable to the Chinese people. Thereafter, there was an unceasing flow of angry editorials and articles in the Chinese media denouncing Lee Teng-hui and warning of the grave risks to Sino-US relations that might follow. The stay of a PLA airforce delegation in the US was cut short, Sino-US talks on the Missile Technology Control Regime and nuclear energy cooperation were called off and a planned visit by Defence Minister Chi Haotian in June was cancelled. Beijing also cancelled talks between ARATS and its Taiwanese counterpart, the SEF.

China's angry response focussed President Clinton's mind on the China problem and the need for damage control. Before June 1995, America's China policy was a mishmash of incompetent and contradictory signals that according to James Lilley, a former US Ambassador to China, 'simply enraged China, disappointed Taiwan, got howls from the American business community and made the US look like a clown. After the announcement about the Lee visit on 22 May 1995, Clinton wrote immediately to Jiang Zemin in Beijing and assured him of his commitment to a 'one China policy'. Clinton also called in the Chinese ambassador, Li Daoyu, and told him that no matter how much the Taiwanese publicised the visit, Lee Teng-hui's visit was totally unofficial and private and that he, President Clinton, would not receive him. Clinton conceded that there were some people in the US who advocated a 'two Chinas' or 'one China, one Taiwan' policy, but he was opposed to it and would continue to safeguard the one China policy that had been pursued by previous US administrations. Li Daoyu took these assurances back to Beijing when he returned for urgent consultations on 15 June 1995.

President Jiang Zemin, like President Bill Clinton, did not then and does not now want a breakdown in Sino-US relations. Jiang, an engineer by training, wants to be the Chinese leader who finds a solution to the Taiwan problem, not the one who precipitates a spiral of hostility and confrontation with Taiwan and the US. China's long term modernisation priorities preclude such an outcome. The US, furthermore, is China's largest export market while Taiwan and Hong Kong-based Taiwanese businesses provide the bulk of all foreign investment in China's booming economy. And Jiang had to take account of the political interests of Guangdong and Fujian, the powerful southern provinces which have derived most benefit from Taiwanese trade and investment.

In any case, China is in no doubt as to the gross inferiority of its armed forces. The methodical destruction of the Iraqi army during the Gulf War in 1991—one that 'looked an awful lot like the Chinese army'—was a reminder to the PLA of America's precision firepower, its advanced weapons systems and its huge lead in critical military technologies. China is just as conscious of the bastion-like defences on Taiwan and the qualitative edge enjoyed by Taiwan's modern fighter aircraft and surface warships. China's
PLA has never fought or practised a multi-dimensional war against a well-defended island fortress like Taiwan.\(^{43}\)

The PLA also appreciates that the 142 km width of the Taiwan Strait is five times that of the English Channel and, as the 1944 Normandy landings demonstrated, a successful invasion requires enormous logistical preparation, a huge supporting naval fleet and control of the airspace. These are goals which will remain beyond the grasp of the PLA for the foreseeable future. Cognizant of the PLA's shortcomings, military planners in Beijing's General Staff Department have recommended on several occasions that the return of Taiwan is 'better resolved by peaceful means rather than by armed force'.\(^{44}\)

Jiang Zemin's Response

More importantly, Jiang Zemin was able to draw on a range of well-informed, expert advice. For example, Li Daoyu, the Chinese ambassador in Washington, had just returned to Beijing and there were inputs from overseas-trained strategic analysts in various thinktanks, such as the Academy of Military Science. Their views tended to support the measured approach suggested by Foreign Minister Qian Qichen: that is, China should be determined but reasonable, based on the assumption that it was not in the strategic interests of either the US or China to go to war over Taiwan.\(^{45}\)

Some hardliners in China demanded a much more robust response. However, the majority opinion in the central government—and the PLA—was that actual use of force against Taiwan was impractical, premature and too costly. Besides, it would alienate the Taiwanese people to such an extent that they would end up hating China for the next two or three generations.\(^{46}\)

On the other hand, China's leaders felt compelled to respond in some way. Some senior PLA officers said the US was behaving in a 'disrespectful and insolent' way towards China, and if left unchallenged, it would continue to do so.\(^{47}\)

Jiang Zemin, like President Clinton, felt obliged to satisfy his domestic critics. He had to do two things: first, he had to demonstrate China's determination to resist if push came to shove and second, he had to remind the Taiwanese, in a forceful way, of the consequences if they moved towards independence.\(^{48}\) Yet he did not want to fuel a confrontation with the US, or with Taiwan. Jiang's underlying strategy for the conduct of China's US policy i.e. 'enhance trust, reduce trouble, develop cooperation, and avoid confrontation' was to remain in force.\(^{49}\)

The Chinese response, therefore, had to be what might be described as 'a carefully controlled display explosion': it had to be credible if it were to serve any purpose, given the widely publicised assertions by some analysts that China did not have the capability to
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successfully use force against Taiwan. Yet the explosion also had to be limited so as to minimise the risk of an unmanageable downward spiral.

Missile Diplomacy

Jiang accepted the PLA’s recommendation to test fire a few M-series short range ballistic missiles between July 1995 and March 1996. In addition, the PLA was allowed to go ahead with several military exercises in July, August and December 1995, and January and March 1996.

By firing missiles that straddled Taiwan and its most heavily used trade routes to and from the key ports of Keelung and Kaohsiung, China could make a short sharp point: they would dramatically highlight the fact that neither Taiwan nor the US has a defence against ballistic missiles.

Ironically, Lee Teng-hui was the chief beneficiary. He used the enormous publicity—domestic and international—about his visit to Cornell and the threat posed by China to secure the middle ground in Taiwanese politics. China’s sabre-rattling did what it has always done when elections are held in Taiwan—it helped suppress the pro-independence vote and diverted attention away from the domestic shortcomings of the Kuomintang. In the December 1996 elections, for example, the Kuomintang New Party, which is the most conciliatory towards China, tripled its seats in the Legislative Yuan. In the Presidential elections in March 1996, the missile threat resulted in a drop in the pro-independence vote (from 25 to 21 per cent) while at least 79 per cent preferred either the status quo with Lee Teng-hui (54 per cent) or reunification in one form or another (25 per cent).

Part III: Crisis Management

Posturing not War

Meanwhile, against a backdrop of harsh verbal exchanges, military exercises and missiles being test-fired, officials from both sides of the Strait were continuing to hold informal meetings to discuss cooperation in trade, investment and science and technology (including the exchange of defence-related technology). The question of direct air, postal, communications and shipping links between China and Taiwan remained on the agenda, despite the cancellation of the ARATS-SEF forum. At the same time, two-way trade between China and Taiwan continued unabated via Hong Kong and other Asia transhipment points. Two way trade totalled $US21 billion in 1995, up 21 per cent over
By the end of 1995, there appears to have been a debate within the Chinese leadership about whether the PLA should proceed with the last of its planned military exercises, whether it should try to repair relations with the US and Taiwan or whether it should proceed with a dual track approach.

In September 1995, Chinese Foreign Minister Qian Qichen extracted new undertakings from his US counterpart, Warren Christopher, that the US 'has not and does not intend to change its long-standing one-China policy'. Although the US administration reaffirmed its intention to continue unofficial ties with Taipei in accordance with the Taiwan Relations Act and conceded that future visits by Taiwanese leaders could not be ruled out, the US Administration promised, categorically, that such visits would be rare, private and unofficial. Qian said China appreciated Christopher's statement about continuing to pursue a one China policy, observing the PRC as the sole legal government of China, maintaining only unofficial relations with Taiwan, and resisting 'the course of two-Chinas or one China/one Taiwan or an independent Taiwan or Taiwan's admission to the UN'.

President Jiang Zemin, meanwhile, worked hard to sell his message of peace and cooperation in the lion's den. During a meeting with President Clinton in New York on 24 October 1995, Jiang stressed that China's US policy remained the same, despite recent difficulties that were 'not in keeping with the fundamental interest of the two countries'. Jiang said China still wanted 'to build mutual respect, diminish trouble, promote cooperation, and prevent confrontation' in its relations with the US.

In parallel with this peace track policy, China also sent reminder signals about 'the other option'. In late November, China's media announced that General Zhang Wannian, a Vice Chairman of China's Central Military Commission had observed a combined arms amphibious landing exercise off the coast of Fujian province.

Clear Communications and Signalling

Nonetheless, this exercise, like the ones held previously, was described in Taiwan as 'a routine military drill' that was no cause for alarm to Taiwan's military authorities.

One explanation for this relatively relaxed attitude was that Taiwan's Ministry of National Defence had good intelligence on the limits of China's military activities. Taiwan's former Defence Minister and Presidential candidate, Chen Li-an, said that as soon as the Taiwanese saw the scope, scale and location of the PLA exercises, they knew the PLA was not really serious and that the whole show was designed, in large part, to satisfy Chinese domestic audiences, just as the US carrier deployments were intended to quieten Clinton's
Congressional critics. Thus, one might conclude that both sides of the Taiwan Strait engaged in clear signalling, one of the basic principles of successful crisis diplomacy. Critical lines of communication were kept open, transparency was enhanced and the risk of misperception and miscalculation was reduced.

This phenomenon of a crisis which was not really a crisis was reflected in the constant repetition of the message that China's preference was reunification by peaceful means. Force was not ruled out—and it has never been ruled out—but China repeatedly emphasised Jiang Zemin's eight point programme of January 1995 (see above). The eight points were reaffirmed by Premier Li Peng in January 1996. That is, while China had not 'forsworn the use of force', it still stood for reunification by peaceful means. Li Peng added, moreover, that reunification was to be a gradual process. Jiang Zemin made a similar point in a speech to the Central Committee's United Front Work Department in November 1995, saying that there was no fixed schedule for reunification.

The emphasis on reunification being a gradual, long term process was an indication that the moderate policy view was beginning to prevail in Beijing. Such overtures were easily lost in the smog of heated accusations, insults and reports about further Chinese missile tests. But throughout the crisis period from June 1995 to May 1996, China's President Jiang Zemin and Taiwan's President Lee Teng-hui were exchanging fairly unambiguous reassurances via the international news media. Where Jiang Zemin always stressed peaceful reunification, Lee Teng-hui just as frequently claimed that his ultimate goal was unification, not independence. At the same time, notwithstanding the manifestations of tension in the Taiwan Strait, both leaders signalled a clear interest in a summit meeting.

In September 1995, Lee Teng-hui announced that after both leaders had consolidated their leadership, the time would be ripe for a leaders' meeting and that it could be in Beijing rather than an international setting, as he had stipulated in his six point proposal (see above). One month later, Jiang reiterated his proposal for a meeting in an interview published in the Washington Post. He said Lee Teng-hui, as the leader of Taiwan, was his 'indispensable counterpart' and he would be welcomed in Beijing; and that if Jiang was invited to Taipei, he was ready to go. Jiang's offer, couched in terms that gave a nod to Lee's demand to be treated as an equal, was described by Taiwan's Premier Lien Chan as a positive sign that would help ease tension between Taipei and Beijing.

In his inaugural speech as President on 20 May 1996, Lee proposed 'a journey of peace' to the mainland to meet China's top leaders and open up a new era of communication and cooperation between the two sides. Jiang then repeated his offer to meet Lee either in Taipei or Beijing 'in a proper capacity' and that as a first step, they should negotiate an end to hostilities under the one China principle.

As well as the international news media, Lee and Jiang were also exchanging messages of reassurance through unofficial intermediaries. For example, Jiang passed a message via
Liang Su-rong, an adviser to Lee Teng-hui, stressing three points: China and Taiwan should let bygones be bygones; provided Taiwan did not seek independence, everything else could be discussed; and the meeting and talks between Lee and Jiang could be on 'an equal footing'.

Lee Teng-hui's response, contained in his 20 May inaugural speech, was to announce a willingness to go to mainland China. Significantly, Lee dropped any reference to his previous demand that China must first renounce the use of force before talks or negotiations between China and Taiwan could take place. Lee also hinted that he would give up any attempt to make a second visit to the US and would postpone Taiwan's bid to join the United Nations.

This method of 'signalling from a distance' and conducting confidential meetings between key advisers at locations overseas or in Hong Kong suggests Lee and Jiang were intent on containing their differences and avoiding the kind of hostility spiral that could lead to open conflict.

One might surmise, therefore, that China's posturing in the Taiwan Straits had strict limits and that these were clearly understood by the Taiwanese. Yet both sides played along with the game. Lee put the Taiwanese armed forces on alert while China brandished its latest fighter aircraft, ships and submarines. But the PLA confined its activities to the mainland side of the median line in the Taiwan Straits and carefully announced the time and intended impact zone of all its missile tests. For their part, the Taiwanese cancelled or curtailed all military drills between mid-1995 and mid-1996. In other words, both sides knew that the PLA's military exercises were not the prelude to war that they were seen to be by some analysts in the West.

Some evidence for the foregoing interpretation of events can be found in Taiwan's ambivalent response to the US aircraft carrier deployments in the East China Sea. Publicly, the government welcomed the US show of support. However, a spokesman for the Ministry of Foreign Affairs said Taiwan hoped 'the US would not take any further action' because the dispute was one for Taipei and Beijing to resolve between themselves. Presidential candidates Lin Yang-kang and Chen Li-an opposed the carrier deployments and privately, many senior Taiwanese military officers expressed fears that the move would only complicate the situation by provoking China and increasing tension in the Straits.

This was unlikely, however, because China and the US were engaged in their own round of crisis diplomacy. They had established a habit of regular and frequent contact in a variety of forums. For example, in Washington on 7 February, Chinese Vice Foreign Minister Li Zhaoxing had an intensive round of meetings with officials from the US State Department, the Department of Defense and the National Security Adviser's Office. On 7 March 1996, Liu Huaqiu, Director of China's State Council Office of Foreign Affairs, had
three hours of talks on the Taiwan issue with US Secretary of State Warren Christopher. The next day, Liu had a whole day of intensive talks on US/PRC differences over Taiwan with Anthony Lake, National Security Adviser to President Bill Clinton.

During these meetings, the US warned that any use of force against Taiwan would have grave consequences and that China would be held responsible for anything that went wrong. China, however, gave strong assurances about the limits in time, scale and location of its military exercises and the missile tests. According to a US Defense Department spokesman, China had told the US, both in public and private conversations, that it had no intention of attacking Taiwan. These assurances seem to have been passed on to the Taiwanese well before China conducted its last large-scale military exercises along the coast of Fujian province in March 1996. Indeed, on 10 March 1996, just before China began its third round of missile tests, the US facilitated ‘quiet cooperative talks’ in Washington between China’s National Security Adviser, Liu Huaqiu and Lee Yuan-tseng, a confidante of Lee Teng-hui.

Thus, the American and Taiwanese governments were able to announce that the exercises were essentially routine and that war was not imminent. Confirmation for this prognosis was available from the detailed information about the PLA’s deployments (even down to the size and designation of units involved) that was available to the US and Taiwan from the extensive coverage shown on mainland television. This effort to minimise the risk of miscalculation and misperception was complemented by the PLA’s use of an ‘open skies’ policy that allowed US satellites to monitor mainland areas adjacent to Taiwan.

One might conclude, therefore, that the defence and intelligence agencies in Taiwan and the US understood the limits of China’s military activities and knew there was little likelihood of an actual military confrontation in the Taiwan Strait.

Certainly Admiral Joseph Preuher, Commander in Chief, Pacific Command, concluded that both China and Taiwan were behaving ‘responsibly’ and he was more concerned about North Korea. Speaking in Tokyo, in late February 1996, Prueher added that Chinese military movements in Fujian were ‘moderate’ and that in any case, China had every right to conduct the drills on its own soil.

Nonetheless, US domestic political pressure required a symbolic American response. In early March, it was announced that a carrier battle group led by the Independence, from Yokosuka in Japan, would move to a position east of Taiwan ‘to be helpful if they need to be’ and that a second carrier battle group, led by the Nimitz, would join the Independence east of Taiwan. The deployment was described in the media as the largest concentration of US firepower in the region since the Vietnam War but in fact both carriers deployed well to the east of Taiwan and no attempt was made to sail through the Taiwan Strait.
War Games Melodrama

However, while the military in Taipei, Washington and Tokyo may have been fairly relaxed, the carrier deployments and the PLA's 'war games' generated headlines in the regional media about a looming crisis. There were reports of a possible attack on one of Taiwan's offshore islands such as Wuchiu or Matsu. Some reports said between 150,000 and 400,000 troops were 'massing' in Fujian for the exercise. Australian newspapers warned of a flashpoint and the risk that Australia faced of being dragged into a conflict between China and Taiwan. Australian intelligence agencies suggested there was a serious risk of miscalculation and war, and that this raised the question of Australia's security obligations under the terms of its alliance relationship with the US.

It could be argued that these assessments overplayed the seriousness of the situation. But this reaction may have been in line with China's intentions of having regional status taken seriously its concerns on the Taiwan issue.

Part IV: The Regional Response

The Response from Australia and Japan

Japan and Australia found that as well as their bilateral security links with a common hub in Washington, they shared a growing strategic concern about the rise of China. It was not a great surprise that the first ever bilateral Australia-Japan regional security talks were held in Tokyo on 25 February 1996 and that at the top of the agenda was the China-Taiwan issue.

Japan, normally reticent to openly criticise China, continued to express its public concern in a cautious way. A Japanese Foreign Ministry spokesman said that the Japanese government had concluded that there was only a very small possibility that military tension might develop in the China-Taiwan relationship. Nonetheless, Japan was worried about where China's great power behaviour might lead.

General Hideo Usui, Director of Japan's Defense Agency, said Japan would continue to keep a close eye on China's missile tests in the Taiwan Straits. Prime Minister Ryutaro Hashimoto said Japan would ask China for 'self-restraint' because the situation was moving in 'an unfortunate direction'. Foreign Minister Yukihiko Ikeda told Chinese Foreign Minister Qian Qichen that he did not approve of China's war games and that Japan hoped the Taiwan issue could be settled through dialogue.
Australia’s concerns were expressed more bluntly. Defence Minister Ian McLachlan publicly endorsed the robust American naval response in support of Taiwan.95

On 12 March 1996, the Chinese ambassador in Canberra was called in to the Department of Foreign Affairs and Trade to hear expressions of concern from Foreign Minister Alexander Downer. In what was possibly a coordinated move, the Japanese government summoned the Chinese ambassador in Tokyo to voice its concern about the threat to regional stability posed by heightened tension in the Taiwan Strait.

In April 1996, the US and Japan security partnership was redefined. It required Japan and the US to ‘promote bilateral policy coordination, including studies on bilateral cooperation in dealing with situations that may emerge in the areas surrounding Japan and which will have an important influence on the peace and security of Japan’ (author’s emphasis). Although cautiously worded, the scope of the Treaty has broadened beyond its previous focus on the defence of Japan to the possibility of cooperation in areas in Japan's neighbourhood i.e. the East China Sea, including Taiwan.96

Australia’s Defence Minister, Ian McLachlan, subsequently added to the impression of a coordinated Australia-Japan-US response to China’s war games. He said in May 1996 that he was ‘very pleased with the restated alliance commitment between Japan and the United States’.97

The ‘US-Japan Alliance for the 21st Century’, signed in Tokyo on 17 April 1996, was followed by the Australia-US ‘Strategic Partnership for the 21st Century’, declared at the Australia-US Defence talks in Sydney on 30 July 1996. Any analogy between Japan and Australia, representing the northern and southern claws of a strategy aimed at containing China was vigorously denied by Defence Minister Ian McLachlan.98 But China saw itself as the focus of America’s renewed alliance relationships with Japan in the north and Australia in the south. On the other hand, China also found some reassurance in the fact that Japan remains safely cocooned within the US-Japan security framework.

The Regional Response

Apart from Australia, countries in the Asia-Pacific region did not openly criticise China’s behaviour.99 Some, such as South Korea, were cautiously neutral.100 Others, such as the Philippines, were privately worried by what they perceived to be the latest manifestation of China’s assertiveness on territorial issues. Nonetheless, all countries in the region, including the US, Australia and Japan, reaffirmed their support for a one China policy. Several, including Russia, Malaysia, Thailand and Indonesia expressed the view that as the Taiwan issue was primarily an internal Chinese matter, it ought to be resolved by China and Taiwan themselves, and that outside powers should not interfere.101
This suggests that while still instinctively suspicious of China and its long term ambitions, regional governments are inclined towards accommodating the reality of their geographic proximity to China. Taking a long term view, they appreciate the possibility of China's renaissance as a rising power in East Asia and that conversely, America's dominant influence on China's periphery is likely to decline.

In a sense, this is a good example of the phenomenon of 'bandwagoning' with a country that is perceived to represent the wave of the future. As Malaysia's Prime Minister Mahathir observed in August 1996, it was time to stop looking at China as a threat and see instead an enormous opportunity, particularly for the development of a regional rail and road network that might help integrate the economic development of East Asia.

Australia, by comparison—further away from China and secure in its ANZUS Treaty relationship with the United States—was the only country in the region to publicly ally itself with the US against China over the Taiwan issue. Australia, by siding with the US (and implicitly with Japan), to 'balance' China, was thus, it can be argued, out of step with much of the rest of the region. Most other governments preferred to sit on the fence and thereby avoid causing unnecessary damage to their relations with Beijing.

One might deduce from these developments that China's regional neighbours will resist proposals to form a coalition of middle powers that aims—tacitly or otherwise—to contain or balance China's rising power. Balancing or containing China is what some strategic theorists term a strategy of last resort. If China becomes more threatening, regional states—including South Korea, Burma, Thailand, Malaysia, Singapore, Vietnam, Cambodia, Laos and probably Taiwan—are more likely to try to solve the problem by means that are less costly and less dangerous than grouping together to form an anti-China bloc or a military alliance.

For the ASEAN states, maintaining and developing a cooperative relationship with China is vital for regional stability and economic prosperity. The only viable strategy, according to Indonesia's Jusuf Wanandi, is engagement with China. This view soon emerged as the main plank in the Clinton Administration's China policy.

Part V: Return to Normalcy

After the Storm, the Skies Clear

By April 1996, the storm had passed. At the Hague on 19 April, Chinese Foreign Minister Qian Qichen and US Secretary of State Warren Christopher—meeting for the sixth time in
less than twelve months—agreed that while their differences over Taiwan remained unresolved, Sino-US tension had eased. 107

Qian reaffirmed China's commitment to peaceful reunification, along with the standard proviso about not renouncing the use of force. Christopher stated that the US side now understood that Taiwan was a question of 'utmost concern for the Chinese government', an oblique acknowledgement, perhaps, that the US had been too insensitive on the issue in the previous year. Christopher said the US would stand by the one China commitment it had made in the three Sino-US Joint Communiques and would continue to refrain from having official relations with Taiwan. Both sides stressed their common interest in developing Sino-US relations from a long term, strategic perspective (that is, one that recognises China's huge market potential and the fact that Sino-US cooperation is essential for regional stability).

Christopher built on the upturn in Sino-US relations in a speech in New York on 17 May 1996, one of the most thoughtful and comprehensive statements on China ever made by an American official. Christopher said that demonising China was as dangerously misleading as romanticising it. American policy towards China, he said, was most successful when the US acknowledged that country's great complexity, recognised that change required patience, and respected China's sovereignty. The Clinton Administration, said Christopher, did not want to contain or weaken China. Instead, it wanted engagement because China's development as a secure, open and successful nation was in the interest of the US.

Christopher's quest for a new start in Sino-US relations was complemented by President Bill Clinton's remarks to the Pacific Basin Economic Council in Washington on 20 May 1996. Clinton, announcing the renewal of most-favoured-nation trading status for China, said US policy on China had to be one of engagement—it could not go back to the past. 109

Together, the Christopher and Clinton statements signified a swing back to normalcy in Sino-US relations, a development acknowledged by the Chinese Foreign Ministry. 110

By 8 July 1996, after intensive talks in Beijing between US National Security Adviser, Anthony Lake, and China's equivalent, Liu Huaqiu, the US committed itself to the equivalent of a fourth Joint Communique on Sino-US relations. China and the US reaffirmed the validity of the three previous Joint Communiques but in addition, the US stated that it would not support Taiwan's independence or its attempts to join the United Nations. 111

This was an important breakthrough for China. In China's domestic political context, it was a victory for Jiang Zemin, Foreign Minister Qian Qichen and their advisers, who had stuck to Jiang's US policy guidelines of 'increasing trust, reducing trouble, expanding cooperation, and avoiding confrontation'. Indeed, one of the consequences was the boost it gave Jiang in China's post-Deng leadership stakes.
Not surprisingly, therefore, Lake had cordial meetings the next day with President Jiang Zemin, Premier Li Peng, Foreign Minister Qian Qichen, and Defense Minister Chi Haotian. Jiang stressed the importance of the US sticking to its commitments and handling Sino-US relations from a long term strategic perspective. Li Peng stressed that there was no reason for China and the United States not to get along amicably with each other. Chi Haotian said the US engagement policy towards China was starting to become 'very productive'. Qian Qichen stressed the important role China and the US could play in avoiding future world conflicts.

Christopher met Qian again in Jakarta on 24 July 1996. According to the Xinhua account of the outcome, both sides agreed that positive progress had been made in Sino-US relations and that although some differences remained, the common interests of the two countries were more important. Both sides agreed that there were favourable opportunities to advance the relationship in a constructive way. Christopher would visit China in November 1996, while Chinese Defense Minister Chi Haotian would visit the US in December 1996. A Jiang-Clinton summit was scheduled for 1997.

Perhaps, as Chinese Foreign Ministry spokesman Cui Tiankai observed on 9 July 1996, there was no reason to be pessimistic about the prospects for future Sino-US relations. At least in the short term.

Conclusions

Relations between China and the US and China and Taiwan are now almost back to the point they had reached prior to Lee Teng-hui's Cornell visit in June 1995. But each now has a vastly improved understanding of the domestic forces that drive the foreign policy of the other two. China, for its part, has been reminded of the US commitment to Taiwan under the Taiwan Relations Act; and it has a better appreciation of the complexities of US Congressional politics.

For the PLA, the exercises were an opportunity to try out new Russian equipment and coordinate a complicated tri-service exercise. They did this in a professional manner. But the PLA is likely to demand increased defence expenditure: for example, on acquiring accurate missile guidance technology so that China can increase the threat environment for US carriers. This means that Sino-Russian defence cooperation and Russian arms sales to China are likely to increase.

Taiwan was reassured by the exercises because they confirmed the limitations in the PLA's conventional military capabilities. Apart from uncertainty about when and from where China would fire its missiles, the exercises were conducted according to a script that the Taiwanese had read and digested well before the event. But while Taipei is confident it can
fend off a mainland attack, the PLA clearly demonstrated Taiwan's vulnerability to missile attack.

Taiwan, therefore, was pleased with the renewal of the US commitment to help Taiwan under the terms of the Taiwan Relations Act, including intelligence support and the sale of modern weapons, such as the Patriot anti-missile system. But Taiwan was also reminded that the US will not jeopardise its great power strategic relationship with China for the sake of the independence of a small entity like Taiwan.

Nonetheless, Taiwan's President Lee Teng-hui's standing—domestically and internationally—in representing Taiwan in any future negotiations with Beijing has been strengthened. Lee has already said that the door to negotiations with Beijing was always open.121

Vice President and Premier Lien Chan, a likely successor to Lee Teng-hui, has contributed to a new momentum in China-Taiwan relations. Lien, a mainland-born Chinese (as distinct from Lee, who was born in Taiwan) is well-regarded in Beijing. He has stressed the opportunities for positive interaction so that people on both sides need never fear war again. Lien said Taiwan and the mainland would need each other in the 21st century and should therefore turn the tragedy of 'Chinese fighting Chinese' into 'Chinese helping Chinese'.122 Lien has also stressed that 'the government of the Republic of China never intended to promote the permanent separation of Taiwan from mainland China' and that, on the contrary, it wanted to bring the two societies closer together so as to reach the ultimate goal of national unification.123

The US Congress, meanwhile, better understands China's sensitivity on the Taiwan issue. For its part, the Clinton Administration is, more than ever, acutely conscious of the need to develop a viable strategic framework for the long term management of its great power relationship with China.

One important outcome that promises stability in Sino-US relations insofar as Taiwan is concerned—at least for the duration of the Clinton Presidency—is that China and the US have reaffirmed the bounds that apply to their differences over Taiwan. These rules, first devised in 1972, are that China will not resort to force against Taiwan provided Taipei eschews independence; the US will only intervene if China does threaten to use force against Taiwan; and within those strict bounds, mutually profitable Sino-US and China-Taiwan relationships can continue to develop. (It is possible that Clinton's successors might have a different perspective, but they will need to pay close attention to the experience of crisis management in 1995–96.)

Another important outcome was that the US and China were forced to clarify their common interests and the risks and the gains to be made from what is likely to be the most important strategic relationship in the Asia-Pacific region in the 21st century. Both sides
understand the need for transparency and trust. They have, in consequence, agreed to a process of regular high-level strategic dialogue. This is a positive step. With the experience of great power crisis management that both sides gained in 1995–96, China and the US are already in a better position to cooperate on regional and global security issues, as they have demonstrated with regard to North Korea. They should be able to deal with future conflicts in a way that minimises misperception. Misunderstandings, however, could arise given the differing political values of China and the US and/or for example, if China mishandles Hong Kong's transition. 124

The risk of misunderstanding between China and Japan has probably increased, even though Japan's public response to the crisis was relatively muted. For the Japanese perspective, China underestimated the international outcry and may have contributed to the development of a regional arms race. 125

Japanese concerns about its giant neighbour had already been heightened by China's nuclear tests. But the firing of Chinese missiles into Japan's backyard in the East China Sea shocked the Japanese government. 126 Japan's 1996 Defence White Paper, for the first time, includes a sentence that China's military modernisation 'must be watched with caution in terms of its promotion of nuclear weapons and modernisation of the navy and airforce, expansion of naval activities and heightened tension in the Taiwan Strait'. 127

For China, from a Chinese perspective, there were more gains than losses in the standoff over Taiwan.

The coherence and consistency of China's policy approach on Taiwan was maintained: China’s preference for peaceful reunification was made clear but China also forcefully demonstrated to the US and the region that it was prepared to contemplate using military force (as distinct from conducting military exercises), if that was necessary, to prevent Taiwanese independence and the support of outside powers in that endeavour.

Distrust of China in the region may have increased but even so, China's status as a rising great power was enhanced. China was able to communicate to the US and the region a clear and unambiguous policy objective: it demanded and obtained a re-affirmation that there would be no departure from the position that Taiwan was part of China. New undertakings to this effect were extracted from the US and Japan, two of the three key powers in the history of Taiwan. China also obtained a reaffirmation of the one China principle from Russia, Britain and France and from all members of the Asia-Pacific community.
Outlook

The revised US strategy for engaging China is practical, strategically sound and potentially very profitable for both sides and for the Asia-Pacific region. The US shares many important interests with China. Strategically, they include a smooth transition in Hong Kong in 1997, a denuclearised Korean peninsula, a peaceful settlement to the Taiwan issue, the balancing of Japan and Russia, preservation of the UN system and the maintenance of regional and global stability. Economically, the complementarities between China and the US offer enormous commercial opportunities for both China and the US and the wider Asia-Pacific community.

The US needs China's cooperation if it is to halt the proliferation of weapons of mass destruction, police the drug trade, preserve the global environment and build an inclusive, cooperative, prosperous Asia-Pacific community.\(^{128}\) China, the fourth largest export market for the US, offers huge long term market potential for US companies like Boeing and AT&T. Equally, China needs America. US markets and technology are almost indispensable to China's long term modernisation, survival and development.

Regional stability in the Asia-Pacific—for the mutual benefit of both China and the US—requires a cooperative Sino-US relationship. This is a conclusion that most Asian countries near China, including Taiwan, have already reached.

If both China and the US can cooperate on this 'rich strategic agenda' and its economic and environmental dimensions, China should not become an adversary of the US, at least not by default or because of miscalculation and misperception.\(^{129}\) Instead, we could see a period of great peace and prosperity in the Asia-Pacific region.

On the other hand, if China and the US cannot work together, the Asia-Pacific region is likely to become tense, divided and unstable. This would overturn the favourable strategic environment that China needs to restrain defence expenditure, relax its relations with neighbouring states, cooperate with other great powers and concentrate on economic modernisation.\(^{130}\) Both China and the US, therefore, have a common interest in containing their differences over Taiwan.
Endnotes


5. Taiwan Relations Act, Congressional Record-House 125 No. 38 March 16, 1979: H1668–70.


9. ibid. p. 129.


15. According to mainland sources in Hong Kong, personal interview, 8 July 1996.


23. ibid.


25. The others are the 1972 Shanghai Communique and the 1979 Communique on the Establishment of Diplomatic Relations.


27. The latest example of this kind of advocacy is Richard Bernstein and Ross H. Munro, 'China: The Coming Conflict With America', *Foreign Affairs*, 76(2), March/April 1997, p. 18.


29. By 1995, however, China had overtaken Taiwan, and when Hong Kong is factored into the equation, it is well in front as America's third largest trading partner, with Taiwan in sixth position: *International Monetary Fund, Direction of Trade Statistics Yearbook*, IMF, Washington, 1996, pp. 445–6.

30. Lee Kuan Yew, Singapore's former Prime Minister, observed that 'it is not possible to pretend that [China] is just another big player. This is the biggest player in the history of man': quoted by Nicholas Kristof, 'China's rise from dinosaur to dragon', *Australian*, 29 November 1993, p. 11.

31. Speech by Jiang Zemin, 'Continue to Promote the Reunification of the Motherland', *Xinhua* Domestic Service, Beijing, 30 January 1995. Jiang may have been motivated by his vision of a greater China and a desire to fix a problem before it derailed Sino-US relations.

32. ibid.

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35. Speech by Lee Teng-hui to the National Unification Council, Taipei, 8 April 1995.
36. ibid.
38. Xinhua, Beijing, 23 May 1995.
42. Zhongguo Koji Luntan, (Forum on Science and Technology), Number 4, Beijing, 18 July 1991.
43. See also Gary Brown, China as a Military Power: Peril of Paper Tiger. (Research Paper No 1, 1996-97) Department of the Parliamentary Library, Canberra, 1996.
44. Xiao Bing & Qing Bo, Zhongguo Jundui Nengfou Daying Xia Yi Chang Zhanzheng, (Can the Chinese Army Win the Next War), Chongqing, June 1993, published by FBIS (JPRS CAR 94-024-L), 5 May 1994, p. 25.
45. Personal interviews, Beijing, 22 July 1995.
46. Personal interviews, mainland officials, Hong Kong, 26 July 1995.
47. Personal interviews with PLA officers, Beijing, 21 July 1995.
48. ibid.
50. Six missiles were fired into the sea 140 km north of Taiwan between 21–24 July 1995. Between 15–25 August 1995, China fired four more missiles and live artillery rounds into the sea 136 km north of Taiwan. In November 1995, Chinese television showed the test-firing of surface to air missiles. Another three M-series surface to surface missiles were fired into the sea north and south of Taiwan between 8–15 March 1996, just before Taiwan's Presidential elections on 23 March 1996.
56. Remarks by Chen Li-an, private seminar, ANU, Canberra, 11 July 1996.
58. Premier Li Peng, speech on 'Accomplishing the Great Cause of Reunification', Xinhua, Beijing, 30 January 1996.
59. ibid.
60. ibid.
61. Jiang's speech was reported in Cheng Ming, Hong Kong, 1 December 1996, No. 230, p. 19. On the other hand, a People's Daily editorial of 31 January 1996 stated that while 'it is not possible to accomplish reunification overnight, it cannot be postponed indefinitely either'.
62. Advisers to Lee Teng-hui suggested that Lee's real intentions towards China were contained in the interviews he or Premier Lien Chan gave to the media such as CNN, Newsweek, the New York Times and Bungei Shunju (Tokyo): personal interviews, Taipei, 4 March 1996.
67. Interview with Jiang Zemin, El Pais, Madrid, reported by Xinhua, 26 June 1996.
68. Lien Ho-Pao, Taipei, 26 April 1996. Jiang also sent a conciliatory message (via US Senator Craig Thomas) in the form of a line of poetry to the effect that after the storm, the sky was clear. Ku Chen-fu, Chairman of Taiwan's SEF, said the phrase was an expression of goodwill: Chung-Kuo Shih-Pao, Taipei, 11 April 1996.
70. Personal interview with an adviser to Lee Teng-hui, Taipei, 3 July 1996.
71. The March 1996 exercise was one of the largest and most complex ever held by the PLA. China showed off its M-9 (CSS-6) short range ballistic missiles, an SA-10 air-defence missile, a Han SSN, the newly launched Song submarine, a Kilo, the new Luhu destroyer (launching a Whitehead A244 ASW torpedo), the Jiangwei frigate, the new F-8-II fighter, a few Su-27s armed with AA-10 Alamo AAMs and a B-6D firing the C-601 ASM. There
were beach assaults supported by Qiang-5 II ground attack fighters and parachute drops from the IL-76.


73. In Australia, for example, advice going to the government warned that hostility between China and Taiwan might spark a regional crisis embroiling the United States and hence Australia, thereby endangering Australia’s ties in East Asia: 'PRC/Taiwan Relations—Implications for Australia', a secret national assessment published in the Sydney Morning Herald, 25 January 1996.


77. Reuters, Washington, 7 March 1996


79. Reported in the Asia Times, 28 March 1996.


81. Ping Guo Jih Pao, Hong Kong, 8 March 1996. John Deutch, Director of the CIA, said the US monitored China’s military moves on a minute by minute basis: AAP report, Washington, 22 February 1996.

82. Reported by Reuters, Tokyo, 1 March 1996.

83. ibid.


85. Reuters, Dubai, 14 March 1996.


87. Sing Tao, Hong Kong, 5 February 1996.


91. Asahi Shimbun, 24 February 1996


98. Ian McLachlan, Minister for Defence, denied the connection in his speech 'Australia and the US into the Next Century', AIA Conference, Brisbane, 22 November 1996.


100. South Korean Foreign Minister Kong No-myong hinted that South Korea would like China to refrain from conducting further missile exercises across the Taiwan Strait and that the issue needed 'to be settled through peaceful dialogue': Yonhap, Seoul, 9 March 1996.

101. For example, Thailand's Foreign Minister Kasemsamoson Kasemi said Thailand would stand by its one China policy and would not oppose the right of a country to conduct military exercises on its own territory to deter a province from breaking away: Bangkok Post, 13 March 1996, p. 1. Indonesian Foreign Minister Ali Alatas, while expressing concern over tension between China and Taiwan, said Indonesia did not want to interfere in the matter because it regarded China's reunification as a domestic affair of the Chinese people: Radio Republik Indonesia, Jakarta, 13 March 1996.


103. Prime Minister Dr Mahathir Mohamad, on his fourth visit to China, quoted by Bernama Press, Kuala Lumpur, 30 August 1996.

104. Japanese Vice Foreign Minister, Sadayuki Hayashi, said 'the move by the Independence reflected America's great interest in peace and stability in this region': Yomiuri Shimbun, Tokyo, 12 March 1996.


107. *Zhongguo Tongxun She*, Hong Kong, 20 April 1996.

108. ibid.


110. A Chinese Foreign Ministry spokesman said China had noted and attached importance to the positive message contained in both speeches. *Zhongguo Xinwen She*, Beijing, 9 July 1996.

111. *Xinhua*, Beijing, 8 July 1996.

112. *Xinhua*, Beijing, 9 July 1996.

113. ibid.

114. ibid.

115. ibid.


117. ibid.

118. ibid.


120. Premier Li Peng said China 'should accelerate the modernisation of its defence force so as to safeguard the territorial integrity of the country': Premier Li Peng, address to the National People's Congress, *Xinhua*, Beijing, 1 March 1997. Defence expenditure is to rise by 12.5 per cent in 1997 compared to an increase of 10.6 per cent in 1996. This increase may not be so significant in view of the fact that the average annual increase in Chinese defence expenditure between 1990–95 was 12.7 per cent: *South China Morning Post*, Hong Kong, 27 February 1996.

121. Reported by *Agence France Presse*, Hong Kong, 26 March 1996.

122. Vice President and Premier Lien Chan, news conference, 7 June 1996, *Central News Agency*, Taipei, 8 June 1996. One of Lien's proposals for achieving a peaceful synergy with China is the introduction of special cross-Strait trade zones to allow for direct shipping links and joint venture economic cooperation and investment. These are scheduled to open in mid–1997.


126. China's Foreign Minister, Qian Qichen, in conversation with Japan's Foreign Minister, Ikeda, said that 'outside the US, the strongest reaction came from Japan', *Sankei Shimbun*, 1 April 1996, in Shimauchi, *Tensions in the Taiwan Strait and the Security of the Asia-Pacific Region*, p. 15.


