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One country, two systems: Its theory, practice, and feasibility

Kao, Lang, Ph.D.

University of Maryland College Park, 1989

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ONE COUNTRY, TWO SYSTEMS: ITS THEORY,
PRACTICE, AND FEASIBILITY

by

Lang Kao

Dissertation submitted to the Faculty of the Graduate School
of The University of Maryland in partial fulfillment
of the requirements for the degree of
Doctor of Philosophy
1989

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ABSTRACT

Title of Dissertation: "One Country, Two Systems": Its
Theory, Practice, and Feasibility

Lang Kao, Doctor of Philosophy, 1989

Dissertation directed by: Dr. Chun-tu Hsueh
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The "one country, two systems" plan is a new idea put forth by the People's Republic of China for reunifying the divided country. Under this plan, two different political and economic systems would exist side-by-side following reunification: one part, including Hong Kong, Macao, and Taiwan, will maintain in the capitalist system, unchanged, for a specific period; the other area, mainland China, will continue under the socialist system. Simultaneously, Beijing authorities agree to permit these areas to enjoy high autonomy.

The purpose for studying the "one country, two systems" proposal is not only because this plan will have a great impact on millions of people, but because it has a significance in divided nations of world.

This study attempts to clarify the question of whether the establishment of two systems in a single country constitutes a feasible initiative to end China's division. As to practical concern, only through a

critical evaluation of Beijing's plan can the difficulties and mistakes be discovered. If an impractical and unworkable social design can be avoided, many people in the affected areas will benefit, to a large extent.

In the thesis, Beijing's reunification overture constitutes the subject for examination from three major aspects: theory, practice, and feasibility. In the first three chapters, the focus centers on the meaning of unification, the origin of China's division, and the theoretical basis of the "one country, two systems" plan. In the latter two chapters, the study explores the Hong Kong model and the Taiwan question.

The concluding chapter analyzes the feasibility of the "one country, two systems" plan. Assuming that the Hong Kong model is workable, three preconditions involve the mainland modernization, the political developments of Hong Kong, and the mutual influences between Hong Kong and the mainland.

As for the Taiwan issue, Taiwan differs from Hong Kong. Taipei and Beijing should encourage all kinds exchanges and economic cooperation before the conditions for unification can materialize.

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Introduction

Even though the Chinese Communists defeated the Nationalists in 1949, the Kuomintang (KMT) regime and consequently established its rule on the mainland, China has never been completely united. Hong Kong and Macao had been taken by the United Kingdom and Portugal, respectively. Taiwan's division from the mainland was spawned by the civil war between the Kuomintang and the Chinese Communist Party (CCP). Since retreating from the mainland in 1949, the KMT regime continues to rule Taiwan and takes an uncompromising policy toward Beijing.

Despite its repeated claim to sovereignty over Hong Kong, Macao, and Taiwan, Beijing had made no progress towards unification because of international constraints, mainly because of the Cold War and its own domestic power struggle. Nevertheless, with the end of the Cold War, the People's Republic of China (PRC) returned to international society by substantially improving its relationship with Western countries. Also since the death of Mao Zedong and the purge of the "Gang of Four" in 1976, four modernization programs regained attention in China. Since then, the internal strife among the Chinese Communist Party appears to have moderated. Under

such circumstances, Beijing's leader, Deng Xiaoping, placed national reunification as one of three major tasks to accomplish in the 1980s. The two other tasks include further progress towards socialist modernization and carrying out the anti-hegemonism struggle to maintain world peace.

In order to unify China, the Beijing leaders have presented the "one country, two systems" proposal in the hope that all separate territories could quickly return to their motherland under this framework. According to the CCP's plan, two different political and economic systems will exist following reunification: one section, including Hong Kong, Macao, and Taiwan, will maintain the capitalist system; the other area, mainland China, will continue under the socialist institution. Simultaneously, Beijing agrees to permit these areas to enjoy a high degree of political autonomy.

In Communist countries, top political leaders deeply believe in the supremacy of socialism and oppose capitalism. However, it is extremely unusual for the People's Republic to permit coexistence of two irreconcilable socio-economic systems under its rule. With this background, what is the basis and theory behind Beijing's reunification program? What methods will the Chinese Communists use to implement their plan? and what are the possible scenarios for the development of the

"one country, two systems" model?

All these questions are valuable in an academic examination through which we can realize the intricacies of a well-known problem. More importantly, many of these questions involve the welfare of millions of people who will be affected by the "one country, two systems" plan. Thus, exploring Beijing's reunification policy embraces two purposes, academic orientation and practical concern.

As far as the first purpose is concerned, this study may clarify whether dual systems in a single state constitute a feasible solution to end division of a country. As to practicality, only through a critical evaluation of the CCP's plan for China's unity can the difficulties and mistakes be understood. If an unpractical and inoperable social design can be avoided, many will benefit, to a large extent. In other words, the practical concern presumes that China's unification should not be based on suffering of the nation's populace; unification should symbolize progress, welfare, and harmony, not regression, poverty, and conflict.

In this thesis, the CCP's reunification overture is reviewed from three major aspects: theory, practice, and feasibility. Chapter One explores the meaning of unification and its process. The basic thesis contends that unification involves three different types: After

two political entities are unified, the new political unit can be an amalgamated-integrated state, or a federal state, or a union of nations. Each type of unification reflects the degree of integration and amalgamation between two political units.

To classify unification into different types is proposed to serve two objectives: first, a precise specification of the meaning of the "one country, two systems" idea, and laying it open to a comparison; secondly, depicting two major strategies, holistic and gradual, both of which describe the attitudes toward the pursuit of unification.

Through a theoretical discussion, the "one country, two systems" is considered as a proposal, employing federal principles to settle differences between the capitalist and socialist systems. Another contention in the chapter concludes that Beijing's unification strategy is holistic because it requires political amalgamation first, and integration, second.

Chapter Two takes a journey through history, helping readers understand the origins of China's separation. The story begins with the British invasion of China, ending with the duel between the Kuomintang and the Chinese Communists in 1949. The other important part of the chapter lies in introducing the People's Republic's attitude toward territorial separation up until 1979.

During that period, because of economic consideration, Beijing adopted a hands-off policy toward Hong Kong and Macao. As for Taiwan, since the People's Republic was beset with the Cold War and internal struggle, any attempt at reunion with Taiwan made no progress.

The third part of the chapter highlights the current CCP's unification policy toward Taiwan, Hong Kong, and Macao. Why does Beijing advocate the "one country, two system" policy? and how does Beijing define its scope? All these questions are specified and discussed.

In Chapter Three, the focus shifts to explore the theoretical foundation of the "one country, two systems" plan. The Marxist theory in the Communist world usually plays the function of justifying policies and leading national development. The CCP's reunification policy surely is not an exception. The analysis reveals that Beijing defines the "one country, two systems" idea in Marxist terms to avoid its own ideological conflict. Marx's historical materialism and the CCP's "primary stage of socialism" are thoroughly reviewed because they are shields justifying the coexistence of capitalist and socialist systems.

Aside from the Marxist theory, Beijing also strives to employ constitutional theory to shed light on the legitimate relationship between two systems after the Chinas are reunified. By doing so, the "one country, two

systems" proposal will be materialized as provisions of PRC's constitution, which will regulate the ties between the central government and the special administrative regions, SARs.

Through an examination of these unification theories, the chapter traces (1) the changing direction of the CCP's ideology, and (2) the effect of these theories on the unification policy itself.

Chapters Four and Five investigate the implementation of the "one country, two systems" scheme. In Chapter Four, discussion revolves around two parts: (1) how the People's Republic applies the policies to Hong Kong and Macao; (2) what complex difficulties Beijing confronts when integrating two dissentient enclaves into its jurisdiction.

As far as the former part is concerned, the content focuses on Beijing's preparatory measures for governing Hong Kong and Macao during the transition period. These measures contain the establishment of the joint liaison group and land commissions, as well as the drafting of the Basic Law for each area. As for the present difficulties at this transitional stage, attention centers on the discrepancy of background conditions between two societies. It is argued that because the social and economic gaps between two systems are so extensive, the integration process hits snags one after

another.

Chapter Five is devoted to the Taiwan issue. While examining the development of Taiwan-mainland relations, domestic changes on both sides of the Taiwan Straits must be first clarified. Only with this quandary in mind can one realize why Beijing is anxious to resolve the Taiwan issue by the "one country, two systems" model and why Taipei resists Beijing's offer.

Major changes in Taiwan and the mainland include three aspects: (1) leadership turnover; (2) the rise of a new generation; and (3) political liberalization. All these changes palliate the authoritarian nature of the KMT and the CCP. Taiwan-mainland relations thereby become more complicated than ever. Later, the chapter explores the KMT's and the CCP's strategy toward unification and its possible impacts on all concerned.

Chapter Six analyzes the feasibility of the "one country, two systems" plan from a broader context. The fate of the Hong Kong model is determined by three pillars--the mainland modernization, the political development of Hong Kong, and the mutual influences affecting Hong Kong and the mainland. All these preconditions for success of the Hong Kong model are filled with various possibilities. Consequently, the leaders of Beijing and the Hong Kong elites must foster mutual trust to buttress these pillars. Otherwise,

prospects for success in Hong Kong are not very bright.

Concerning the Taiwan issue, while Taiwan has sovereignty and armed forces, Beijing is unlikely to resolve the Taiwan issue through the Hong Kong model. Furthermore, with the domestic transformation in Taiwan, the Kuomintang is gradually losing its supreme status. As a result of these issues, unification through negotiations between the KMT and the CCP becomes impossible.

The chapter holds that an improvement in Taiwan-mainland relations is very possible through many contacts between the two societies. The two governments will gradually adjust their policies with more feasible measures to deal with each new situation shaped by their people. As time goes by, this situation will foster a more favorable atmosphere between the two entities. When this condition occurs, Taiwan and the mainland may bring reality to the dream of a united China.

CHAPTER 1

The Meaning of Unification and Its Process

I. Two Approaches to the Problems of China's Unity

In exploring the problem of China's unification, the first question that needs to be faced in this thesis is how to approach the issue. After reviewing much previous research, it appears that there are two different approaches: The first approach tends to see the divided China as a unique case; the second leaves this issue to students as a basis for comparative study.

A. Approach One

The first approach presumes that the Chinese unification problem has a particular character, incomparable with any other case in the world. From this perspective, the Chinese division or unity should be studied in terms of its special cultural and historical experiences.

To state an example, Confucianism shaped Chinese perception of world order for centuries; and therefore, it has a great influence on political leaders in dealing with the present unification problem. Since the traditional Confucian culture sees world order in a hierarchic relationship with a belief that China, the

'middle kingdom,' stands on the top of the world, thus the multi-state system, in traditional Chinese eyes, is unacceptable.¹ Even though Chinese people, learning a bitter lesson from the imperialists in the 19th Century, are compelled to accept the concept of the Western multi-state system, they, like their ancestors, still resist accepting the concept that real order and peace can be achieved under the condition of China's division. According to this cultural version, the problem of China's unification is not comparable to any other country's reunion.

Another reason that motivates some scholars to regard the Chinese issue as a special case comes from the fact that China's division, unlike Germany and Korea, results from a civil war, not from big power manipulation. As is well known, the Nationalist Party and the Communist Party in China have been struggling with each other for over sixty years after Chiang Kai-shek forced the Communists out of the Nationalist Party in 1927. Consequently, on examination of Chinese reunification, different from other cases, the focus here must aim at unraveling enmity between these two old antagonists. The history of struggle between the

¹ Benjamin I. Schwarz, "The Chinese Perception of World Order, Past and Present," The Chinese World Order, ed. John King Fairbank, (Cambridge: Harvard University Press, 1963), 276-288.

Nationalist and the Communist parties, in this way, becomes a crucial point in understanding the possibility of reassociation between Taiwan and the mainland.²

B. Approach Two

The second approach, unlike the first, lays the problem of China's unification on a comparative foundation. Some students indicate that after World War II, the divided nations, such as Germany, China, Vietnam, and Korea, have several common features serving as a basis for comparative analysis:

According to their views, the first feature is manifested in the fact that each of these states are divided by ideology, Communist and non-Communist systems. Secondly, the superpowers, directly or indirectly, plays a crucial role in the division of each nation. Thirdly, each divided nation was involved in opposing camps during the Cold War. Fourth, each of these nations before division embodied a homogenetic society from an ethnic standpoints.³

On the basis of these common characteristics, many scholars from legal and political propositions did

² Ching-yao Yin, "The Bitter Struggle between the KMT and the CCP," Asian Survey 21 (September 1981): 19-23.

³ Yung Wei, "Unification or Confrontation: an Assessment of Future Relations between Mainland China and Taiwan," The Politics of Division, Partition, and Unification, ed. Ray Edward Johnston (New York: Praeger Publishers, 1976), 70.

specific research on this subject. From these studies, none perhaps has been more important than creating the concept of "multi-system nations." The development of this concept, made by students of international law and political science, is aimed at resolving the problem of international status of divided nations.⁴ Since all parties involved in the division of these countries strongly believes in the idea of "one nation," the recognition question thus becomes a zero-sum game. One half of a divided nation, if admitted to participate in an organization, by necessity, always excludes the opportunity of the other. So, the conception of "the multi-system nation" is expected to set a new principle adjusting the strict rule of international law into political reality, giving all parties an equal right to participate in the international community before their reunification.

Quite apart from the legal approach, other students are inclined to employ the theory of power politics to analyze a change in a divided nation. In their

⁴ Hungdah Chiu, "The International Law of Recognition and Multi-System Nations--with Special Reference to Chinese (Mainland--Taiwan) Case," ed. Hungdah Chiu and Robert Downen, Multi-System Nations and International Law: the International Status of Germany, Korea and China (Proceedings of A Regional Conference of American Society of International Law), Occasional Papers/Reprints Series in Contemporary Asian Studies, no. 8 (Baltimore: School of Law University of Maryland, 1981), 41-57.

viewpoints, in the bipolar system, the continuity of division in Germany, Korea, and China actually is the function of rivalry between the Communist and the non-Communist camps. Given this idea, it is argued that each side of the state has been gradually integrated into either the West or the East despite the existence of traditional national identity.⁵ As a consequence, the unification problem hinges on the bearing of the superpowers. Whether split nations' reunification affects the balance of power in the region becomes the crux of the problem.⁶ From this perspective, while exploring the future of divided nations, the attitudes of the big powers, in some degree, are more influential than that of a divided nation itself.

C. Criticism

⁵ Bruce R. Sievers, "The Divided Nations: International Integration and National Identity," Communist Party-States, ed. Jan F. Triska, (New York: The Bobbs-Merrill Company, Inc., 1969), 179-185.

⁶ For the influence of the superpowers on the divided nations. See Thomas W. Robinson, "The United States and China in the New Balance of Power," Current History 84, (September 1985): 241-244, 281; Martin L. Lasater, U.S. Policy toward China's Reunification (Washington, D.C.: The Heritage Foundation, 1988); Ulrich Albrecht, "European Security and the German Question," World Policy Journal 1 (Spring 1984): 575-602; David Mueller, "Who Wants German Reunification?" International Perspectives 17 (Mar.-Apr. 1988): 11-13; Yung-hwan Jo, "Korean Reunification and U.S.-China Relations," Asia Pacific Community 4 (Spring 1979): 85-96; Sharif M. Shuja, "The Reunification of Korea: the Role of External Factors" Issues & Studies 21 (November 1985): 119-136.

Summarizing the analysis so far, with regard to the study of China's unity, there are two different approaches: One places focus on the particularity of the Chinese unification; the other stresses the common features of the divided nations and then use these features as a guide to study China's problem.

In social science, while studying an issue, two things need attention: First of all, discovering the particularity of the issue becomes necessary because this aspect helps to distinguish the problem from others. Secondly, comparison of related issues and finding common features are important. In this way, the generality of the issue can be developed. The progress of science, in practice, depends on our capacity to develop generalization; otherwise, we have no way of acquiring systematic knowledge.

As far as the problem of Chinese unification is concerned, if particularity, such as specific culture and historical experiences, is over-emphasized, we will be impeded from adequately knowing the common features of the unification problem in the world, making a serious ethnocentric error, as a result. From another point of view, the shortcomings of ignoring the generality of the problem resides in a fact that we may lose an opportunity to access a valuable frame of reference, which perhaps provides significant information and experiences for

studying the unity of China. In essence, the first approach, due to its nature of narrowness, seriously affects its contribution to the subject.

The second approach also has its vulnerable place. The first problem, in the sense of methodology, arises from its degree of generality. The adherents of the second position often hold the opinion that China's unity is a typical problem of all divided nations. There is nothing wrong with this version, but it misses an important point: the unification issue is not limited to divided nations; some other countries also are crippled by similar problems. To put it more succinctly, internal strife can be found at a domestic level, for religious and racial differences have plunged nations into trouble that causes threats of secession of major segments. This was the case in Lebanon, Cyprus, and Pakistan which are often called the partitioned or the segmented states.⁷ In other words, these nations have the problem of unity as well because of religious and racial friction.

Furthermore, at the international level, it is not difficult to realize that a force exists seeking

⁷ Gregory Henderson and Richard Ned Lebow, "Conclusions," Divided Nations in a Divided World, ed. Gregory Henderson, Richard Ned Lebow and John G. Stoessinger (New York: David McKay Company, Inc., 1974), 442-445; see also Raymond T. Smith, "Race, Class and Political Conflict in a Postcolonial Society," Small States and Segmented Societies: National Political Integration in a Global Environment, ed. Stephanie G. Neuman, (New York: Praeger Publishers, 1976), 198-226.

international political unification. Likewise, the emergence of common interests cultivated the union of states, as seen in the European Economic Community, the East African Common Market, and Organization of Central American States, cases in point. These situations taken together, the degree of generalization, which abstracts common attributes from the divided nations, is not sufficient to cover all the cases. That is to say, investigating the issue of Chinese unity, if we only link it with the problems of other divided nations, we cannot properly understand the background of the Chinese question in a global context. Nor can we possibly learn any valuable lesson from other countries, except divided nations, when dealing with the problem of unification. With this viewpoint, capturing the distinct features of unification across nations and areas becomes a guide for studying the Chinese unification problem.

A few words must be said about another weakness of the second approach. This paradigm, in practice, was built on the assumption that the Cold War would continue. And yet, as time went by, the East-West confrontation was replaced by detente; low politics (economics) has also preceded the high politics (security) on the global agenda.⁸ Under such circumstances, with the change in

⁸ Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition (Boston: Little, Brown and Company, 1977), Chapter 2.

the international structure and the increase in the autonomy of each divided nation, how can we still apply the old paradigm in the analysis of the present problems of divided nations? In other words, after the rules of game have been altered, the past factors that determined the unity or division of a nation must be reconsidered as well.

Unfortunately, as Thomas Kuhn describes, even though an old paradigm cannot effectively explain a phenomenon any more, it possibly can keep dominating the way of thinking for a long time. In summary, when the world is transformed over time, it is unsatisfactory to think of China's unity in terms of a bipolar system with high politics. Therefore, a new prospect must be sought to analyze the problem considered here.

Certainly, to criticize a research method is one thing; to reject it is another. The previous analysis centers on the problems concerning particularity and generality of China's unity. Ignoring either will frustrate the hopeful understanding of a reassociation of the two Chinas in the future. On the other hand, there is no doubt that both approaches have made a great contribution to the study of the China issue. A criticism of the approaches is attempted to show their relative usefulness and limitation in hoping to develop a better framework with which to analyze and evaluate a

variety of questions surrounding the reunification of China.

In the following sections, the focus will turn to building an analytical framework, which will include various types of unification at national as well as international levels. In doing so, the real meaning of unification can be brought into recognition; moreover, the general process of unity will be clarified, as well. Before drawing the typology of unification, there is one other question that must be answered; namely, except for divided nations, what other unification issues exist among the community of nations? To answer this question an understanding of transnationalism versus nationalism in a global context should be discussed.

II. Transnationalism Versus Nationalism

Over the past few decades, the world has undergone unprecedented change. Many transformations in world political and economic orders are unfolding rapidly. Behind all these large-scale changes, obviously two contradictory forces exist: transnationalism and nationalism both not only dominating the global agenda, but also presenting a confusing picture of the world.

A. Transnationalism

From the scenario of transnationalism, due to technological progress, communication and transportation have been greatly improved. This condition allows the

nation-states more interdependence and more interaction than before. The emergence of new levels of complex global interdependence among states actually has several interesting implications: First of all, in the light of military security, the development of arms technology has led to new weapons that can reach virtually around the world; as a result, the nation-states are vulnerable, tremendously reducing their capacity to protect their society from hostile intrusion. Secondly, as far as economics is concerned, the phenomenon of interdependence renders a state vulnerable to change in economic policy made by other countries. Besides, modern technology also prescribes the scale of economic production and division of labor, causing a state to feel the difficulty of developing its economy without cooperation from outside. The cumulative effects of transnational relations, militarily and economically, exemplify the pervasiveness of the nation-state.⁹ The traditional viewpoint on sovereignty, in this sense, comes into question.

Since the end of the World War II, Winston Churchill offered an insight into the coming development of transnational relations. He thought that, for the economic and military reasons, the single state, in size

⁹ Klaus Knorr, "Transnational Phenomena and the Future of the Nation-State," The Search for World Order, ed. Albert Lepawsky, Edward H. Buehrig, and Harold D. Lasswell (New York: Meredith, 1971), 411.

or in power, could not adequately deal with the new situation; therefore, he advocated the creation of a union of European nations, that is, "the United States of Europe."¹⁰ From the 1950s onward, the European unification movement has continued on its course, achieving considerable momentum in economic and political fields. The establishment of the European Economic Community and the European Parliament is a case in point. Although the emergence of the union of states is not something new in world history, its significance, however, lies in the fact that even without world government, the continuing peace between states is still possibly secured through regional integration because member states trust each other and are willing to resolve their differences by peaceful means.¹¹

For the sanguine scholars, the union of states has more objectives waiting to be attained. They hold an opinion that creating a regional organization implies moving a step closer to political unification. In the early stage, intergovernmental organizations are limited to economic and military cooperation, but later due to a

¹⁰ Amitai Etzioni, "European Unification: A Strategy of Change," International Political Communities: An Anthology, (New York: Anchor Books, Inc., 1966), 175-197.

¹¹ Donald J. Puchala, "Integration Theory and the Study of International Relations," From National Development to Global Community, ed. Richard L. Merritt and Bruce M. Russett (London: George Allen & Unwin, 1981), 150-152.

variety of policy integration, spillover effects trigger further unification among member states unavoidably.¹² In other words, optimists profoundly believe that with the development of the transnational phenomenon, the integrative power, sooner or later, will overwhelm the legacy of the nation-state. The concept of the nation-state, for them, is too parochial and obsolete.¹³

The arguments of optimists, in some aspects, are well founded. Looking back to the various regional integration movement over recent decades, the forces of integration have quickly spread over the world. From Europe to Latin America, from Asia to Africa, a variety of regional organizations, for different reasons, have been created one by one. The proliferation of these organizations, in any case, shows a very stubborn fact that most states in the world are attempting to build a union with others. Nevertheless, transnationalism only reveals the one side of the coin. If the other side of the coin, nationalism, is not mentioned, we would easily depict the picture of the world in a distorted

¹² Philippe C. Schmitter, "Three Neo-Functional Hypotheses about International Integration," International Organization 23 (1969): 161-166.

¹³ Harold Sprout and Margaret Sprout, "Tribal Sovereignty v.s. Interdependence," Perspectives on World Politics, ed. Michael Smith, Richard Little and Michael Shackleton (London: Croom Helm, 1981): 245-257; see also J. Herz, "The Rise and Demise of the Territories State," World Politics IX (July 1957): 473.

way.

B. Nationalism

In contrast to transnationalism, nationalism represents a force of disintegration in the domestic and the international arenas. At the international level, since the early 20th Century, self-determination has become a very significant principle in managing international order. The application of this principle, from the very beginning until the present time, has been confined to the colony and foreign occupied territory, not including a secession movement within a nation-state.¹⁴

After World War II, in accordance with the principle of the self-determination, nearly one hundred countries gained independence from their former colonial masters. The increase in the number of independent states has had a great impact on world politics. As most of newly independent nations became beset by the economic disorder and underdevelopment, their leaders, in order to sustain their internal esprit de corps, could only inspire the impetus of nationalism. For Third World leaders, in the present scheme of things, nationalism conveys an impression of self-esteem and self-reliance; furthermore, national pride has a function of attributing their

¹⁴ Antonio Cassese, International Law in a Divided World (Oxford: Clarendon Press, 1986), 131-137.

failure of development to wealthy imperialist countries. With the rise of nationalism, these countries quite often exhibit a bombastic nature, sometimes even boycotting the regular agenda in international organization. Besides, for the same token, the danger of war between the developing countries incessantly haunts regional security.

In the developed countries, nationalism as a counterforce also impedes the progress of integration among them. Between the 1950s and the 1960s, when the European unification movement was at its peak, the factor of nationalism continually played an important role, leading the process of integration to run in slow motion. As some suggested, the willingness of the Western European countries to participate in integration is determined by their respective national interests.¹⁵ If any member finds that a measure--such as a crop price increase approved by the European Common Market--will damage its national interest, its leaders will object vehemently to this decision.

Pulling the threads together, in the international society, the nation-state, unequivocally, is the most important actor; simultaneously, it acts as the object of people's identity and allegiance. No matter for self-

¹⁵ Karen De Young, "Europeans Squabble as 'Integration' Deadline Draws Closer," The Washington Post, 31 October, 1988: A13, A18.

esteem or self-interest, nationalism constantly shows its strength in every country. In line with this position, it is reasonable to presume that nationalism as a force of disintegration should not be underestimated because it, up to now, has constituted an obstacle for international unification.

Viewed differently, with analysis at the domestic level, a nationalistic factor can facilitate either unity or division of a state, as well. Actually, ethnic problems are derived from the fact that "political and ethnic borders are seldom coincided."¹⁶ Moreover, with the surge of self-consciousness displayed by ethnic groups since the 19th Century, they express a strong motion in the quest for self-determination, that is, establishing their own nationhood. As described before, the activities of ethnic groups have caused much political unrest throughout the world; as a consequence, they have become the Achilles' heel of the countries concerned. On the other hand, nationalism may turn into dynamics of unity. For example, in the mid-19th Century, philosopher-academician Johann Gottlieb Fichte in Germany and the relentless patriot Giuseppe Mazzini in Italy, respectively, resorted to nationalism, after all, paving

¹⁶ Walker Connor, "National Self-Determination and National Disintegration," Politics and the International System, ed. Robert L. Pfaltzgraff, Jr. (Philadelphia: J.B. Lippincott, 1972), 161.

the way for the unification of their countries.

Taken together, it is clear that transnationalism and nationalism are the two forces concomitant in our world. Provided that we only focus on one of them, ignoring the other, any inference from either will be incorrect. Briefly, while exploring unity and division, or, integration and disintegration, we have to remember that all these phenomena cross both international and intra-national systems. Can we find their common features or pattern? Some answers may be found in the following sections.

III. The Meaning of Unification

Generally speaking, unification denotes a condition under which two political communities or units produce a persistent association between them. In thinking about different kinds of union among states, the supreme decision-making center, which can legitimately control the means of violence and allocate resources authoritatively, is a crucial, but not a sufficient condition for unification. The United States, prior to 1787, was merely a loose association of the states, without a supreme decision-making center. Similarly, this conditions pervades the EEC today.

The meaning of unification, in this sense, refers to a situation in which political units join to form a new entity. Its scope will embrace the merger of the states,

regional unification, and formation of a country out of tribes.¹⁷ Whether a single, ultimate, and authoritative source of political power will be created after unification is not included in the definition of the term. As will be seen in the ensuing discussion, the importance of an ultimate political power center comes only from a bond with the degree of unification, loose or compact.

On the basis of the above definition, finding the common elements that elicits unity or disunity is essential. By doing this, analysis of the different types of unification can be grounded on the same dimension.

The concepts of "integration" and "amalgamation" are two factors that will be used to distinguish the types of unification. The idea comes from Karl W. Deutsch's work, Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience. According to Deutsch, integration and amalgamation are two different concepts. "Integration" refers to:

the attainment, within a territory, of a 'sense of community' and of institutions and practices strong enough and widespread enough to assure, for a 'long' time, dependable expectations of 'peaceful change' among its population.

¹⁷ Amitai Etzioni, Political Unification: A Comparative Study of Leaders and Forces (New York: Holt, Rinehart and Winston, 1965), xviii.

As for "amalgamation," he writes:

the formal merger of two or more previously independent units into a single larger unit, with some type of common government after amalgamation. This common government may be unitary or federal. The United States today is an example of the amalgamated type. It became a single governmental unit by the formal merger of several formerly independent units. It has one supreme decision-making center.¹⁸

In other words, "amalgamation" between two political communities creates a new common government, which will substitute for the function of the participants in the aspect of the authoritative allocation of social values. In contrast, "integration" implies a process and a by-product of diminishing the psychological gap between the political communities. That is to say, through the intimate communication and interaction among communities, the people will be able to mutually predict the behavior of others. As time goes by, the people among communities will foster mutual trust as well as perceive mutual needs. Finally, a feeling of "we group" will emerge among these political communities.¹⁹ At this stage, with the rise of a sense of community, as Deutsch indicates, "they have come to agreement on at least this one point: that common social problem must and can be resolved by

¹⁸ Karl W. Deutsch et al., Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience (New York: Greenwood Press, 1957), 5-6.

¹⁹ Deutsch, 36.

process of 'peaceful change'."20

Making a distinction between integration and amalgamation offers two advantages: In the first place, it indicates that if a state wants to sustain its domestic stability, the amalgamation itself, which implies to take control over the society by law and force, is not enough. Attaining a certain extent of integration within that society is required, too; this state then will possibly retain its social order. For example, Lebanon, in fact, is an amalgamated country, but is void of integration in its society. As a consequence, civil war pervades the country.

Conversely, as the second point, suppose a union of states has achieved integration but not amalgamation, what will it happen to the international system? This is the main concern of Deutsch in his book. In Deutsch's view, if the states can be highly integrated, such as the Western Europe, a persistently peaceful change can be attained, even though no world government or balance of power exists. He calls this type of union among states "the pluralistic security communities."21

However, Deutsch's focus, apparently, is not on the unification problem. And yet, his two dimensions of analysis are so generalized as to cover all unification

20 Deutsch, 5.

21 Deutsch, 5.

issues. For this reason, the variables of integration and amalgamation will be used here to develop a pattern of unification.

In order to have a better idea of the utility of these two dimensions of analysis, they may be distinguished in a fourfold typology. See Figure 1.

	Non-Amalgamation	Amalgamation
Integration	I EEC Commonwealth	II U.S.A. Japan
Integration	III U.S.A-U.S.S.R	IV Cyprus Lebanon

Figure 1: Pattern of Unification

A. Three Types of Unification

From the previous classification, the four entities are revealed, that is, (I) pluralistic security communities are integrated but non-amalgamated, such as a confederation, the Commonwealth of Nations, and the European Economic Community; (II) amalgamated security system, integrated and amalgamated, such as the United States today; (III) state system, non-integrated and non-amalgamated, such as the American-Soviet relations; (IV)

empire or the partitioned state, non-integrated but amalgamated, such as Cyprus, Lebanon, and the Habsburg Empire.²²

Except for type III, the state system, the rest of examples in Figure 1 belong to different types of association among political units. Inasmuch as these types of unification are established on the common dimensions of analysis, integration and amalgamation, comparing their similarities and differences becomes possible.

Ideally, an amalgamated-integrated country is the most stable because the new common government not only in a formal sense enjoys the supreme decision-making right, but, more importantly, this composite has a mandate to manage public affairs. Additionally, it is worth noting that an amalgamated and integrated state can be either unitary as Japan, or federal, as the United States.

Subsequently, another type of unification is the union of states. Compared with the former type, the so-called pluralistic security community is less stable for the reason that it has more than one supreme decision-making center despite their societies being considerably integrated. As discussed earlier, the union of states, quite frequently, is plagued by the nationalism of its members. The phenomenon of transnationalism versus

²² Deutsch, 7.

nationalism prevails in this type of unity.

Anyhow, the virtue of the pluralistic security community resides in the fact that member states are inclined to accept peaceful resolution when friction develops among them. Besides, they have the common hope that through a peaceful change, the functional integration can begin with one small step, then, stage by stage, moves up to overall integration.²³

The most unstable in the three types of unification can be found in a state that merely achieves amalgamation without integration. In the worst situation, this type of the country exists in name only. Due to the ethnic or linguistic encumbrances, no sense of community is formed among people; moreover, ethnic and linguistic differences, in some way, reflect social cleavage. That is to say, some ethnic groups continually enjoy the largest proportions of income or political power; in contrast, others share unfavorable proportions. For this matter, it is no exaggeration to say that this kind of country could be split into pieces.

Still another example of the third type of unification is the empire, such as Habsburg Empire. Because of its many political units, an empire seldom

²³ Ernst B. Haas and Philippe C. Schmitter, "Economics and Differential Patterns of Political Integration: Projections about Unity in Latin America," International Organization XVIII (Autumn 1964): 273-274.

integrates into one entity, as demonstrated in history. To sum up, the amalgamated but non-integrated country is very much like a giant who swallows everything, but later has trouble with digestion.

Considered overall, the meaning of unification seems to be very diversified. In terms of dimensions of integration and amalgamation, the persistent association between political units can be divided into three different patterns. Whenever we talk about unification, the first question that must be clarified is to what type of unification do we refer?

B. The Maintenance of the Unification

From the previous analysis, it is rather clear that amalgamation and integration are two critical variables, capable of explaining why unity of polity, in a different space and time, succeeds or fails. And it also spells out conditions under which different types of unification will occur. The scope of this analytic framework, beyond question, can be used to interpret both the international unification movement and the unification issue in domestic politics. Therefore, in light of their generalization, it is better than the paradigm of the divided nations mentioned before. More importantly, this analytical framework can account for the dynamic process of socio-economic integration among political

communities. All these virtues cannot be discovered in other approaches because they over-emphasize high politics.

A related question, in turn, needs to be further explored: how will each type of unification be maintained over time?

Roughly speaking, each type of unification, although differing in stability, still has some nature that forestalls the force of dissolution. Otherwise, except for the country that is both amalgamated and integrated, other types of unification possibly will not come into being. In the following sections, two methods of dealing with the forces of dissolution are introduced.

1. Federal Principles and the Partitioned States.

Viewed from domestic politics, most countries currently have problems with integration. Ethnic and linguistic groups are often reluctant to be integrated into a larger political community. Under such a situation, what should be done if this aversion leads to deterioration?

According to Daniel Elazar's survey, more than one hundred and forty countries are facing the issue of partition to some extent in the contemporary world. In his view, the resolution of this paradox is linked to the balance between self-rule and shared rule.²⁴ That is to

²⁴ Daniel J. Elazar, Exploring Federalism (Tuscaloosa: The University of Alabama Press, 1987), 11-14.

say, by the principle of federalism, the state allows the minority to enjoy a high degree of autonomy in exchange for their loyalty and allegiance. Presently, the cases employing the federal principle in handling ethnic issues include countries, such as Soviet Union, Yugoslavia, China, Canada, and Denmark.

Needless to say, federalism itself cannot guarantee success. Federal principles only provide an idea of an institutional arrangement that sufficiently takes care of the welfare and political rights of minorities. Whether or not it succeeds must depend on other socio-economic conditions.

These conditions consist of two aspects: external and internal. Considering the external factor, William Riker has presented a hypothesis that

...every surviving federation originated in a response to a threat or chance for aggrandizement and that, for every dissolved federation, either (1) there was no threat--or it disappeared before the time of dissolution--or (2) there was no significant provincial loyalty.²⁵

So, in Riker's view, the external threat is the most important factor motivating the participants to organize a federation. But when the external crisis disappears the federation will face the challenge of dissolution.

²⁵ William H. Riker, "Federalism," Governmental Institutions and Processes ed. Fred I. Greenstein and Nelson W. Polsby, Handbook of Political Science, volume. 5 (Reading: Addison-Wesley, 1975), 117.

His hypothesis has been supported by analysis of historical data.²⁶ As for his internal factor, "no significant provincial loyalty," mainly explains the reason for transformation from federal to unitary system, but this has little to do with the question of partition.

According to recent research, the internal factor most likely to shake the foundation of a federation is bound in the number of main communities. Some federalists believe that the more main actors who exist within the same state boundaries, the more likely the federation will be sustained.²⁷ The argument sounds valid because in such a circumstance power relationship in that sovereignty-state can be altered by shifting an internal coalition.²⁸

In contrast, if there are only two distinct communities within common boundaries, their confrontation will become very intense and inflexible because no coalition can be organized. Rivalry between the hostile political communities becomes a zero-sum game. Under such a circumstance, even the federal principles cannot break the deadlock; as a result, establishing the legitimacy of a federation becomes difficult.

²⁶ Riker, 117-128.

²⁷ Daniel J. Elazar, "Introduction," Publius 18 (Spring 1988): 1-3.

²⁸ Ivo D. Duchacek, "Dyadic Federations and Confederations," Publius 18 (Spring 1988): 9-12.

In brief, an amalgamated but non-integrated country is not doomed to collapse. Federalism is a major way to unravel the stalemate, even though its success depends on internal and external conditions.

2. **Functional Cooperation and the Union of the States.** Another method to sustain unification is through the imitated functional integration among states. In the type of integrated but non-amalgamated unification, the continuity of union more often than not relies on this strategy.

In traditional functionalists' view, the functional cooperation among states had better concentrate on social and economic levels, because in doing so, many intricate and sensitive political issues can be avoided. With this view, the regional functional integration focuses on technical areas, such as the problems of disease and hunger. Through the excellent performance of international organizations, the functionalist hope the gradual transference of function from the nation to these organization will lead to a shift of the people's loyalty from the country to a supranational organization. As a result, a new political community or union will emerge.²⁹

Rather differently, the neofunctionalist does not think that the integration process can be entirely

²⁹ Jack C. Plano and Robert E. Riggs, Forging World Order: The Politics of International Organization (New York: Macmillan, 1967), 514.

divorced from politics. Students such as Ernst Hass maintain that the functional cooperation in a specific area over time will spill over into other areas.³⁰ For example, if an international cooperative works to exploit coal and petroleum for mutual interest, the success of this action often triggers additional requirements for further cooperation in related areas, such as pollution control and labor legislation. In other words, the spillover effect, in neofunctionalists' eyes, not only increases the degree of integration, but expands the scope of cooperation, such as the involvement of politics into integration. Its eventual result will lead to political amalgamation.

Notwithstanding, regarding the spillover effects, some neofunctionalists accept this view with reservation. For instance, Joseph Nye indicates that in the process of integration, the spillover is only a part of the phenomenon; the other part that cannot be overlooked is the spillback effect in the sense that with the increased interaction, some non-political issues are easier politicized, causing difficulty in further integration.³¹

Additionally, transactionists, such as Deutsch, assume that with the increase in transaction and

³⁰ Hass, 273.

³¹ J. S. Nye, Peace in Parts: Integration and Conflict in Regional Organization (Boston: Little, Brown and Company, 1971), chapter 3.

communication, the identity gap between them will be decreased. Hence, in the transactionist's view, commercial and communication flow among political units helps to advance their integration. But, some research reveals no direct connection between transaction and integration, and criticizes transactionist's assumptions about political integration being too simplified.³²

In any case, various unions of states in the past several decades have achieved some degree of stability. Among them the functional integration is strengthened but never leads to the eventual political amalgamation. Even so, functionalists, neofunctionalists, and transactionists must be given credibility, because their theory persuasively explains the basis for the union of states persisting over time.

IV. The Process of Unification

The foregoing discussion supposes that unification is a phenomenon that can be identified. But, the term, unification, has its second face, namely, it is a process as well. Before examining the course of unity, it is worth noting that the previous nominal dichotomous classification is only a tool that helps us observe the world. And yet, the real world is absolutely more

³² William E. Fisher, "An Analysis of the Deutsch Sociocausal Paradigm of Political Integration," International Organization 23, no. 2 (Spring 1969): 288-289.

complicated than the typology mentioned before.

For instance, as far as integration is concerned, for most political communities, their position is neither at one extreme, integration, nor at the other, non-integration. In practice, most of the time, they stand at a point centered between the two poles. Therefore, the integration problem for most political communities presents a question of "more or less," not a question of "yes or no." So, it must be borne in mind that when we classify a case in a type of unification, it only means that the nature of this case meets the criteria of classification; it does not imply that this case is a copy of that type of unification.

Based on the above argument, unification, noticeably, can be differentiated by degree, implying a process moving from low to high level. Suppose integration and amalgamation are used as criteria to evaluate the degree of unification. The course of unification may be considered to be a continuum; the process starts from two non-integrated and non-amalgamated communities to a single integrated and amalgamated community.

For the convenience of analysis, the preceding typology must be employed here again. In Figure 2, provided that two different political communities exist in the Cell III and suppose that they, or one of them,

want to unite with each other. What options are available to them? This question, simply speaking, is related to the number of the paths from Cell III to Cell II.

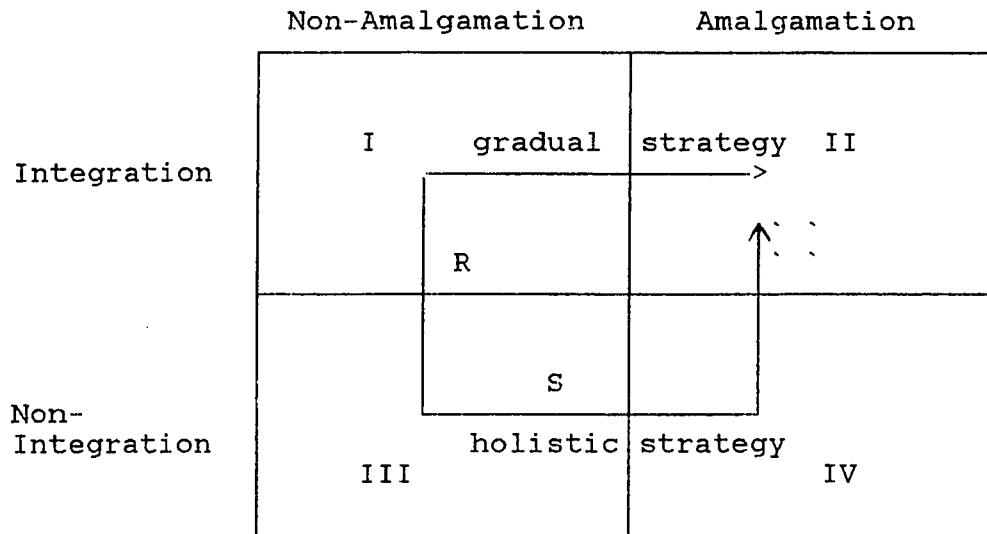


Figure 2: Unification Strategy

As alluded to before, the final end of unification process is found in Cell II, amalgamated and integrated community. The other two types of unification, Cells I and IV, represent a low degree of unification, secondary to the type in the Cell II. Even more to the point, "integration" can differ by degree, but "amalgamation" is a nominal concept, which cannot be further divided after the dichotomy.

In this sense, it is inferred that unlike amalgamation, integration cannot jump directly from a low degree to high. Increasing degree of integration will

take time. Consequently, for the sake of the integration, the path of unification, definitely, cannot move from Cell III to Cell II directly. Only two courses are available: one is the route of Line R, from Cell III through Cell I to Cell II; the other route is Line S, from Cell III through Cell IV to Cell II.

According to the above analysis, if any two political units try to start the process of unification, they have but two options: The first strategy is the holistic approach; the second is the gradual. As far as the first strategy is concerned, these political communities can incorporate themselves into a new one, then turn to resolve the internal integration problem. As for the second strategy, they first make an effort to strengthen the mutual functional integration; after the psychological boundary between the people of different political communities gradually becomes obscure, final amalgamation will be easily accomplished.

Under what conditions do the two unification strategies have a better opportunity to achieve their initial objective, such as moving from Cell III to Cell I or IV? Concerning this, different students emphasize different background conditions. The background elements on which students have a consensus include (1) similarity of values between elites, (2) pluralism in society, and (3) capability of member states to adapt and respond.

All three conditions are based on the assumption of a peaceful change in the jurisdiction without the use of force.³³ According to the above conditions, it is obvious that elites, society and political institutions are the critical factors that will profoundly affect the progress of unity.

The following section will further explore the characteristics of each strategy and contrast their differences.

A. The Holistic Strategy

As just noted, this holistic strategy pursues the merger of two political units before their integration matures. Empires made up of conquered territory and some newly independent countries following World War II belong to this type of amalgamation. To achieve the goal of unity, they quite often adopt a combination of coercive, utilitarian, and symbolic powers to force the opponent to accept the amalgamation.³⁴

In ancient eras, conquest was the main instrument in the history of unification. The Vietnamese unification developed through this method. Utilitarian power refers

³³ Robert Keohane and J. S. Nye, "International Interdependence and Integration," International Politics, ed. Fred I. Greenstein and Nelson W. Polsby, Handbook of Political Science, volume 8 (Reading: Addison-Wesley, 1975), 379-380.

³⁴ Amitai Etzioni, Political Unification: A Comparative Study of Leaders and Forces (New York: Holt, Rinehart and Winston, 1965), 37-40.

to a peaceful change in the jurisdiction of territories because of the economic considerations. The process of American nation-building is a case in point. The new states participated in the federation mainly because of economic motivation. Another means conducive to amalgamation comes from the call for national identification. German unity in the 19th Century tremendously developed through this force. Still, in most situations, the political units are inclined to combine in the quest for their goal.

Ironically, amalgamation offers one thing, integration offers another. After unification, the new central government will confront the problem of how to integrate its internal political communities. The federal arrangement in the political institution is most often taken to resolve this issue, discussed in the previous section.

From another point of view, there are two factors that will reinforce the deterioration of the integration problem. One reason stems from a fact that after amalgamation, the demand flow will increase, frequently rendering the established communication channel incapable of absorbing and identifying them.³⁵ The meaning of communication is not limited to transportation and infrastructure. It also refers to an ability of people

³⁵ Deutsch, 40.

to share and exchange ideas, feelings, and values. If communication problems develop between the central government and the new amalgamated units, the response of the government to their demand becomes slow and weak. This situation is equal to planting the seeds of disintegration.

The other factor, unfavorable to the government in dealing with the integration problem, is the limitation of the government's capacity to perform this task.³⁶ Once the amalgamation is achieved, the efficiency of the state in allocating resources will not increase instantly. If the central government does not have the capacity to satisfy the requirements of the new segments of the state, members will question the value of unification. In an extreme case, they will alienate themselves from the amalgamated country and perhaps seek to establish their own nationhood.

In summary, the holistic approach tries first to resolve amalgamation problems, then handle integration by means of a federalism. But, accompanied with this incorporation, the new government will face the crisis of communication and capacity. If these issues are not properly resolved, the forces of dissolution will come into play.

B. The Gradual Strategy

³⁶ Deutsch, 40.

Gradual strategy for unification begins with functional cooperation between political communities with the hope that as time elapses, functional integration will trigger further integration of political aspects. Consequently, the path of unification is integration, first; amalgamation, second.

Most integrationists favor this strategy. The reason is very simple: With a presumption of peaceful unification, the holistic strategy, apparently, is more difficult to achieve than the gradual strategy. This reservation exists because the holistic strategy will directly touch the sensitive problem of sovereignty, while the gradual strategy will not.

On the other hand, comparing integration with amalgamation, the impact of the integration process on the people is less than the effect of the amalgamation course. Since human beings have not had enough experience with large-scale huge social change, gradual change is more preferred by people than dramatic ones. Phrased differently, should integration fail, its damage will be limited, not disquieting the people very much. On the contrary, once the amalgamation is achieved, the unity seldom comes apart without war. From this perspective, the gradual strategy, considering the welfare of people, is a safer method for full unification. Additionally, Deutsch has analyzed the

history of unification with the conclusion that the probability of failure in early over-all amalgamation is higher than that in integration. Successful over-all amalgamation from the beginning occurred in England in 1066 and 1215. These are the only cases found in history, Deutsch said.³⁷ The reasons, he explains, are similar to the arguments mentioned previously.

Finally, one more point that must be emphasized here: most integrationists do not think integration and amalgamation have causal relation. Economic integration is surely not accompanied by political amalgamation. How integration touches off the process of amalgamation is still a controversial issue.

V. "One Country, Two Systems" and Unification

The foregoing analysis has examined (1) the three types of unification in the international and domestic levels; (2) the factors that strengthen or weaken each type of unity; and (3) two strategies for unification. As far as universality is concerned, no unification issues in the world can be divorced from the scope of the above three problems, and moreover will be covered in a integrative-amalgamative framework.

With this view, Chinese unification is definitely affected by the general principle of national unity.

³⁷ Deutsch, 80-83.

The conception of the multi-system nation has made clear that a divided nation has two de facto political entities, and each entity should enjoy international status since it embraces the three major elements of a state--sovereignty, population, and government.³⁸ Putting aside the recognition question, the idea of the multi-system nation, at least, helps us to keep an eye on the reality that a divided China has two de facto political entities, i.e., the People's Republic of China (PRC) and the Republic of China (ROC), even though each entity denies the other's legitimacy.

The nature of the Chinese unification becomes a question of how to transfer two non-integrated and non-amalgamated political units into a new one, namely, an amalgamated and integrated unit. The basic strategies, to be sure, include both the gradual and the holistic approaches.

If embracing the gradual strategy, the early efforts will be made on strengthening functional cooperation on trade, reunion of families, and cultural exchange. The primary objective of the two entities in the early stage would be to establish a low degree of unification, such as confederation or commonwealth. During this stage, each political community retains its sovereignty. If this loose unity succeeds, the gap between the two parties in

³⁸ Chiu, 41-53.

mental and material aspects will decrease. Then the low degree of unification can transcend to a high degree of unification, which means the merging the two sovereignties as a new one.

Contrary to the former strategy, the holistic strategy tends to solve the sovereignty problem first, demanding political amalgamation in the early stage by military pressure and nationalistic appeal. After amalgamation, the central government will adopt a federal principle to overcome the integration problem. In the process of China's unification, amalgamation prior to integration or vice versa has become an extremely controversial issue. Different strategies will determine the type of unification at an early stage; however, their final goal will be an amalgamated and integrated state.

The purpose of this thesis is to evaluate the new unification proposal, "one country, two systems," submitted by the Chinese Communists. Before discussing its policy formation, policy implementation, and feasibility, the feature of the proposal, at the outset, must be clarified. Does this proposal support integration preceding amalgamation or amalgamation preceding integration? And what strategy, the gradual or the holistic, under the "one country, two systems" model, will be used to pursue national unity?

According to the CCP's plan, the "one country, two

systems" overture proposes a peaceful means to achieve China's unity. After unification, two different political and economic systems will exist: one part, including Hong Kong, Macao, and Taiwan, will maintain the capitalist system; the other part, mainland China, will continue under the socialist system. Simultaneously, Beijing agrees to permit the aforementioned areas to enjoy high political autonomy. But, there will be only one sovereignty after unification.³⁹

Therefore, it is obvious from the above points that Beijing leaders hope to amalgamate these areas first, then employ the federal principle to deal with the integration problem later. That is to say, the Chinese Communists prefer taking the holistic strategy, incorporating Hong Kong, Macao, and Taiwan into its territories before the political and economic chasms--between these areas and the mainland--decrease.

Nevertheless, unlike Hong Kong and Macao, Taiwan is not a colony. It can determine its own future. In this way, when Communist officials discuss the application of the "one country, two systems" model to Taiwan, their viewpoints are very ambiguous and full of vacillation. Sometimes, they imply that the unification proposal is a broad idea that can be further developed and improved as

³⁹ "I ke chung ta i i te ko hisang--Deng Xiaoping tung chih tan 'i kuo liang chih' (Deng Xiaoping on 'One Country, Two Systems')," Liao Wang (Outlook) 42 (1984).

necessary. Apparently, as long as Taiwan accepts this proposal, methods of practicing unification are negotiable. This attitude prompts a few scholars to think that confederation is also a possible option for unification. But, the Beijing leaders always deny this possibility. Consequently, in a general sense, the type and strategy of unification, taken by the Chinese Communists, so far indicates no significant difference between Taiwan, on the one hand, Hong Kong and Macao, on the other. As to the questions about what conditions, by what means, and with what possible results the Chinese Communists plan to carry out this reunification, they will be analyzed in the following chapters.

VI. Conclusion

In conclusion, a few words must be said about the generality of unification. By examining the common factors of unification, we can understand that the Chinese unification cannot be an exception. Its success or failure will be affected by the factors of integration and amalgamation. In doing so, it is proper to employ these variables to explain and evaluate the entire Chinese unification question. To put the issue another way, laying China's issue in a comparative context, other countries' experiences on unity can be used as a guide to present the possibility of Chinese reunification in the future.

To be sure, any issue must have its particularity, because in this world, no two things are totally the same. The characteristics of China and the features of the divided nations cannot be overlooked, as well. Thus, balancing the analysis of particularity and generality in an issue is a necessary requirement for successful research. In the ensuing examination, the main concern will always center around the problem of particularity and generality of China's unity.

CHAPTER 2

Historical Background of China's Reunification

Generally speaking, reunification is such a prodigious issue that no party will present an imprudent proposal to attract a self-defeating result. Any unification overture, as a matter of fact, results from deliberate calculations. The parties concerned will measure their internal and external constraints, then bring forth their best choices. This situation confronts the Chinese Communists at this time. The "one country, two systems" idea did not appear suddenly; it reflects Beijing's choice in evaluating its advantages and disadvantages for unifying the country.

Consequently, while examining the pros and cons of the "one country, two systems" model, we should first of all understand the historical background of the PRC's attitude toward unification in the past and the present. In the following sections, the focus thus will concentrate on (1) the reasons causing China's division; (2) the CCP's unification policy before 1979; (3) the current CCP's policy toward Taiwan, Hong Kong, and Macao; (4) a summary of the factors shaping Beijing's reunification policy.

I. The Origin of China's Division

The contemporary division of China, simply speaking, results from two causes: the imperialist invasion of the 19th and early 20th Centuries turned Hong Kong and Macao into colonies; in 1949, the rivalry between the CCP and KMT factions led to the long-term separation of Taiwan and mainland China. A brief review of the short history of Chinese division is in order.

A. Hong Kong

The total area of Hong Kong encompasses 411 square miles, including Hong Kong and the Lan Tao islands, the Kowloon Peninsula, and more than 200 smaller islands. The northern part of Hong Kong adjoins Guangdong province on the southeastern coast of the Chinese mainland.¹

In the early 19th Century, the British colonialists sought a naval base to protect their rising commerce in the Far East. Hong Kong, therefore, became their best target because of its strategic position and excellent natural harbor.

From a dispute over the issue of Indian-produced opium being imported to China, the first Anglo-Chinese (or Opium) War broke out in 1839, ending with the Treaty of Nanking in 1842. In that treaty, the British colonialists fulfilled their primary objective, seizing the Hong Kong Island from the Ching Dynasty.

¹ Bureau of Public Affairs, U.S. Department of State, Background Notes, Hong Kong, Feb. 1986, p. 2.

Learning of China's weakness during the mid 1800s, England and France, sixteen years after the Opium War, launched another invasion of China. The second Anglo-Chinese, or Arrow War between 1858 and 1860, resulted in China ceding the southern part of the Kowloon Peninsula (3.5 sq. mi.) to the British by virtue of the Treaty of Peking.

In 1898, England, further pressured the Ching dynasty to lease the northern part of Kowloon Peninsula, later called the New Territories (365 sq. mi.), for 99 years without compensation.

Through the above three stages, Great Britain entirely controlled Hong Kong, and established its colonial rule, which exists today.

B. Macao

Another area of contention is Macao, a 16-square-mile island, situated at the mouth of the Pearl River. The oldest European settlement in the Far East, Macao lies about 17 miles west of Hong Kong and was the target of Portuguese traders at the beginning of the 16th Century.²

Portuguese ships came to the South China Sea hoping to find new avenues of trade in the Far East. After contacting Japanese pirates on sea, the Portuguese had an

² Bureau of Public Affairs, U.S. Department of State, Background Notes, Macao, Nov. 1987, p. 1.

interest in Japanese markets. In order to expand its commercial relationship with Japan, the Portuguese colonists selected Macao as a trading post. In 1557, many Portuguese permanently settled on Macao even though this island was sovereign Chinese territory under the jurisdiction of the Ming Dynasty.³

From the middle of the 16th Century onward, the Ming Dynasty (1386-1644) and its successor, the Ching Dynasty (1644-1911) took a benevolent policy toward the Portuguese on Macao, collecting rent and duties from settlers. Except for judicial affairs, the Portuguese on Macao actually enjoyed an autonomous life.

The status of Macao had never been questioned until China was defeated by England in the Opium War. Portugal took advantage of the weakness of the Ching dynasty by assuming perpetual occupancy of Macao. In 1887, with support of Great Britain, Portugal forced China to sign in Lisbon a protocol that confirmed the Portuguese right of "perpetual occupation" of Macao under the condition that Portugal would never surrender Macao to a third party without permission from China.⁴ Due to this protocol, Portugal obtained administrative rights over the colony. In 1951, Macao became a Portuguese Overseas

³ Cesar Guillen-Nunez, Macao (Hong Kong: Oxford University Press, 1984), 4-5.

⁴ Ting Tsz Kao, The Chinese Frontiers (Palatine: Chinese Scholarly Publishing Company, 1980), 27-28.

Province. But, after the 1974 military coup in Portugal, its new constitution of 1976 redefined Macao as a "special territory" under Portuguese jurisdiction.⁵

C. Taiwan

Taiwan lies about 90 miles off the southeast coast of the Chinese mainland. Taiwan island encompasses 13,900 square miles. In 1895, the Ching Dynasty ceded Taiwan to Japan in the Treaty of Shimonoseki as a result of its defeat in the Sino-Japanese War. The Japanese established their rule on Taiwan and retained control until 1945 at the end of World War II. After Japan unconditionally surrendered to the Allies, Taiwan returned to its motherland, becoming a province of the Republic of China under the rule of the Nationalist Party.

Between 1947 and 1949, civil war raged in the Chinese mainland, ending with a Chinese Communists' victory and the establishment of the People's Republic of China (PRC). Generalissimo Chiang Kai-shek and his followers withdrew from the mainland, and continued their rule on Taiwan and several surrounding islands. As a result, China is divided into two parts: the PRC and the ROC. Two regimes in the past forty years have competed for international status since each claims itself as a

⁵ The Europa Year Book, vol. 2, (Detroit: Europa Publications Limited, 1986), 2186.

sole legitimate government of China.

In 1950, owing to the outbreak of the Korean War, U.S. government ordered its naval forces to the Strait of Taiwan in order to protect Taiwan from Communist invasion, and simultaneously supported the Nationalist government with huge shipments of military aid.

With U.S. President Richard Nixon's visit to Beijing in 1972, the American government made an effort to improve its ties with the PRC. On 1 January 1979, Washington formally recognized the Communist government in Beijing, and at the same time abrogated its official relations with the ROC in Taipei. Presently, the American government makes use of the Taiwan Relations Act of 1979 to promulgate the ties between Washington and Taipei.

II. The KMT's Policy toward the Lost Territories

The Republic of China was established in 1912 when the Ching Dynasty was overthrown. Between the 1928 and 1949, the Nationalist Party had played a major role in mainland rule. As well known, the major goal of the national revolution was to free China from the yoke of the unequal treaties. The content of the unequal treaties varied from consular jurisdiction, stationing of foreign troops and warships in China to foreign concessions and settlements, and the ceding of territories. Consequently, abolishing the unequal

treaties was an important issue when the nationalist government handled its external relations. In 1928, a memorandum on foreign policy presented to the Fifth Plenum of the KMT called for complete and unconditional abrogation of all the unequal treaties and set a deadline for this action to be on 1 January 1929.⁶ Actually this proposal was never fulfilled until 1943.

After China joined the Allies against Japan in World War II, the United States and the United Kingdom agreed to relinquish the unequal treaties, signing the new and reciprocal treaties in 1943. Subsequently, other countries, such as France, Canada, Holland, Switzerland, and Portugal, also negotiated new treaties with China between 1944 and 1947.⁷

While negotiating a new equal treaty with the United Kingdom, the Nationalist government tried to include the Hong Kong problem into the agenda. Whereas the United Kingdom cloaked itself behind an excuse that Hong Kong had been occupied by Japan, the jurisdiction of Hong Kong thus must be negotiated after the end of war.⁸

⁶ C. Martin Wilbur, "Nationalist China, 1928-1950," China: Seventy Years after the 1911 Hsin-Hai Revolution, ed. Hungdah Chiu and Shao-Chunan Leng (Charlottesville: University Press of Virginia, 1984), 17.

⁷ Chi-hsueh Fu, Chung-kuo wai chao shih (China's Diplomatic History) (Taipei: San Min Book Company, 1966), 596.

⁸ Ku Wei-chun hui i lu (Wellington Koo Memoir), Vol 5 (Beijing: Chung-hua Book Company, 1987), 169-187.

Generalissimo Chiang was very upset by the British response. The Sino-British negotiation of a new equal treaty, for this reason, sank into stalemate. Later, submitting to the gravity of unity among the Allies, the Nationalist government at last made a concession, that is, not to include the Hong Kong issue in the new treaty, but reserved the right of presenting this issue at a later date. In 1950, the United Kingdom cut off its diplomatic relations with the ROC; consequently, Taipei has not been in a position to negotiate the Hong Kong issue with London.

With regard to Macao, when the Nationalist government signed a new protocol with the Lisbon government in 1947, neither side mentioned the future of Macao. This condition prevailed because the ROC had too many questions waiting to be resolved. Tiny Macao, in comparison with other urgent issues, appeared less important.

Concerning the KMT's stand toward the Taiwan territory, Generalissimo Chiang Kai-shek stated in 1938 that

Taiwan is the key to China's survival. Taiwan cannot be left under the control of the Japanese imperialists if China desires to establish a genuine national defense and to preserve permanent peace in East Asia.... We must cope with Japan's intricate plots and set free the people of Taiwan in order to accomplish the goals of our national revolution and prevent ambitious foreign states from

disturbing the peaceful order of East Asia.⁹

In 1943, Chiang, Roosevelt, and Churchill met at the Cairo Conference. According to the Cairo Declaration of that year, the return of Manchuria, Taiwan, and the Pescadores to China was promised.¹⁰ For this reason, when the war ended, Taiwan was immediately retroceded to China after fifty years of the Japanese occupation.

From the above analysis, it is reasonable to say that after the World War II, China had had a great chance to restore all lost territories, but missed it. If the civil war had not broken out, Hong Kong and Macao might have been returned to China forty years ago through negotiation with the countries concerned. Unfortunately, the intramural fight between the KMT and the CCP not only leads to the continuation of two Chinas, but delays the return of the foregoing areas to the motherland.

III. The CCP's Policy toward Unification, 1949-1978

After the Chinese Communists defeated the KMT and ruled the mainland in 1949, it was immediately involved in the Cold War. For this reason, Beijing claiming sovereignty over Taiwan, Hong Kong, and Macao was

⁹ "President Chiang Kai-shek's Speech to the Provisional National Convention of the Kuomintang, April 1, 1938," China and the Question of Taiwan, ed. Hungdah Chiu (New York: Praeger, 1973), 203.

¹⁰ "Republic China Before 1949," Republic of China 1987, 104.

frustrated by the confrontation between the Communist and non-Communist blocs. From 1949 to 1979, the Chinese Communist's policy toward unification can be separated into two parts: one being Hong Kong and Macao; the other Taiwan.

A. Hong Kong and Macao

In general, over the past few decades, Beijing has repeatedly declared that all the treaties and protocol relating to Hong Kong and Macao are invalid because these documents were signed under the unequal situation.¹¹ Even though continuing to assume its sovereignty over these areas, the Chinese Communists, however, had no plan to change the status quo of Hong Kong and Macao until very recently. The general policy made by Beijing was expressed in the People's Daily on March 8, 1963:

...as matter of fact, many of these treaties concluded in the past either have lost their validity, or have been abrogated or have been replaced by new ones. With regard to the outstanding issues, which are a legacy from the past, we have always held that, when conditions are ripe, they should be settled peacefully through negotiations and that, pending a settlement, the status quo should be maintained. Within this category are the questions of Hong Kong, Kowloon, and Macao....¹²

From the above paragraph, it is clear that Beijing

¹¹ Bureau of Public affairs, Macao, p.3.

¹² Jerome Alan Cohen and Hungdah Chiu, People's China and International Law, 2 vols. (Princeton: Princeton University Press, 1974), 1: 379-381.

was not prepared to reunifying these two apportioned territories during that period. The term, "when conditions are ripe," is very ambiguous. Its meaning roughly can be explained from political and economic standpoints. As far as politics is concerned, under the shadow of the Cold War, Beijing understood that if she over extended her request for the return of Hong Kong and Macao to PRC sovereignty, regional tensions would increase and perhaps trigger a conflict with the United Kingdom, the United States, and southeast Asian countries. In order to eschew suspicion and confrontation, the Beijing authority thus was determined to let nature take its course by making the excuse that current conditions were still not appropriate for reunification.

Another reason for delaying the recovery of Hong Kong and Macao developed from economic factors. Before 1978, mainland China, under the rule of the CCP, maintained an almost-closed system. Hong Kong, because of its geographic position and economic prosperity, became the major source of foreign exchange for the PRC. Any political and economic turmoil occurring in Hong Kong would directly damage PRC's interest.

As for Macao, even though this area is too small to be influential, its location near to Hong Kong forced Beijing to consider the unfavorable impact on Hong Kong's

economics once Macao is returned to China. This situation can be best described by a Chinese proverb: "One is afraid to kill the rat for fear of damaging the vase in which it is hiding."

In 1966, the storm of the Cultural Revolution swept over Hong Kong and Macao. The militant leftists in both regions generated tremendous riots and disturbances. Even so, the Beijing authority still showed no interest in retroceding Hong Kong and Macao, and was inclined to maintain the status quo of these two bastions of capitalism.

That Beijing hands-off policy can be further proved by the fact that the PRC twice rejected the Portuguese request to return jurisdiction of Macao to China. When the Cultural Revolution caused instability of Macao in 1967, Portugal suggested abandoning Macao within one month, but Beijing refused this offer.¹³ Another offer made by Portugal to China occurred in 1974. As a result of the revolution in Portugal, the new socialist government relinquished past colony policy and attempted to negotiate the future of Macao with the PRC. But, Beijing once again refused, offering the excuse that conditions were not ripe enough to discuss this matter.¹⁴

¹³ Jaw-ling Joanne Chang, "Settlement of the Macao Issue," Journal of International Law 20, no. 1 (Winter 1988): 256-257.

¹⁴ Chang, 257.

In spite of the fact that the PRC did not try to disturb the status quo of Hong Kong and Macao, it appeared rather sensitive to any challenge, by word or by action, to its sovereignty over these areas. Examples, while not abundant perhaps, are easy enough to find.

In 1955, the Portuguese authorities in Macao announced celebration of the 400th anniversary of the occupation of Macao. The People's Daily immediately submitted a serious warning on Oct. 26, 1955 by stating that Macao is Chinese territory and China will not tolerate provocative action of the Portuguese authorities in Macao against the Chinese people.¹⁵ As a result, the celebration in Macao was forced to be cancelled.

Another event happened in 1967. Since the peasants of Guangdong province prepared to farm their land in the British controlled New Territories, the radio stations and newspaper in Hong Kong claimed that this action was encroaching upon the U.K. territory. Beijing's official newspaper immediately refuted the opinion of the Hong Kong authority. The People's Daily on 20 August 1967 claimed that "Hong Kong is an inalienable part of Chinese territory," and indicted the United Kingdom for "its imperialists' fascist atrocities of barbarously suppressing our countrymen in Hong Kong."¹⁶

¹⁵ Cohen and Chiu, 376.

¹⁶ Cohen and Chiu, 382-383.

To take another example, when the PRC entered the United Nations in 1971, its representative, Huang Hua, found that the UN General Assembly's special committee on colonialism recorded Hong Kong and Macao in its list of colonial territories. He wrote a letter to the chairman of that committee, demanding that the UN must immediately remove the foregoing areas from the list because Hong Kong and Macao were not colonies but were integral territory of the PRC.¹⁷ In the end, the UN accepted the request of the PRC, formally removing these areas from the colony category.

In view of these examples, the PRC hands-off policy toward Hong Kong and Macao before 1979 can be simplified in this way: under the conditions of maintaining the status quo of Hong Kong and Macao, the PRC is trying its best to retain national dignity.

B. Taiwan

For the Chinese Communists, Hong Kong and Macao can be justified as the issue left over by history; therefore, Beijing can tentatively tolerate their seizure by the colonialists, Portugal and the United Kingdom. Nevertheless, the Taiwan issue is different. If the last resisting force of the KMT is not eliminated, the CCP's legitimacy will be questioned in other domestic and

¹⁷ Cohen and Chiu, 381-382; see also "Lien-ho-kuo yu Hsiang Kung ti wei (the UN and the status of Hong Kong)," The Ninetieth, May 1984: 48-49.

international arenas. For this reason, liberation of Taiwan by peaceful or non-peaceful means is continuously listed as the major policy objective.

From 1949 to 1978, Beijing's policy toward Taiwan, in a general sense, can be separated into three stages. Policy change at each stage, to some extent, can be regarded as a response to a change in the international and domestic structures.

1. 1949-1954. During this period, the PRC plotted to liberate Taiwan by force. In 1950, Beijing launched a military attack on Quemoy but failed. In the same year, the PRC intervened in the Korean War. President Truman, consequently, decided to dispatch the Seventh Fleet to protect the security of Taiwan. In practice, the PRC had not expected that its involvement in the Korean conflicts would complicate the situation on the Taiwan Strait. The price the PRC paid for the Korean War later appeared in its attempted invasion of the offshore islands in 1954-1955. When the crisis of the islands occurred, the American government unhesitatingly assisted the ROC in withdrawing its army from the Dachen Islands "because the islands were too far from Taiwan to be given air support."¹⁸ Moreover, the United States signed a mutual defense treaty with the ROC in 1954. In this way,

¹⁸ Ralph N. Clough, Island China (Cambridge: Harvard University Press, 1971), 99.

the PRC's plan of using the military power to "liberate" Taiwan, was forced to be indefinitely postponed.

2. 1955-1971. Due to the intervention of the United States in Taiwan's defense, the PRC thereby changed its unification strategy by emphasizing the possibility of resolving the Taiwan issue through peaceful negotiation. In January 1956, Premier Zhou Enlai (Chou En-lai) in the third session of the First National People's Congress expressed that

There is no doubt that if Taiwan can be liberated peacefully, it would be best for our country, for all the Chinese and for Asia and world peace. At present, the possibility of peacefully liberating Taiwan is increasing. This is first of all because the international situation is now definitely tending toward relaxation, and the United States armed occupation of Taiwan and interference in China's internal affairs are opposed by more and more peace-loving countries and peoples....¹⁹

Moreover, from 1955 onward, the PRC and the United States held a series of the secret meetings in Geneva in an attempt to ease tensions on the Taiwan issue. But, because Beijing always refused renouncing the use of force to achieve unification and the United States refused to withdraw its armed forces in Taiwan, the Sino-

¹⁹ "PRC Premier Chou En-lai's Speech to the Third Session of the First national People's Congress, June 28, 1956," China and the Question of Taiwan, ed. Hungdah Chiu (New York: Praeger Publishers, 1973), 268-273.

American talks did not attain any substantial progress.²⁰

"Peaceful liberation of Taiwan" under Beijing's policy often stressed three aspects: (1) Taiwan is a part of China, but the United States has occupied the island; (2) American someday will spurn Taiwan just like they scorned the KMT in the mainland; and (3) Beijing promised to offer a high position to the KMT leaders after unification in order to make unification more attractive to the KMT.

In light of the foregoing strategies, it is clear that, in the CCP's eye, the KMT in Taiwan is only a puppet regime of the United States. Accordingly, the crux of the Taiwan issue is to pry the United States out of Taiwan; in this way, Taiwan will lose its main support and easily succumb to the pressure of the CCP.

From 1956 to 1972, Beijing had many times condemned the American government for trying to create "two Chinas."²¹ Still, as a result of the deterioration of the Sino-Soviet relations and the effects of the Cultural

²⁰ Kenneth T. Young, Negotiating with the Chinese Communists (New York: McGraw-Hill Book Company, 1968), Chapter 14.

²¹ Concerning the PRC's attitude toward "two Chinas," see "There Is Only One China, Not Two," People's Daily, 14 July, 1961; "A Brief Account of the U.S. Two China Plot," People's Daily, 7 August, 1961; "China's Sovereignty over Taiwan Brooks no Intervention," People's Daily, 12 May, 1964; Hsu Meng-shan, "Resolutely Oppose the 'One China and One Taiwan' Scheme," People's Daily, 24 May, 1964; all the previous editorials reprinted in Chiu Hungdah, ed., China and the Question of Taiwan.

Revolution in the 1960s, the PRC lost its impetus to concentrate on the Taiwan issue. Peaceful liberation of Taiwan thus became a hollow slogan.

3. 1972 -1978. In 1972, President Nixon visited mainland China, signing the Shanghai Communique, which not only symbolize the conciliation between Washington and Beijing but represented the end of the Cold War between the U.S. and the PRC. In tune with this new situation, the PRC once again invigorated its plan for liberation of Taiwan.

In the midst of this new relationship, the PRC took advantage of the atmosphere of detente, launching a large-scale diplomatic war against the ROC. Beijing's war was very successful. For instance, Taiwan was expelled from many international organizations and replaced by the PRC. Additionally, many countries also cut off their diplomatic relations with Taipei, turning to recognize Beijing. After a series of diplomatic frustrations and setbacks, Taiwan very soon became "the Asian orphan."²²

One of the PRC's significant objectives of the diplomatic war was aimed at the United States. In the PRC's view, if the U.S. government were to sever its relationship with Taiwan, the task of unification would

²² Andrew Scobell, "Taiwan: The Other China," The Brookings Review (Fall 1988): 35-36.

become easier. On this account, regarding the PRC-US relations, Beijing insisted on three premises before establishing diplomatic ties with the U.S.: (1) cutting off the ROC-US diplomacy, (2) withdrawing troops from Taiwan, and (3) abolishing its defense treaty with ROC.²³ The PRC's requests finally came to fruition in 1979 when U.S. cut off its formal ties with the ROC. For the Communist leaders, this diplomatic victory amounted to making great strides toward the issue of unification. In summary, in international society, Chinese Communists, at this stage, tried to use every means to squeeze Taiwan to the end of a rope, hoping that Taipei would consider their overture toward reuniting.

On the other hand, since 1972, Beijing found that the Taiwanese natives gradually played a more important role in Taiwan's politics. As a consequence, aside from the mainlanders, the PRC strove for the support of the Taiwanese.²⁴ Concerning the Taiwan Independent Movement, the Communist leaders as usual expressed their understanding and sympathy, implying that the Taiwanese had had little opportunity to contact their motherland for decades because of KMT restraints. In the early 1970s, Premier Zhou Enlai received the overseas Taiwanese

²³ Robert G. Sutter, The China Quandary: Domestic Determinants of U.S. China Policy, 1972-1982 (Boulder: Westview Press, 1983), 51-52.

²⁴ Clough, 137.

representatives several times and promised that after reunification, native Taiwanese would be responsible for the major duties in the government. Even though he did not mention whether Taiwan would be allowed autonomy, its status, he implied, would be similar to Tibet's in the 1950s.²⁵

Furthermore, Beijing held an anniversary meeting for the February 28 Incident (1947) each year.²⁶ The purpose of this memorial activity, to be sure, was to win over the hearts of native Taiwanese and simultaneously weaken the legitimacy of the KMT in Taiwan.²⁷

All in all, the major achievement of the CCP's unification campaign at this stage lay in isolating the ROC from the international society and forcing the United States to sever its relations with Taiwan. Nevertheless, the KMT's leaders still firmly insisted on its anti-communist standing, expressing no interest in negotiations with Beijing.

²⁵ Clough, 137.

²⁶ The February 28 Incident (1947) happened in Taiwan. Since some Taiwanese disagree with the policy of the KMT, after reunifying with their motherland, their anger was finally triggered from a small civilian-police conflict, which occurred in Taipei on February 28, 1947. This incident evolved into comprehensive riots in which several hundred Taiwanese were killed.

²⁷ King C. Chen, "Taiwan in Peking's Strategy," China and the Taiwan Issue, ed., Hungdah Chiu (New York, Praeger, 1979), 134.

IV. New Unification Campaign: Two Systems in One Country

Mao Zedong (Mao Tze-tung) died in 1976. The Cultural Revolution formally ended with the purge of the "Gang of Four" in the same year. Later, the Third Plenary of the Eleventh Central Committee was held in December 1978. In this meeting, the Chinese Communists determined that their focus should be on economic development. Four modernizations--national defense, agriculture, industry, and science and technology--once again were reintroduced into working agenda after being shelved for many years. Economic reform and open-door policy, on this account, became the cornerstone of Communist China's modernization program.²⁸

But, while considering internal matters, the Communist leaders had not forgotten the question of national unity. In early 1982, Deng Xiaoping indicated that "speeding up socialist modernization, striving to realize unification of the motherland, including Taiwan, and opposing hegemonism and safeguarding world peace, are the three great tasks for the people of our country in the nineteen-eighties."²⁹ So, clearly unification and

²⁸ Zhao Ziyang, "Advance Along the Road of Socialism with Chinese Characteristics," Documents of the Thirteenth National Congress of the Communist Party of China (Beijing: Foreign Languages Press, 1987), 18-42.

²⁹ "Teng's Opening Speech: 'Three Great Missions for 80's'," New China News Agency (NCNA), 1 September, 1982; reprinted in Inside China Mainland, October 1982: 1-3.

modernization carried the similar weight in the eyes of the senior party leaders. In the ensuing analysis, it will be found that Beijing tried its best to avoid possible conflict between unification and modernization; moreover, it aimed at connecting national unity with its socialist modernization, hoping to achieve two goals in one bold thrust. In accordance with the above strategic consideration, the "one country, two systems" idea thus came into existence.

Differing from the past unification programs, the new overture was more comprehensive in terms of its scope. Its content was also more specific and more detailed. The formation of the "one country, two systems" proposal would be experienced three stages, according to the CCP's explanation.³⁰ Discussion follows.

A. The Initial Stage, Jan.

1979-Aug. 1981

Regarding the development of the "one country, two systems," the first stage was marked by the Third Plenary Session of the 11th Party Central Committee held in December 1978.³¹ The reunification policy in this meeting stressed consultations and negotiations between

³⁰ The Taiwan Issues: Its History and Resolution (Beijing: Guoji Shudian, 1987), 28.

³¹ The Taiwan Issue, 28.

the KMT and the CCP on an equal basis, instead of the old policies, "armed liberation" and "peaceful liberation."

Later, on New Year's Day 1979, the Standing Committee of the National People's Congress (NPC) sent a message to compatriots in Taiwan. The NPC's message embraced four main parts: (1) immediate cessation of the military confrontation between the two sides; (2) negotiations between the CCP and the KMT; (3) establishment of intercommunication between people of mainland and Taiwan through "three links" and "four exchanges" before negotiation;³² and (4) guarantee the status quo of Taiwan and maintaining that people on Taiwan would lose nothing after unification.³³

At this stage, concerning the future of Taiwan, the PRC drew an ambiguous picture of the problem. When interviewed by Japanese newspaper reporter on October 29, 1979, Deng only intimated that Taiwan could retain its capitalistic life after unification, but did not mention how this would be done. A Standing Committee member of the NPC, Chen I-sung, in an interview with Kyodo,

³² The "three links" refer to direct trade, transportation, and postal services between Taiwan and the mainland; the "four exchanges" includes visiting relatives and friends, exchanging tours and visits, and carrying out academic, cultural, sports and technological interchanges.

³³ "NPC Standing Committee's Message to Compatriots in Taiwan (January 1, 1979)," Beijing Review, 5 January 1979: 18-19.

revealed that "a possibility of its [Taiwan] being allowed to maintain noncommunist economic life for some time and undergo a 'socialist reform' in stages."³⁴ That is to say, Beijing's initial idea about Taiwan's future hoped to provide a transitional period until Taiwan completes its "socialist reform."

On the other hand, it is worth noting that when the PRC attempted to refresh its unification policy in the late of 1978, no word was said about the future of Hong Kong and Macao. Beijing apparently did not include these areas in its fresh reunification campaign, wanting to retain the present situation of Hong Kong and Macao. This policy can be better understood through an interview with the vice foreign minister of the PRC with a representative of a Portuguese news agency in Lisbon. When speaking of Hong Kong and Macao, the vice foreign minister (name unknown) expressed the following:

The economic development of the territories of Macao and Hong Kong are of interest not only to the Chinese who live there but also to the People's Republic of China, so as to achieve its modernization...the development and the relations of his country with Macao and Hong Kong are inseparable from the development of the whole Chinese territory and for this reason are of interest to both parties...the People's Republic of China pays great attention to the life and work of the people of both regions and will thus continue to support them, as it is already doing at present through supplies of

³⁴ "Kyodo Interviews PRC Official on Taiwan Reunification Work," Foreign Broadcast Information Service (FBIS), 18 December, 1978: A23.

water and other main essentials.³⁵

In other words, until 1979, the PRC was mainly concerned about conceivable economic contributions of Hong Kong and Macao to the China's modernization, but showed no interest in their annexation in the near future.

B. The Developmental Stage,

1981-1984

The second stage of the evolution of the "one country, two systems" concept began with the NPC Standing Committee Chairman, Ye Jianying (Yeh Chien-ying), in his talk with the Xinhua (Hsinhua) Agency in September 1981, ending with the signature of the Sino-British agreement on the question of Hong Kong in 1984. At this stage, Beijing not only enriched the content of the reunification plan, but expanded the scope of the program to include Hong Kong and Macao.

1. **Nine-point Proposal.** In order to win the support of the people in Taiwan and international public opinion, the PRC realized that specifying its reunification program in detail was necessary. On 30 September 1981, Ye Jianying formally presented the nine-point peaceful proposal to Taiwan authority.

The nine-point suggestion includes:

³⁵ "PRC Vice Foreign Minister Stresses Importance of Hong Kong and Macao," FBIS, 27 November, 1978: A14.

(1) suggesting that the CCP and the KMT hold peaceful talks on a reciprocal basis;

(2) proposing that two parties make arrangements to facilitate the "three links" and the "four exchanges";

(3) promising that after the country is unified, Taiwan can enjoy a high degree of autonomy as a special administrative region and retain its armed forces. The Beijing government will not interfere in the local affairs of Taiwan;

(4) promising that Taiwan's current socio-economic systems will remain unchanged, including its way of life and its economic cultural relations with foreign countries;

(5) promising that Taiwan's elites in various circles may take up posts of leadership in national bodies and participate in running the state;

(6) promising that when Taiwan's local finances are in difficulty, the central government may subsidize it befitting the circumstances;

(7) welcoming people in Taiwan who wish to settle on the mainland, guaranteeing their freedom of entry and exit;

(8) welcoming industrialists and businessmen of Taiwan to invest and engage in various economic undertakings on the mainland, guaranteeing their legal rights, interests and profits;

(9) welcoming people of Taiwan to make proposals and suggestions regarding affairs of state through various channels and in various ways.³⁶

The importance of Ye's offer lay in the fact that this was the first time that the CCP had put forth such a comprehensively peaceful proposal. The promises, like "high degree of autonomy as a special administrative region," "retaining armed forces after unification," and "current socio-economic system unchanged," were never heard in past unification overtures.

Even more to the point, Ye's suggestion did not mention whether retention of capitalist life on Taiwan would be a tentative measure or not. But, at least, unlike before, Ye avoided using the words, such as "transition period" and "socialist reform," for fear that these terms would provoke Taiwan's suspicions.

Taipei's response to Ye's statement was the same as before. The Nationalist government considered Ye's talk as a continuation of the CCP's united front propaganda, trying to subjugate the free Chinese in Taiwan under Communist rule.³⁷ Nevertheless, due to the CCP's active peaceful attack, the ROC was under heavy pressure from domestic and international sources to consider the

³⁶ "Ye Jianying on Reunification with Taiwan," FBIS, 30 September 1981: U1-U2.

³⁷ "Spokesman Comments on Ye Jianying's Proposal," FBIS, 1 October 1981: V1.

proposal.

2. **Hong Kong Question.** As mentioned previously, the PRC has no interest in disturbing the status quo of Hong Kong or Macao. In Ye's nine-point suggestion, he only hoped that the people of Hong Kong and Macao "will continue to act in the role of a bridge and contribute their share to the reunification of the motherland."³⁸ but did not connect the Taiwan issue with the future of Hong Kong and Macao.

However, the PRC soon found that the Hong Kong issue, in fact, was more urgent to be solved than the Taiwan question because of the lease expiration of the New Territories. According to the lease terms of the New Territory, maximum tenancy was limited to 15 years. On this account, after 1982 any new lease would be shortened to less than 15 years since the lease of the New Territory would expire on July 1, 1997. After that date, the New Territories must be transferred from the United Kingdom to China unless the lease is renewed.

In order to maintain prosperity of Hong Kong until 1997, the British government anxiously sought to resolve the uncertain future of Hong Kong. With this background, Prime Minister Margaret Thatcher visited China in September 1982.

While Mrs. Thatcher was in Beijing, reportedly

³⁸ "Ye Jianying on Reunification," U2.

Communist leaders informed the Prime Minister that after 1997, China would recover sovereignty over Hong Kong. But Thatcher explained that the prosperity of Hong Kong mainly depends on its linkage with the United Kingdom and wished to retain the Hong Kong region long after 1997. In spite of disagreement on the issue, the major achievement of Thatcher's visit to Beijing was that both parties agreed to discuss maintenance of Hong Kong's stability and prosperity through diplomatic channels.

Concerning the Hong Kong question, Beijing faced a dilemma. On the one hand, maintaining the status quo was to the PRC's advantage because capitalist Hong Kong was a key element to Chinese modernization; on the other, judging from nationalistic feeling the humiliation of past unequal treaties, Beijing dared not renew the lease to the British.

During the two-year period negotiation, the United Kingdom proposed to exchange sovereignty for administrative power. That is to say, after 1997, the sovereignty of Hong Kong would be returned to Communist China, but the British would continue to administer this area for several decades. This proposal was firmly rejected by the PRC.

Because Beijing did not make concessions on the issues of sovereignty and administration, in 1983 the United Kingdom finally decided to withdraw from Hong Kong

after the lease expires in 1997. Ironically, once the sovereignty issue was settled, a "hot potato" landed in the hands of the PRC: the Communist leaders found that if they did not properly deal with a variety of thorny problems after assuming sovereignty over Hong Kong, "the goose that lays golden eggs would die." Therefore, in sum, for the PRC, recovery of Hong Kong was tantamount to opening a Pandora's box, revealing all sorts of troubles to the world.

In order to solve this dilemma, the PRC promised that when the Union Jack is lowered, Hong Kong would become a special administrative region maintaining a high degree of autonomy. That is to say, Hong Kong will be allowed to maintain its capitalist system unchanged for fifty years, after severing its relations with the United Kingdom. Except for diplomacy and national defense, the PRC will not intervene in the internal affairs of Hong Kong. This was also the substance of the Sino-British agreement on Hong Kong's future as signed in 1984.

After solving the Hong Kong problem, Beijing undoubtedly associates the plan to the Taiwan question. In Beijing's opinion, if they agreed to a generous offer in the case of Hong Kong, and successfully maintain the stability of prosperity around that area, Taiwan may possibly reconsider such a peaceful offer from Beijing. So, at the third stage of the development of the "one

country, two systems" idea, the PRC made an effort to propagate both the Hong Kong model and the merits of the "one country, two systems."

C. The Mature Stage, 1984-

The term, "one country, two systems," for the first time was mentioned in February 1984, while Deng Xiaoping met a delegation from the Center for Strategic and International Studies of Georgetown University led by Zbigniew Brezinski. In referring to the reunification problem, Deng said that "after China's reunification, Taiwan can still practice capitalism while the mainland keeps to socialism....There can be two political systems within one China. Neither side will harm the other."³⁹

In the ensuing months of the same year, when receiving foreign visitors and Hong Kong elites, Deng further elaborated on the idea of "one country, two systems." Deng's arguments later were summarized in an official magazine, Liaowang (Outlook), in October 1984.⁴⁰

According to analysis of Liaowang, the characteristics of "one country, two systems," elicited from Deng's arguments, include the four aspects: (1) consideration based on China's circumstances; (2) fifty

³⁹ "Georgetown Center Delegation Meets PRC Leaders," FBIS, 22 February 1984: B1.

⁴⁰ "A Significant Concept--Comrade Deng Xiaoping on 'One Country, Two System,'" Liaowang, 15 October 1984: 8-9; English version translated in "Deng Xiaoping Speech on One Country, Two Systems," FBIS, 15 October 1984: K1-K3.

years without change; (3) the main body being socialist; and (4) an outlet for settling international disputes.⁴¹

1. **Consideration Based on China's Circumstances.** In Deng's opinion, the idea of two systems in one country results from Chairman Mao's line: "seek truth from the facts." Consequently, when resolving the issues of Hong Kong and Taiwan, the CCP approaches them from the practical consideration. He said:

How can we solve the problem by peaceful means? To answer that it is necessary to take the histories and actual circumstance of Hong Kong and Taiwan into full consideration.... To respect facts and actual circumstances is to respect the historical reality of Hong Kong and Taiwan. The way to unify Taiwan with the mainland we proposed is a reasonable one. After reunification, Taiwan can continue to practice capitalism while the mainland practices socialism. However, China will be a unified country with two systems. The Hong Kong issue will be solved in the same way, that is, "one country, two systems."⁴²

On December 19, 1984, Deng met Prime Minister Thatcher, further explaining the reason for adopting this reunification policy. Deng stated that

...the way in which we settled the question had to be acceptable to all three parties--to the people of China, of Britain and of Hong Kong. If we had wanted to achieve reunification by imposing socialism on Hong Kong, the Hong Kong people would have rejected it and so would the British people. Reluctant acquiescence on their part would only have led to turmoil. Even if there had been no armed conflict, Hong Kong would have become a bleak city with a host

41 "A Significant Concept," 8-9.

42 "Deng Xiaoping Speech," K1.

of problems, and that is not something we have wanted....⁴³

As a consequence, Deng assumed that since the "one country, two systems" idea assuages the interest of all parties, it will be the best arrangement, acceptable to all.

2. **Fifty Years Without Change.** Another feature of the "one country, two systems" lies in its emphasis on several unalterable (ji ge bu bian or chi ke pu bien), such as no change in the social systems, no change in life style, and no change in Hong Kong's status as an international financial center and free port. Regarding Taiwan, except for the national flag, the official name of the nation, and the national anthem, Beijing promises that nothing will be changed in Taiwan after reunification. Taiwan can retain its armed forces, buy arms from the third countries as long as there is no threat to the PRC, and continue to maintain its independent judicial system.⁴⁴

Why did the PRC select 50 years as a period for the capitalist system to continue unchanged? Deng said that "the idea of maintaining the system for 50 years was

⁴³ Deng Xiaoping, "The Concept of 'One Country, Two Systems' Is Based on China's Realities," Fundamental Issues in Present-Day China (Beijing: Foreign Languages Press, 1987), 93-94.

⁴⁴ "Deng Xiaoping on China's Reunification," FBIS, 1 August 1983; U1-U2.

based on the consideration that it will take 50 to 60 years for China to fulfill its modernization goal."⁴⁵ That is to say, since the PRC is trying to catch up with the developed countries within fifty years, retaining the capitalist system in Taiwan and Hong Kong will be beneficial to that end. So, it can be inferred that whether these regions really go unchanged depends upon the progress of the Chinese modernization.

Deng, nevertheless, takes an optimist view on the promise of the fifty-year moratorium. He said that

the idea of "one country, two systems" is not an idea of mine but a guideline adopted by the People's Congress. It is a law. How can it be changed arbitrarily? The key to the question is whether the policy is correct. If it is correct, nobody can change it....⁴⁶

3. The Main Body Is Socialism. While explaining the concept of two systems in one country, Deng maintains that China's main body must be socialism; only small and limited areas such as Hong Kong and Taiwan can be allowed to live under capitalism. He makes this policy clearly as follows:

China has adopted the open-door policy and some capitalism is allowed to enter. This is a supplement to the development of socialism and is conducive to the development of the socialist productive forces. Importing foreign capital in Shanghai, for example, does not mean that all of Shanghai will implement the capitalist system. Nor is this the case in

⁴⁵ "Deng Xiaoping Speech," K2.

⁴⁶ Deng Xiaoping Speech, K2.

Shenzhen, where the socialist system is still implemented. Therefore, Shenzhen is different from Hong Kong. Shenzhen will not be moved to Hong Kong, nor will Hong Kong be moved to Shenzhen. The main body of China is socialism.⁴⁷

Why must China follow the socialist road? In Deng's opinion, by taking the capitalist road to modernization, the fruit of economic development can enrich only less than 10 per cent of the Chinese population.⁴⁸ In contrast, if China takes the socialist road, he believed that "the socialist principle of distribution to each according to his work will not create an excessive gap in wealth."⁴⁹ So, this is why China must adhere to socialism, which will be the main body in the mainland.

4. Outlet for Settling International Disputes. In accordance with the explanation of Deng, presentation of the "one country, two systems" has set an example for settlement of international disputes. He has said several times that there are two methods to resolve conflicts: one is peaceful; the other is not. A non-peaceful method is always undesirable to all parties, but how are these international difference to be settled by peaceful means? The only solution in this case is to

⁴⁷ Deng Xiaoping Speech, K2.

⁴⁸ Deng, "Build Socialism with Chinese Characteristics, June 30, 1984," 55.

⁴⁹ Deng, "Build Socialism with Chinese Characteristics," 55.

adopt "one country, two systems," Deng said, because neither side will be hurt.⁵⁰

Since the four features of the "one country, two systems" were deliberately introduced by the official magazine, Liaowang, Beijing almost completed the task of enriching the content of the reunification program.

From the previous analysis, the conceptual development of "one country, two systems" is obviously a process--ambiguous at first, but later clarified--that implies that while pursuing national unity, the Beijing leaders constantly adjust and enrich their plan in response to changes in the external and internal environment. Linking the domestic modernization to the unification question is the best evidence to substantiate that the PRC, in dealing with reunification issue, has become more skillful and more flexible than before.

V. Conclusion

Since the foregoing sections have examined the background of China's division and history of different unification policies presented by the PRC, the conclusion turns to summarizing several factors behind the scene that affect the Chinese leaders in coping with the issue of national unity. These factors embrace: (1) traditional culture; (2) nationalism; (3) ideology; (4) international environment; and (5) economic

⁵⁰ "Deng Xiaoping Speech," K2-K3.

consideration. Elaboration on each discloses some interesting aspects.

The first element is traditional culture. Some scholars have suggested that the Chinese attitude toward national unity is affected by their traditional culture. According to Lucian Pye's explanation, in traditional Chinese culture, state and society are combined and inseparable.⁵¹ Moreover, the traditional political system always denies "the legitimacy of power outside of the formal domain of the hierarchy and ideology"; universal rules of the political system are supposed to apply equally to all reaches of the empire.⁵² Under such circumstances, several characteristics of Chinese political culture must be revealed.

On the one hand, due to the fact that state and society are inseparable, Chinese politics and Chinese culture are also combined, in the Chinese view. The ruler in the political field and the ruler in the cultural field must be the same. China in the political sense and China in the cultural sense, therefore, are the same, as well. As a consequence, it is difficult for Chinese to appreciate why people have a common culture, but establish a different state.

⁵¹ Lucian W. Pye, The Spirit of Chinese Politics (Cambridge: The M.I.T. Press, 1968), Chapter 2.

⁵² Pye, 22, 24.

On the other hand, due to intolerance towards any power outside the political hierarchy, Chinese tradition thus lacks the artifice to agree to disagree on the issue of politics. The legitimacy of diversity is constantly denied and cursed; in contrast, national unification is always pursued and blessed. Even though the government, in order to accommodate political reality, sometimes permits local autonomy. But, conformity, and unity in name, however, central authority must be maintained and not allowed to drift away. Some scholars call this the "Great China Syndrome," or, "the Middle Kingdom Complex."

The leaders on both sides of the Taiwan Strait are commonly affected by their traditional culture and consequently have the same belief: division is a tentative and abnormal phenomenon. If any one completes national unification, these leaders assume, he will establish a significant landmark in Chinese history. This belief explains why old party leaders, like Deng, are eager to complete national unification before they pass away.

The second element is nationalism. As a result of weakness in the past, China was humiliated by foreign powers for nearly one hundred years. Under the yoke of unequal treaties, China lost territory, autonomy, and dignity. Therefore, building a strong and unified China is not only a common wish shared by the Chinese people;

it is also a sacred objective shared by the CCP's leaders and the KMT's.

So, even though the KMT and the CCP have fought one another for years, neither of them has given up the ideal of building a strong and unified China. This ideal is main reason why both parties take a same hostile attitude toward the Taiwanese independence movement.

The Communist leaders, such as Deng Xiaoping, have more than once revealed their nationalist complex on the future of Taiwan. For example, while being interviewed by Mike Wallace of the U.S. Columbia Broadcasting System, Deng explained why Taiwan must be reunited with the motherland. Deng remarked that

First of all, it is a national question, a question of national sentiments. All the descendants of the Yan and Huang Emperors want to see China reunited. The present state of division runs counter to our national will. So long as Taiwan is not reunited with the mainland, Taiwan's status of being part of Chinese territory will remain uncertain. No one knows when Taiwan will be taken away again.⁵³

The similar sentiments are manifest in the PRC's attitude toward Hong Kong and Macao as discussed here.

The third element involves ideology. The well known Communist ideology is incompatible with

⁵³ Deng Xiaoping gave a TV interview to Mike Wallace, correspondent of "60 Minutes" program of U.S. CBS News on September 2, 1986; the interview was reprinted in The Taiwan Issue: Its History and Resolution, 104-106.

capitalists' democratic ideology. Before 1979, Chinese Communist often described Taiwan, Hong Kong, and Macao as being occupied by the imperialists. After 1979, although the PRC seldom analyzed the unification issue in terms of "class struggle" and "imperialism," it still insists on the superiority of socialism, and maintains that the retaining the capitalist system in Taiwan and Hong Kong is just a transitory policy. Once the socialist modernization is realized, the capitalist systems in these areas could be transferred to "the socialist family."

The ideological strength in the CCP circles cannot be underestimated because, as of now, the CCP strongly insists on "the four cardinal principles"--the socialist road, the dictatorship of the proletariat, the leadership of the Communist Party, and Marxism-Leninism and Mao Zedong thought.⁵⁴ Some Western analysts have posed these principles as cliché. But, the Chinese Communists are adamant regarding their prescripts. In early 1987, the CCP launched a campaign against "bourgeois liberalization." As a result, the general secretary of the CCP, Hu Yaobang, who was considered to be more liberal and open-minded, was forced to step down. Judging from this event, it is fair to say that the

⁵⁴ Deng Xiaoping, "Uphold the Four Cardinal Principles (March 30, 1979)," Selected Works of Deng Xiaoping (Beijing: Foreign Language Press, 1984), 166-191.

Chinese Communists' view of the world, even under the policy of open door and drawing closer to the capitalist countries, has not changed so much as some experts believe.

International environment brings up the fourth factor. As described before, in the 1950s and in the 1960s the main reason that forced the PRC to delay its military liberation of Taiwan came from the Cold War. U.S. encirclement policy caused the China issue to be intertwined with the East-West confrontation. After the 1970s, the Cold War gradually lost its legacy. Negotiation instead of confrontation became a mark of the East-West rapprochement. Even so, while dealing with the reunification issue, Beijing was still concerned with the attitude of international society. The PRC understands that if other countries believe that their interests will be damaged by the reunification plan made by Beijing, these countries will object and stand in the way. Consequently, no matter how much Beijing insists that the Taiwan issue is a domestic issue, its new reunification policy, in practice, selects a route of least resistance; that is, it sufficiently takes care of the interests of all parties involved. Even so, since Beijing has refused to promise that it will not use force to unify China, the United States still has differences with the PRC over its policies.

Economic consideration, the last element, was China's thinking on unification. As noted before, Beijing, in the past, did not want to disturb the status quo of Hong Kong for the reason that this area can bring a large amount of foreign exchange to the mainland. In the recent decade, the PRC has been engaged in improving its stagnant economic system; as a result, the idea of pragmatism pervades the minds of Beijing leaders. This tendency can be found in the official slogan, such as "seek truth from facts," or "practice is the only criterion for testing truth."

Pragmatism of the CCP has a direct impact on its reunification plan. As mentioned earlier, Deng in public recognized that "one country, two systems" idea is derived from a practical consideration. In order to achieve all-out development of its the domestic economy, the PRC, consequently, is willing to tolerate that Taiwan, Hong Kong, and Macao keep their capitalist systems for a specific period.

All in all, taking a sweeping view of a history of the PRC's policies toward national unification, the above five factors can serve as a basis for analyzing how Beijing has formulated its unification policy. To be sure, these factors may be contradictory or complementary to one another. So, while making the reunification proposal, the leaders, first of all, must measure the

relative weight of each factor according to the external and internal environment. Afterwards, they will select the most important elements to adjust their reunification policy. The various changes in the PRC's unification policy over the past decades, as a matter of fact, is affected by these forces behind the scenes.

From another point of view, the factors mentioned, such as nationalism, traditional culture, and ideology, can be considered as the particular issues surrounding Chinese unity. They reveal how and why the PRC presents this or that reunification overture, but do not provide any criteria to evaluate whether this or that proposal will work. As a consequence, when evaluating the "one country, two systems" program, we still need to apply more general factors, such as amalgamation and integration, described in Chapter One, for analysis.

CHAPTER 3

Marxism, Federalism and Reunification Theory

As already described, Chinese Communist leader, Deng Xiaoping, has publicly admitted that the "one country, two systems" idea is derived from a practical consideration. In order to achieve its program of modernization while maintaining the prosperity of Hong Kong and Macao, China offers a proposition which allows two systems in one country. This tactic constitutes Beijing's version of the most feasible strategy of fulfilling national unity. Nevertheless, while presenting this expedient policy, the People's Republic, as a socialist country, cannot avoid certain ideological dilemmas.

The first difficulty arises from the Chinese Communists' belief in the "superiority of socialism." If socialism is superior to capitalism, why would the Chinese Communist Party (CCP) tolerate the capitalist system to exist after reunification? The second predicament of ideology bears on the path of China's national development. If the CCP determines to take the socialist road to modernize China, how can it justify the "one country, two systems" idea under the socialist objective?

Even though the ideological issues are important to Communist countries, Communist validity, to large extent, relies on the Marxist theory. In non-Communist countries, the legitimacy of a regime is often said to be largely based on its ability to advance living standards of its citizens. But, in the Communist countries, their legitimacy is not only dependent on their performance on public policies but also is subject to the integrity of the Marxist paradigm itself. Consequently, the Marxist theory in the Communist world usually plays a function of justifying current policies and leading the national development. In such a circumstance, suppose a Communist government suddenly adopts a policy contradictory the Marxist theory without any explanation; a confusion of thought will permeate the party cadre and people. This deviation, if not controlled, could damage the Marxist legacy and furthermore shake the foundation of the Communist regime.

For this reason, when advancing a new reunification policy, CCP leaders have to define the "one country, two systems" in Marxist terms. In this way, Beijing reformers can avoid the ideological puzzle, while acquiring a legitimate basis in order to implement a plan for reunifying China.

Even more to the point, the CCP's effort to use Marxism to explain its reunification policy is not

confined to earn legitimacy, but has a far more important reason. According to the Beijing's explanation, "Marxism is not a dogma, but a scientific theory that can guide us to action."¹ With this view, defining reunification policy from the Marxist standpoint ensures that the "one country, two systems" model will continue in the Marxism tradition.

Consequently, from the previous analysis interpreting the new reunification policy in terms of the Marxist standpoints serves two purposes: one, justifying the reunification policy; the other, ensuring this policy along the right track of Marxism.

Aside from the above effort, Beijing leaders also strive to use constitutional theory to shed light on the legitimate relationship between the two systems after reunification. By doing this, the "one country, two systems" proposal will be materialized as provisions of the constitution, which will regulate the ties between the central government and the special administrative region (SAR).

In the following sections, the main points will revolve around the method the CCP is using to justify its reunification idea on the basis of the Marxist and Chinese constitutional theories. Simultaneously, while

¹ "More on Theory and Practice," Renmin Ribao (People's Daily), 21 December 1984: 1; translated in FBIS, 21 December 1984: K1-K2.

introducing these theories, their implications and limitations will be analyzed.

I. The Marxist Theory and Reunification

The CCP puts forth two kinds of Marxist theories to support the validity of two systems in a country. These theories are: (1) historical materialism of Karl Marx; and (2) the primary stage of socialism. In the treatment of "one country, two systems" policy, both theories have common features, i.e., on the one hand, they connect national unification to the modernization program; on the other, they stress the importance of coexistence. Therefore, an examination of each is necessary.

A. The Historical Materialism of Marx

In Marx's thought, historical development can be explained in terms of three different angles.² In Manifesto of the Communist Party, Marx regards human history as one of class struggles. Oppressor and oppressed stand in constant opposition to one another carrying on unending struggles, triggering the entire historical development.³

In his Preface to a Contribution to the Critique of Political Economy, Marx analyzes human history in light

² Jon Elster, An Introduction to Karl Marx (Cambridge: Cambridge University Press, 1988), 105.

³ Karl Marx and Frederick Engels, Manifesto of the Communist Party, trans. Samuel Moore, (Peking: Foreign Language Press, 1977).

of the development of the productive forces. In his view, the level of the productive forces determines the optimum productive relations for further development of productivity. Thus, with the advance of productive forces, productive relations must be transformed, as well. In accordance with the above premise, Marx distinguishes human history into five different stages: primitive-communal, slave, feudal, capitalist, and communist. Each stage of history reflects a balance between the productive forces and the productive relations in a specific historical condition.⁴

On the other hand, in Capital, Marx portrays the historical development in another way. He deems history as a process that mankind begins to produce in the beginning for exchange, and finally for surplus.⁵

Since Marx's writings provide more than one explanation for the historical development, the Marxist regimes, thereby, have much room for justifying their policies according to different views held by Marx.

This situation is peculiarly true in mainland China. When Chairman Mao Zedong was alive, the CCP saw the socio-economic development from the prospects of a continuing class struggle. Through permanent class

⁴ Fundamentals of Marxism-Leninism (Moscow: Foreign Languages Publishing House, 1963), 125-134.

⁵ Elster, 105.

struggle, in Mao's premise, his country can fast transcend from a socialist to a Communist society. However, in the post-Mao period, the table has been turned. The CCP, under the leadership of Deng, criticizes Mao's idea, "taking the class struggle as the key link," in developing its national economy.⁶ Deng's adherents turn to make use of another part of the Marx's doctrine: the development of the productive forces to direct the correct course of the national development.

Before explaining how the CCP uses the development of the productive forces to justify the validity of the "one country, two systems," we should first understand why the CCP attaches so much importance to the development of the productive forces in post-Mao China.

1. **Mao's Utopia and Deng's Pragmatism.** In the early days of the PRC, Mao Zedong and other leaders, such as Liu Shaoqi (Liu Shao-chi) and Zhou Enlai (Chou Enlai), had a consensus on the issue of the development strategy. Imitating the Soviet model, they emphasized the development of the heavy industry. In addition, the CCP, step by step, nationalized its means of production. By 1956, the CCP completed the so-called "socialist transformation." All means of production have been nationalized since then.

⁶ "Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China," Beijing Review, 6 July 1981: 10-39.

At the Eighth Party Congress in August 1956, Liu claimed that the major contradiction had been shifted to the conflict between the advanced productive relations and the underdeveloped productive forces. The three major differences, which emphasize the difference between urban and rural, factory workers and peasants, manual and mental labor, had been eradicated. Consequently, in Liu's view, developing productivity--not taking class struggle as the key--would be the major task of the CCP in the future.⁷ Nevertheless, Mao took a different stand. He indicated that even though the PRC was built in a decade, the living standard in rural area was still worse than that in urban areas; the salary of professors or bureaucrats was better than that of workers. From this perspective, Mao posed that class contradictions still exist in the socialist society.⁸

Due to a disagreement on the issues of class struggle and social equality among the Communist leaders, their conflicts at last evolved into an acrimonious power struggle, paving way for the Great Cultural Revolution in 1965.

During the period of the Cultural Revolution, Liu was

⁷ Reetsu Kojima, "A Reconsideration of Mao Zedong Theories of Socialism," The Developing Economies, 58, no. 1 March 1980): 148.

⁸ Maurice Meisner, Marxism, Maoism and Utopianism (Wisconsin: The University of Wisconsin Press, 1982), Chapter 4.

purged from the Communist hierarchy because he "took the capitalist road." Mao's preoccupation with egalitarianism simultaneously reached its peak. In order to break inequality caused by division of labor in society, Mao ordered workers and intellectuals to switch their roles. By this action, Mao hoped to transform intellectuals into workers and vice versa. As a result, millions of intellectuals were forced into the countryside doing peasants' jobs; conversely, peasants began teaching in the universities. Furthermore, to shorten the disparity between the city and the rural area, Mao also limited the size and development of the city.⁹

Another characteristic of the Cultural Revolution includes anti-bureaucratism.¹⁰ Under Mao's version, the government and party apparatus, at that time, became a corrupt and stagnant tool of a new bourgeois class. Therefore, Mao mobilized the Red Guards to destroy these party and government machines from the provinces down to the local areas, which were replaced by Revolutionary Committees.

From the above description, the origin of the

⁹ Maurice Meisner, Chapter 2.

¹⁰ John Israel, "Continuities and Discontinuities in the Ideology of the Great Proletarian Cultural Revolution," Ideology and Politics in Contemporary China, ed. Chalmers Johnson (Seattle: University of Washington Press, 1973), 14-18.

Cultural Revolution apparently was not limited to a power struggle within the Communist Party. This movement, as a matter of fact, symbolizes an attempt made by Mao and his followers to pursue the Communist utopia even though this revolution ended in a huge disaster in the mainland China.

When Deng was rehabilitated in 1976, the economy of the PRC was on the verge of bankruptcy. Through a two-year adjustment and formulation in the Third Plenary of the CCP's Eleventh Central Committee in 1978, the CCP was determined to set a new development strategy in motion, shifting its attention to the development of the productive forces. Deng has explained this policy as follows:

The superiority of the socialist system is demonstrated by faster and greater development of the productive forces than under the capitalist system. One of our shortcomings since the founding of the People's Republic was that we neglected the development of the productive forces. Socialism means eliminating poverty. Pauperism is not socialism, still less communism. The superiority of the socialist system lies above all in its ability to increasingly develop the productive forces and to improve the people's material and cultural life. The problem facing us now is how China, which is still backward, is to develop the productive forces and to improve the people's living standards.¹¹

In order to boost the advance of productive

¹¹ Deng Xiaoping, "Build Socialism with Chinese Characteristics," Fundamental Issues in Present-Day China (Beijing: Foreign Language Press, 1987), 54-55.

forces, the CCP decided on two important policies: open its doors to the outside world and make reforms to invigorate the domestic economy.¹² Under this strategy, commodity economy, contracting system, responsibility system, and joint venture are allowed to operate in mainland China. Deng expressed that he did not care that a few people got rich first as long as all people eventually become prosperous with the development of the productive forces.¹³

Deng's version of economic development, in contrast to Mao's, is strikingly different. For example, the commodity economy, in Maoist opinion, is "the tail of capitalism," violating the principles of socialism. At the same time, Marx assumed that the commodity economy was one of the characteristics of capitalism. For this reason, while engaging in a variety of reforms, Deng and his adherents had to explain that this strategy did not deviate from orthodox Marxism or the doctrines of Mao Zedong. Otherwise, the legacy of many reform measures will be questioned: Why does a socialist society need to be involved in the commodity economy? Once the multiple forms of economy are adopted in the mainland, is the PRC still a socialist country? To avoid the confusion of

¹² Deng, 53-60.

¹³ Deng Xiaoping, "Clear-Cut Stand Against Bourgeois Liberalization," Fundamental Issues in Present-Day China (Beijing: Foreign Language Press, 1987), 163.

thought, the official theorists thereby have to search for grounds in Marx's writings to defend the economic reforms.

According to the CCP's recent explanation, "Marxism pays primary attention to the development of the productive forces." Moreover, Marx's teachings hold that the socialist society should be built on the high development of the productive forces. Nevertheless, judging from the China's past experiences, when the socialist transformation was completed in 1956, the mainland was still backward and the productive forces urgently needed to be developed. By following Marx's instruction--the level of the productive forces will determine the proper productive relations--the CCP at that time could not transform the society so fast as to miss the capitalist stage. As a result, the socialist productive relations were not only unsuitable to the backward productivity in the mainland but produced a backlash, constraining the development of the productive forces. China, for this reason, suffered a big loss. Productivity was at a standstill for a long time.

From the CCP's viewpoint, aside from the trouble with the unfitting productive relations, it had made many mistakes in dealing with the development of the productive forces over the past decades. Under the influences of the "Leftist" ideology, CCP's leaders,

ignoring the law of the economic development, blindly believed in the power of the human will. As a consequence, the party maltreated social conditions by overhastily establishing policies, such as "the Great Leap Forward" and "Putting Politics in Command," further frustrating the development of the productive forces.

After a summary of its bitter lessons since the creation of the PRC, the Chinese Marxists concluded that China must adhere to Marx's teachings: The productive forces are a decisive factor in propelling the development of the human society. Therefore, for the advancement of productive forces, adjusting the productive relations to meet the level of current productivity in mainland China becomes necessary. This step is the main theoretical basis for explaining why the CCP must allow multiple forms of economy to exist. By doing so, the unsuitable productive relations can be corrected, and the productive forces can acquire optimal development. Some Chinese Marxists called this "making up" the course of capitalism or retrieving the stage of capitalism that they had skipped.

2. "One Country, Two Systems" and the Development of Productivity. Similar to multiple forms of economy, the "one country, two systems" model illustrates a coexistence between socialist and capitalist systems. The Chinese Marxists, thus, employ the same logic: the

development of the productive forces from Marxism, in defense of the validity of the "one country, two systems" plan.

Chien Chun-jui, who is an adviser for the Chinese Academy of Social Sciences, has analyzed Beijing's reunification policy under Marxism. He indicates that some critics assume that once the PRC recovers its sovereignty over Hong Kong, one of the most important changes will be a change in the superstructure. With this change, the entire economic foundation of Hong Kong will be altered, as well. Under such a situation, the continuing prosperity of Hong Kong will be untenable. In this version, Chien criticizes analysts for misunderstanding Marxism.¹⁴

Chien states that the reason for adopting the "one country, two systems" model in Hong Kong is because the CCP realized that any change in social and political life there will have a direct bearing on the economic basis of Hong Kong. Thus, CCP's policy toward Hong Kong will not change Hong Kong's superstructure.¹⁵

Chien seems to imply that due to the discrepancies of the productive forces in different areas, the optimum productive relations for the development of the

¹⁴ Chien Chun-jui, "On 'One country, Two Systems'," Wen Hui Pao, 29 September 1984: 15.

¹⁵ Chien, 15.

productive forces will differ, as well. For example, Hong Kong, Macao, and Taiwan have the advantage of productivity, making it necessary to maintain the capitalist systems to retain the progress of the productive forces, according to Chien's logic.

But, a contradiction is revealed here. In accordance with Marx, the socialist system is based on high development of the productive forces. If this contention is true, Hong Kong, considering its productivity, is the most eligible system to be transformed into the socialist society. Why does the CCP not intend to establish this place as a socialist model for the mainland? Viewed from Marxism, there is no persuasive reason for Hong Kong and Macao maintaining their capitalist system unchanged until the mainland completes its modernization. Thus, Chien's logic is equal to accepting an idea that the superstructure of the advanced capitalist society will not surely obstruct the entire economic development.

Other Chinese Marxists take a little broader viewpoint on the theory of the "one country, two systems." They often hold an opinion that socialism will exist for a rather long time. During this period, under the conditions of the unprogressive productivity of China, containing various forms of economy will be necessary and these will be beneficial to the development

of the Chinese economy. On this account, the state-run, collective, and individual economies operate simultaneously in the mainland at the present time. Provided that the PRC can contain the various economies mentioned above, these theorists assume that there is no reason that the capitalist system in Hong Kong, Macao and Taiwan should not be allowed to continue.

In other words, in the opinion of Chinese theorists, the value of the "one country, two systems" plan lies in the fact that it can assist the development of the productive forces in mainland China. Under the rubric of developing productive forces, the "one country, two systems" is justified as an appropriate policy. But, these Marxists do not explain why the advanced capitalist area cannot be transformed into the socialist society as in Marx's view. This puzzle is not solved until the theory of the primary stage of socialism comes forth.

B. The Primary Stage of Socialism

Even though the CCP employs the development of the productive forces to justify its open-door policy, economic reforms, and the reunification policy, this explanation, however, encounters enormous criticism from the conservatives, who still complain about the reform policies which are contradictory to Marxism. For example, Marx indicates that commodity economy constitutes a feature of capitalism. Then, why does the

CCP encourage the activity of the commodity economy?
Does this strategy imply that the CCP is entering the
capitalist road to prosperity?

As a result of open-door policy and domestic reform,
numerous capitalist ideas and thoughts pervade the
mainland. This phenomenon leads to a crisis of
confidence in Marxism. Many cadres raise a question:
What is socialism all about? An official magazine
described this confusion of thought as follows:

The present stage of reform and modernization
is causing our society to veer away from
traditional forms and develop previously
unknown and fast-growing forms of life.
However, every time we select or reject one of
these traditional forms, practically every time
we make any progress, it arouses deep doubts
springing from traditional concepts: "Is this
socialism or is this capitalism?"¹⁶

Concerning the distinction between socialism and
capitalism, Deng and his followers say that in the past
"they [the Chinese Communists] have stressed the problem
of choosing between socialism and capitalism too much,
thus neglecting emphasis on the development of productive
power."¹⁷ They indicate that certain phenomena are
common to all human society. For instance, scientific
knowledge and management styles are the common resources

¹⁶ Chung-kuo Ching-nien (Chinese Youth), no. (1986);
translated in Inside China Mainland, November 1986: 9.

¹⁷ "On the Criterion of Productive Power," Guangming
Ribao, 14 May 1988: 2; translated in Inside China
Mainland, August 1988: 2.

of human beings. How can we differentiate them into the socialist and capitalist? It is ridiculous to deem management style as a part of capitalism only because the capitalists first employed it. So, the Chinese Marxists believe that "we should not allow the abstract criterion of whether they are capitalist or socialist to tie our hands."¹⁸

Accordingly, in order to quell the criticism of the conservatives, the Chinese Marxists stress the importance of developing the Marxist theory according to the conditions of China. People's Daily on December 7, 1984, published an editorial by saying that

One hundred and one years have passed since the death of Marx. His works were written more than 100 years ago. Some were his tentative ideas at that time, and things have changed greatly since then. Some of his tentative ideas were not necessarily very appropriate. With regard to many things, Marx and Engels did not experience the process, and Lenin did not experience that either.... We cannot expect the writings of Marx and Lenin of that time to provide solutions to our current problems.¹⁹

Since Marxism has never been a ready-made panacea for the present problems in the mainland, the Chinese Communists are free to revise and develop Marx's theory to favor their interest. In doing so, Beijing leaders can brandish their new Marxist theory to justify and

¹⁸ "On the Criterion of Productive Power," 2.

¹⁹ "Theory and Practice," Renmin Ribao, 7 December 1984; translated in FBIS, 7 December 1984: K 1.

guide economic reforms and the reunification policies. These special conditions pervade the birth of the primary stage of socialism.

1. The Meaning of the Primary Stage of Socialism.

The term, the primary stage of socialism, was first mentioned in Resolution on Certain Questions in the History of Our Party Since Founding of the People's Republic of China in 1981. But, until the Thirteenth National Congress of the CCP in 1987, Beijing did not attach much importance to this theoretical concept.

Simply speaking, the primary stage of socialism includes two aspects: In the first place, "the Chinese society is already a socialist society." Secondly, "China's socialist society is still in its primary stage."²⁰ As far as the first point is concerned, apparently, the PRC will persevere in socialism and never deviate from it. Therefore, the Four Cardinal Principles, a planned economy, and public ownership still play a dominant role in mainland.²¹

In terms of the second point, due to low productivity, it is estimated that China must continue for another 50 years to develop its productive forces,

²⁰ Zhao Ziyang, "Advance along the Road of Socialism with Chinese Characteristics," Documents of the Thirteenth National Congress of the Communist Party of China, (Beijing: Foreign Language Press, 1987), 9-18.

²¹ Zhao, 17.

possibly arriving at high stage of socialism. In such a circumstance, the present paradox is "the contradiction between the growing material and cultural needs of the people and backward production."²² As a consequence, the major task, at present, requires development of its productive capability. Class struggle, in the CCP's opinion, is not the main contradiction in society now.²³

Nevertheless, the CCP indicates that during the primary stage of socialism, the law of economic development is not swayed by the human will. Any vision about a quick transformation from the primary to a high stage of socialism, or from the socialist to the Communist society is unrealistic. From this perspective, the CCP maintained that the only way to modernize China comes from following the law of economic development rather than to adopt any hasty measure, like "the Great Leap Forward."

2. **Coexistence and Reunification.** How is the primary stage of socialism linked to the reunification policy? In order to answer this question, it is essential to understand that the primary stage of socialism provides a theoretical basis to justify the coexistence between the socialist and the non-socialist factors in China.

²² Zhao, 13.

²³ Zhao, 12-13.

To put it clearly, if the socialist system is indeed superior to the capitalist system, why does the PRC need to coexist with the capitalist system after unification? For the Chinese Marxists, this problem is hard to accept. On the one hand, they cannot deny superiority of socialism for the ideological reason; on the other, they have to adopt these policies to be in tune with practical considerations.

Consequently, the best strategy available for them is to divide socialism into different stages. In this way, the CCP can attribute the socialist superiority to the high stage of socialism. Before this stage, socialism, however, is far from perfect. Due to the fact that the current state of China is still in the primary stage of socialism, in terms of its productive forces, poverty and backwardness are its main deficiencies. In such a circumstance, retaining multiple forms of economy is necessary and unavoidable. If refusing to acknowledge that the current system in the mainland is inferior to the capitalist system, the CCP believes that this disregard will be unrealistic and contradictory to the spirit of Mao's axiom, "seek truth from facts." In other words, by dividing socialism into different stages, the Chinese Marxists can thereby dodge the troublesome aspects of socialist superiority and simultaneously acquire theoretical grounds for coexistence with various

systems.

To reinforce their rationale for coexistence, the Chinese Marxists, more often than not, endorse Lenin's version of coexistence in the age of New Economic Policy. They say that Lenin predicted that capitalism and socialism could live together on Earth for a long time.²⁴ Moreover, in dealing with the difficulties in the Soviet economy, commodity economy, meanwhile, was allowed to be restored. Lenin vividly described his new idea about socialism. He stated that "the Soviets, plus the Prussian railway order, plus the U.S. technology and trusts, plus the U.S. national education equals total socialism."²⁵ This formula of socialism has often been used by the Chinese Marxists to justify the entire reform programs under which they are operating.

Furthermore, under the rubric of coexistence, some liberal Chinese Marxists boldly admit that capitalism has many merits that are valuable to learn. Moreover, they do not anticipate that capitalism will ever be, replaced by socialism. The two systems, capitalism and socialism, in their opinion, should be mutually competitive and complementary because all countries at present are

²⁴ Jia Donhai, "On 'Two Social Systems in One Country,'" Xinjiang Shehui Gexue (Social Sciences in Xinjiang), no. 2 (April 1985): 56-66.

²⁵ Sun Liancheng, "Socialism and Opening to the Outside World," Renmin Ribao, 11 May 1987: 5; translated in FBIS, 19 May 1987: K 1.

increasingly intertwined.²⁶

Aside from Lenin's viewpoint on coexistence, the Marxist theorists also employ the Five Principles of Peaceful Coexistence, presented by the late premier Zhou Enlai in 1954, to justify current its reunification policy.²⁷ According to their points, the Five Principles of Peaceful Coexistence is a fundamental policy of the PRC in dealing with the international affairs.²⁸ If these principles can be used to resolve an international conflict, why can we not apply them to resolve a domestic dispute? they said.²⁹ Under this policy, two parties will respect and cooperate with one another. So, the "one country, two systems" policy, for these theoreticians, has crystallized into the concept of coexistence.

²⁶ Xu Jiatusun, "Reunderstanding Capitalism," Beijing Review, 14-20 November 1988: 22-26.

²⁷ Zhou Enlai in June 1954 visited India and concluded with Nehru the Five Principles of Peaceful Coexistence. They are: (1) mutual respect for each other's territorial integrity and sovereignty, (2) nonaggression, (3) non-interference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful coexistence; see King C Chen, ed., China and the Three Worlds: A Foreign Policy Reader (White Plains: M.E. Sharpe, 1979), 15-16.

²⁸ Zhu Qiwu, "The Practical Significance of the Five Principles of Peaceful Coexistence," Renmin Ribao, 9 October 1984: 7; translated in FBIS, 11 October 1984: A1-A2.

²⁹ Li Shih-hua, "An Unprecedented Undertaking in the Practicing History of Socialism," Lilun Yehgen (Theory Monthly), no. 10 (October 1985): 14-18.

All in all, there is little doubt that during the primary stage of socialism, socialist supremacy will be put aside by the CCP for at least several decades until it fulfills the four modernizations. Without the burden of superiority to shackle its decision-making the CCP not only can freely absorb and learn the devices it needs, but also take a more flexible attitude toward its coexistence with the opposing system for the sake of a practical consideration. Consequently, it is fair to say that the importance of the primary stage of socialism lies in its doctrine which offers a basis for coexistence, justifying the CCP's "one country, two systems" policy.

C. The New Economic Policy and "One Country, Two Systems"

In 1921, the Soviet Union experimented with the New Economic Policy which allowed some of the previous capitalist economy. Many the capitalist activities were thus allowed to return in the first socialist country in the world. Based on this historical background, some students prefer to make an analogy between the New Economic Policy and the "one country, two systems" plan.

In these savants' view, both policies have the same attributes in terms of coexistence and political expediency. This contention is reasonable in some aspects. For example, the Chinese Communists assert that

before entering the highest stage of socialism, they must experience the primary stage in which they will experience various economic activities. Similarly, Lenin, while implementing the New Economic Policy, stated that "our poverty and ruin are so great that we cannot restore large-scale socialist state industry in one stroke."³⁰ Therefore, according to Lenin, it is necessary for the Soviet Union to first undergo "state-monopoly capitalism" as the threshold of socialism. In this view, both policies assume that socialism is inconceivable without high development of productive forces. Therefore, allowing the coexistence of multiple economies is to establish a solid foundation for socialism.

Nevertheless, this analogy also has its weak points because it ignores a fact that both policies, the New Economic Policy and "the one country, two systems," have great differences in political and economic structures, on the one hand, and inverse ideological backgrounds, on the other. Due to this misunderstanding, it is easy to assume that both policies definitely have a common tragic conclusion since they play a tentative role in eyes of Communists. That is to say, just like the result of the New Economic Policy, the "one country, two systems"

³⁰ V. I. Lenin, "The Tax in Kind," Lenin Selected Works 3 vol. (Moscow: Progress Publishers, 1971), 3: 601.

cannot endure very long, and will end with the "one country, one system"--Marxism.

Actually, whether the "one country, two systems" will succeed depends on many factors. Only using a single case to forecast the destiny of the reunification policy made by the CCP is too hasty and unsuitable. As the following sections indicate, owing to differences in the substance of policy and ideology, the outcome of the reunification policy is not, in necessity, similar to the New Economic Policy.

1. **Substantial Differences.** When the October Revolution broke out in 1917, Lenin tried to nationalize all means of production and furthermore abandoned currency and commodities to meet the needs of war. Lenin described it as wartime Communism. In 1921, Lenin, after summing up the experiences of wartime economy, came to the conclusion that it was impossible to eliminate the capitalist economy because the Communist Party did not understand how exactly to run its own economic machine. For this reason, Lenin decided to revive certain capitalist methods in its system to tide the Soviet Union over economic difficulties. Under the New Economic Policy, "the system of collecting surplus grain was replaced by grain taxes and a system of exchanging

commodities with peasants was adopted."³¹ This exchange revealed a restoration of a commodity economy. A limited market economy was open to the populace. The New Economic Policy is beyond question similar to the present economic reforms in mainland China, but its scope is smaller than the reforms today.

Nevertheless, the "one country, two systems," in contrast to the New Economic Policy, is another story. This reunification policy attempts to retain the entire capitalist structure, rather than a few capitalist practices in specific areas. For instance, in the Hong Kong area after 1997, no socialist measures, at least in theory, will infiltrate the region; political and economic structures in Hong Kong will remain intact and operate as in the colonial era. Viewed from this perspective, the difference between the New Economic Policy and the "one country, two systems" program is rather clear: The New Economic Policy in Russia was the sole revival of a part of capitalist economies; however, its main body is still the socialist economy. But the "one country two systems" is to keep the entire capitalist system alive for a specific period.

2. Ideological Differences. In tracing the history of the New Economic Policy, some scholars indicate that

³¹ Lu Dingyi, "Wartime Economy and Peacetime Economy," Guangming Ribao, 21 December 1984: 1; translated in FBIS, 9 January 1985: K16-K17.

the Soviet Communists regarded this policy as a tentative retreat; they did not have solid faith in restoring the capitalist economy. Consequently, once the economic difficulties were overcome, Soviet Communists immediately eliminated the capitalist practices in the Soviet Union.

According to the experience of the New Economic Policy, some scholars from Taiwan infer that the same thing will happen to the "one country, two systems." That is to say, when the CCP resolves its economic problems, the two systems in one country will be untenable. At that time, the socialist system will definitely replace the capitalist system in areas such as Hong Kong, Macao, and Taiwan. In order to substantiate their points, they even present the evidences, showing that the Chinese Marxists have really analyzed the reunification policy along with economic reforms with the prospect of a strategic retreat.³²

These arguments indeed have a basis. But, cynical students ignore an important fact that the subjective wish is always overwhelmed by objective constraints. If we vigorously examine current ideology of the Chinese Communists, it will be found that the New Economic Policy and the "one country, two systems" are laid on different ideological background.

³² An-chia Wu, "One Country, Two Systems: A Model for Taiwan?" Issues & Studies, 21 (July 1985): 37: 37.

When Lenin implemented the New Economic Policy, he did not repudiate the dream of socialism; he firmly believed that this utopia could be established soon after the transition period. Although this may be true, the CCP, after experiencing the upheaval of the Cultural Revolution and withstanding the stagnant economy in the socialist states over the past decades, nearly lost its confidence in the socialist utopia and became preoccupied with settling realistic issues day by day.

As Maurice Meisner put it, the most salient feature of the present-day Chinese Marxism is manifested in relinquishing the utopian versions of socialism.³³ Even though Deng Xiaoping asserted that the PRC must take the socialist road while objecting to the bourgeois liberalization, the substance of socialism in China, however, has been narrowed down to a modernization program under the leadership of the Communist Party. Egalitarianism, the essence of socialism, has been condemned as a Leftist ideology. The purpose of socialism has been simplified: make people prosperous and avoid polarization. As to objecting to bourgeois liberalization, the implication is not so much to protect socialism as to defend the dictatorship of the Communist Party.

³³ Maurice J. Meisner, "The Chinese Rediscovery of Karl Marx," Bulletin of Concerned Asian Scholars, 17 (June 1985): 4-5.

With this view in mind, even though the CCP characterizes the "one country, two systems" idea as a tentative retreat, timing of offense, however, unlike what the Soviet Communist Party did in the 1920s, will be postponed to the indefinite future, at least for 50 years. Therefore, as far as ideology goes, the real difference between the New Economic Policy and the "one country, two systems" resides in a fact that the Soviet Communist Party in the 1920s had a socialist utopia, but the Chinese Communists of the 1980s do not. Because of this difference, the consequence of the two policies perhaps will differ, as well.

Succinctly, with substantial changes in Chinese Marxism, the CCP gradually is showing no interest in the dream of socialism. The slogan, "seek truth from facts," more or less, expresses a realization of the CCP's leaders that the subjective wish cannot go beyond the objective constraints. Because the current Chinese Marxism bears little resemblance to orthodox Marxism, the New Economic Policy, thereby, does not provide any valuable information for prognosticating the future of the "one country, two systems."

II. Constitution and Reunification Policy

Aside from an effort to define the "one country, two systems" in terms of the Marxist theory, the CCP, on the other hand, tries to lay its reunification policy on its

constitutional foundation. The following paragraph will shed light on how the Chinese theorists explain the implication of one country with two systems from the perspective of the PRC's constitution. Before mentioning the subject, it is worthwhile simply to describe the unitary feature of the PRC constitution.

A. PRC's Constitution and

Regional Autonomy

Over the past four decades, the PRC has experienced four constitutions which were written in 1954, 1975, 1978 and 1982, respectively. Each time, the constitution was reshuffled to reflect a change in the political line of the CCP. Even so, with regard to the basic structure of the state, the four constitutions retained one basic tenet, that is, "the People's Republic of China is a unitary multinational state built up by the people of all its nationalities."³⁴

In accordance with this unitary feature, the relations between the central and the local government obviously are not based on an equal footing. That is to say, the authority of the local government is not inherent but is delegated by the central government. This configuration is different from the federal system

³⁴ The Constitution of the People's Republic China (Beijing: Foreign Language Press, 1983), 7. For an analysis of the 1975 Constitution, see Chun-tu Hsueh, "The New Constitution," Problems of Communism, May-June 1975:11-19.

in which the federal and state government enjoy the same status.

But, since the founding of the PRC, one of the thorny problems for the CCP came from the minority nationalities. Estimates divulge that fifty-five nationalities exist in China, distributed over the sixty percent of the mainland, mainly concentrated in the peripheral localities. The total population of minority nationalities approximates 8.6 million, equal to eight percent of the entire population.³⁵ Due to the fact that minority nationalities have their unique cultures and languages, the CCP, while dividing the administrative areas, have established five autonomous regions: Xinjiang, Xizang (Tibet), Nei Monngol, Guangxi, and Ningxia, all of which, like provinces and municipalities, are directly under the reign of the central government.³⁶

Beijing's policies toward the autonomous regions include two parts: one is ethnicization; the other is autonomy. As far as ethnicization is concerned, the PRC regulated that (1) self-governments must be made up mainly of minority personnel; (2) the language of the major nationality should be the primary languages; (3) the national form, including habits and customs, must be

³⁵ Robert Delfs, "Mosaic of Minorities," Far Eastern Economic Review, 25 August 1988: 30.

³⁶ PRC Const. art. 4 (1982).

respected.³⁷ As for autonomy, the PRC relegated to the self-governing organ the right to administer the political, economic, financial, and educational affairs within the autonomous regions.³⁸

From the foregoing description, it is clear that even though the PRC covets the unitary state, it also has the characteristics of a federal system, in terms of its constitutional arrangement. Nevertheless, the difference in this federal system is found in the facet that ties between the central government and the autonomous region are not a contractual relationship. The central government can unilaterally adjust or withdraw the power of these autonomous regions without any question.

For racial and other reasons, tensions between the central authority and the autonomous regions in China are inevitable, even though autonomy of the minority nationalities are respected by the central government. For example, ethnic tensions in Tibet and Xinjiang are still very critical despite the fact that the PRC has been established for about forty years.³⁹

³⁷ Chen Chia-ling, "The Fundamental Characteristics of the Autonomous Regions in Our Country," Zhengchi Xue (Political Science), 13.

³⁸ Zhen, 13.

³⁹ For a 1987 report of the Inner Mongolian Autonomous Region, see Chun-tu Hsueh, "Journey to Inner Mongolia," in Hsueh, Menlin Ji (Collected Works) (Beijing: China Friendship Publishing Corp., 1989), 214-219.

In sum, in light of all four PRC constitutions, the People's Republic of China is a unitary system with few federal features. From this perspective, the idea of the "one country, two systems" can be regarded as a situation in which the central government is giving larger amounts of autonomy to local systems than before.

B. Constitution and the "One Country, Two Systems"

In early 1979, Beijing presented a new reunification policy to Taiwan. Later, Hong Kong and Macao were also included in this plan. The CCP, in order to legalize the "one country, two systems," added a new provision to its 1982 constitution. Article 31 of the 1982 Constitution stipulates that

The state may establish special administrative regions when necessary. The systems to be instituted in special administrative regions shall be prescribed by law enacted by the National People's Congress in the light of the specific conditions.

In addition, Article 62 grants the National People's Congress (NPC) the power to decide on the establishment of special administrative regions and the systems to be instituted there.⁴⁰ These articles are the only provisions in the constitution that can be used to regulate connections between the central government and

⁴⁰ PRC Cons. art. 62.

the special administrative regions (SAR). Many theorists, therefore, try to explain the implication of these articles--what they do and do not promise.

For some mainland theorists, the setup of the SAR is proposed to resolve the paradox of sovereignty and autonomy. For this matter, when Hong Kong, Macao, and Taiwan reverts to the motherland, they will become SARs, with status equal to the local governments but will have greater authority. Even so, under the rubric of the unitary state, the administrative power of the SAR will be authorized by the central government; the SAR cannot enjoy as much power as the central government. With this view, apparently the CCP's opinion is that sovereignty is indivisible and belongs to the Beijing government; the SAR has only certain administrative rights and would not be in the position of exercising sovereignty to the outside world.

Some theorists, on the other hand, retain an opinion that the "one country, two systems" plan expands the idea of the traditional unitary system because the SAR possesses some of the characteristics of a federal system. This means that the special privileges and interests in the concerned area will be protected after reunification. Except for defense and foreign affairs, the remaining matters will be left to the SAR itself to adjudge. For instance, after unifying with the mainland,

Taiwan would be allowed to have its own armed forces and maintain independent political, economic, and judicial systems, all unchanged. The only thing the ROC on Taiwan must do is not to claim to its sovereignty; consequently, its national symbols-- the national flag, the national anthem and its name--will be eliminated, once the island is reunified with the motherland.

Another question awaiting solution results from the definition of "one country, two systems." Under what conditions will the SAR be set up? What kind of region is eligible to be an SAR? Since the "one country, two systems" is an abstract term, no definite answer can be offered. Even worse, from a superficial meaning of "one country, two systems," the idea is misleading because some other countries, under the principle of a single sovereign power, also execute different systems in adapting to local conditions. For instance, the United States at one time was a nation divided by the issue of slavery before the Civil War; within Great Britain, the continental law is implemented in Scotland and common law applied in England. Even in the Chinese mainland, the autonomous regions and the special economic regions, such as Shenzhun, also contain particular social and economic institutions, different from those in other areas.

Perhaps the CCP has perceived that this reunification idea easily gets people confused;

consequently, the official theorists try to provide certain criteria to define "one country, two systems" hoping to resolve the enigmatic question. Furthermore, they hope to present the requirements for establishing an SAR.

Under this background, the official magazine, Hongqi (Red Flag), on March 16, 1985, published an article written by Yan Jiachi, to give credence to the meaning of "one country, two systems," in terms of the PRC constitution.

In Yan's opinion, in the first place, the "one country, two systems" is guaranteed by the constitution. If any dispute occurs among regions with different systems, it will be settled by legal and peaceful means. Secondly, the "one country, two systems" concept will be applied in two regions that are markedly different in light of their political, economic, and social systems. From this point, the so-called term, "marked difference," refers to the difference between capitalist and socialist systems. So, except for this one aspect, other differences among the regions cannot be used as a cause to implement the "one country, two systems." The third requirement for implementing the "one country, two systems" doctrine is that different systems will be implemented in certain areas. With this view, Yan implies that such multiple economic forms on the mainland

cannot be deemed as a dual system because this type of the economic system is dispersed nationwide, not in specific areas. Fourthly, the regions entitled to implementation of different systems would be an integral part of the unified country. These regions could not conduct state affairs with the outside world.⁴¹ In addition, Yan, like other theorists in mainland China, maintains that the "one country, two systems" model is not only a scientific conception but also an unprecedented undertaking since it breaks through the idea of the unitary system.

C. Federal Principle and "One Country, Two Systems"

Yan's argument leaves several criticisms to be stated. First of all, in a strict sense, his four points, used to distinguish between the SAR and other regions, are not within scientific classifications. Scientific classification is based on function rather than symptom. In the past, in order to cite the features of an item, the familiar method mentions all differences, as much as possible, between diverse issues. But, this method, in fact, can only present differences, not criteria of classification. Consequently, even if all differences between an SAR and other regions are stated,

⁴¹ Yan Jiachi, "Scientific Implications of "One Country, Two Systems," Hongqi (Red Flag), 16 March 1985; translated in FBIS, 18 March 1985: U1-U2.

concrete criteria distinguishing their discrepancy are not put forth.

While lacking the criterion of classification in treating the "one country, two systems" subject, official theorists become preoccupied with extracting as many differences between an SAR and other regions as possible. As a result, they easily assume that the "one country, two systems" idea is one of the most unprecedented undertakings in the world, ignoring other valuable lessons that the CCP can learn in dealing with the reunification question.

As a matter of fact, in terms of policy classification, the function of the "one country, two systems" is not unique. Like many cases in other countries, the solution is nothing more than employing federal principles to resolve a puzzle between self-rule and shared rule. In a unitary state, allowing the local government to enjoy high autonomy has many precedents. For example, Greenland and Faroe Island are integral parts of Denmark. Because of geographic and economic reasons, nationalism of these two regions has risen increasingly since the early Twentieth Century. In order to resolve this problem, Denmark allowed complete home rule in Faroe Island in 1948 and in Greenland in 1979.⁴²

⁴² Olafur Ragnar Grimsson, "Peripheries and Nationalism: the Faroes and Greenland," Scandinavian Political Studies, I, no. 4 (1978): 315-326; see also

Another case is Aland of Finland, situated in the Baltic Sea. Due to the fact that most of population in this island consider themselves to be Swedish nationality, the islanders pursued independence. The result of this trouble was settled, giving complete autonomy of Aland in 1922.⁴³ From the cases mentioned, it is clear that a unitary state with federal characteristics is not an unprecedented venture. At least, Denmark and Finland adopted these measures long before the PRC proposal.

From another point of view, the autonomous regions in the PRC are another example of using federal principles to resolve ethnic and linguistic issues. Ironically enough, theorists in mainland China seem to pay much attention to discrepancies between the autonomous regions and an SAR in terms of the degree of autonomy; they, as a result, always emphasize that these types of governance are incomparable.

In practice, no matter the autonomous regions and the SAR, their administrative power is awarded by the central government, which can adjust their competence according to practicality. On this account, there is no substantial difference between the autonomous regions and SARs, in light of federal principles. Perhaps some

John F. West, Faroe: the Emergence of A Nation (London: C. Hurst & Company, 1972), Chapter 10.

⁴³ Meic Stephens, Linguistic Minority in Western Europe (Wales: Gomer Press, 1976), 285-290.

believe that the SAR and the autonomous regions differ in the initial cause of establishment and the degree of autonomy. At this point, its significance only reveals the flexibility of central government when regarding local conditions; however, this idea does not go beyond the principles of federalism.

D. Contradictions in the

Constitution of 1982

Even though the CCP, in recent years, has made an effort to reinforce the rule of law, breaking a long-standing habit, however, is not easy. Since the founding of the PRC, the Chinese Communists have devised four constitutions. So, whether the fourth constitution will withstand political necessity is difficult to predict. If the CCP cannot institutionalize its fourth constitution, the legitimacy of the constitution could be impossible to establish. From this perspective, the CCP should not revise the constitution for political expediency; otherwise, the stability of constitution will be damaged.

Based on the above, considering the constitution of 1982, it seems that Article 31 has been edited for political expedience because it is contradictory to other provisions in the constitution, such as the Preface, Article 1, and Article 6. As a result, the content of constitution becomes inconsistent. Some students,

thereby, are concerned that the legal status of the "one country, two systems" model is unconstitutional, if viewed from other provisions.⁴⁴

The Preface of the constitution of 1982 states that

...under the leadership of the Communist Party of China and the guidance of Marxism-Leninism and Mao Zedong Thought, the Chinese people of all nationalities will continue to adhere to the people's democratic dictatorship and follow the socialist road....

By this statement, apparently, the "one country, two systems" idea is contradictory to the above preamble. The establishment of an SAR, according to the CCP, would retain the entire capitalist system in Hong Kong, Macao, and Taiwan. In this sense, how can these areas follow the preface of the constitution, take the socialist road, and adhere to the people's democratic dictatorship after reunification?

Another provision conflicting with the "one country, two systems" prescript is derived from Article 1, which states:

The People's Republic of China is a socialist state under the people's democratic dictatorship led by the working class and based

⁴⁴ Joseph Y.S. Cheng, "The Draft Basic Law: Messages for Hong Kong People," ed. Hungdah Chiu, The Draft Basic Law of Hong Kong: Analysis and Documents Occasional Papers/Reprints Series in Contemporary Asian Studies, no. 5 (Baltimore: School of Law University of Maryland, 1988), 7-48; Joseph Y.S. Cheng, "The Constitutional Relationship between the Central Government and the Future Hong Kong Special Administrative Region Government," Case Western Reserve Journal of International Law 20, no. 1 (Winter 1988): 65-97.

on the alliance of workers and peasants.
The socialist system is the basic system of the People's Republic of China. Sabotage of the socialist system by any organization or individual is prohibited.

From this provision, there is no basis for the presence of a Western capitalist-democratic system. For example, suppose democratic institutions were implemented in Taiwan and Hong Kong after reunification; it would be considered as "sabotage of the socialist system," according to the above stipulation.

Additionally, Article 6 prescribes that

The basis of the socialist economic system of the People's Republic of China is socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people.

In this sense, the PRC, as a socialist country, does not permit private ownership. But, while implementing "one country, two systems," commerce in all SARs will be based on the private ownership. If the CCP adheres to the provision of the constitution, the SARs will cease to exist very soon because of their economic fragility. Therefore, if the CCP is not disturbed by this disparity, the constitution will mean nothing.

How the CCP intends to resolve these contradictions is unclear. Some students suggest that the CCP should at least add a proviso to Article 31 stating that the establishment of SARs will not be constrained by Article 1 and Article 6. In this way, an obvious discrepancy

within the constitution will be avoided.

Unfortunately, the CCP and official theorists seem to attach little importance to the constitutional questions. In their opinion, the present Article 31 in the constitution has paved the way for implementation of the "one country, two systems" prototype. They usually stress the crux of the issue which is linked to the fact that the CCP demonstrates good faith in offering the "one country, two systems" proposal. All this mirrors the fact that in the CCP's view, the constitution is the instrument of policy: As long as the basic policy is unchanged, the CCP maintains that it is not very important to be concerned about whether Special Administrative Regions conform to the constitution.

III. Conclusion

In the beginning of this chapter, two reasons were presented that lead the CCP to define the "one country, two system" model favorably in light of Marxist teaching and PRC constitutional theory. Firstly, through theoretical examination, the CCP can acquire directions used as a guide for practicing the "one country, two systems" blueprint. The second reason for seeking the theoretical foundation is to establish a consensus among the party on the issue of reunification policy. So, both the Marxist and constitutional theory, in a real sense, are nothing more than instruments with which to justify

the "one country, two systems" design.

In such a situation, surprisingly, various arguments made by the Chinese theorists often lack intellectual perception. Their reasoning is preoccupied with propaganda and justification; as a result, it is natural that there will be many contradictions among their theories.

Even so, these theories are still worth examination because, by them, we can trace (1) the changing directions of the CCP's ideology, and (2) the effect of these theories on the reunification policy itself.

CHAPTER 4

Hong Kong Model and Macao Problem

In this section, attention shifts to another facet of the "one country, two systems"--policy implementation. Since carrying through with the "one country, two systems" involves discovering the compatibility of capitalism and socialism, an examination of its implementation process thus has significance in peaceful settlement of dispute within the divided nations.

The main focus of this chapter centers around two points: (1) how the People's Republic of China will execute its "one country, two systems" policy in Hong Kong and Macao; (2) what intricate difficulties the People's Republic of China (PRC) confront when integrating the two dissentient enclaves into its jurisdiction. Due to the fact that Hong Kong is far more important than Macao in regards to economy and geography, for the most parts, this segment will examine the Hong Kong model in detail. Because of redundancy, discussion of the Macao issue will require only a small portion of this study.

I. The Touchstone of the "One Country, Two Systems"

For Beijing, the implementation of the "one country,

two systems" policy in the Hong Kong area will be based on the 1984 Sino-British Agreement covering the redemption of Hong Kong near the end of this century. According to the Joint Declaration of 1984, the Hong Kong area, including Hong Kong Island, Kowloon, and the New Territories will revert to PRC sovereignty on July 1, 1997.¹ The accord provides that after Hong Kong reverts to the PRC, it will become a Special Administrative Region (SAR) with governance under the direct authority of the Central People's Government.² Except for the foreign and defense affairs, the Hong Kong SAR can enjoy a high degree of autonomy with executive, legislative, and independent judicial power, including that of final adjudication.³ Furthermore, the socio-economic systems of Hong Kong will be kept intact for 50 years after 1997. Hong Kong with the status of a free port and an international financial center will not be affected by the sovereignty transfer.⁴

¹ Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong, Dec. 19, 1984 United Kingdom-People's Republic of China, 1984 Gr. T.S. No. 20, (Cmd. 9352); reprinted in Hungdah Chiu, et al., eds., The Future of Hong Kong (New York: Quorum Books, 1987), 181-196.

² Joint Declaration, para. 3(2).

³ Joint Declaration, para. 3(3).

⁴ Joint Declaration, para. 3(6), 3(7).

As far as the content of the accord is concerned, it is, in general, compatible with the four basic policies claimed by the PRC during the Sino-British negotiation. These policies contain: 1) one country, two systems; 2) rule by Hong Kong people; 3) high degree of autonomy; and 4) no change in political and economic systems.⁵ Consequently, when the Sino-British Agreement was released, general public opinion among Hong Kong citizens expressed favor for the outcome of the negotiation because this agreement turned out to be a better choice between having an agreement or no agreement at all.⁶

More important, in the declaration, the PRC for the first time recognizes the legitimate status of the UK on Hong Kong during the transition period 1984 to 1997.⁷ This inclusion was necessary because Beijing must have the cooperation of the Hong Kong government to maintain the stability and prosperity of the area. Therefore, Hong Kong's people have more time to see what the Chinese Communists intend to do; then they can decide their own future. As a result, the stock market and Hong Kong dollar gradually recovered after the Joint Declaration.

⁵ Denis Chang, "Towards a Jurisprudence of A Third Kind--'One Country, Two Systems'," Case Western Reserve Journal of International Law 20, no. 1 (Winter 1988): 105.

⁶ David Bonavia, Hong Kong 1997: the Final Settlement (Hong Kong: South China Morning Post Ltd., 1985), 124.

⁷ Joint Declaration, para. 4.

This rally showed that the Hong Kong economy was tentatively stabilized from the chaos between 1982 and 1983.⁸

II. The PRC's Policies During the Transition Period

Even though Hong Kong's sovereignty will be transferred on July 1, 1997, the PRC's "one country, two systems" policy, however, must be underway during the transition period for the reason that the establishment of the "two systems" cannot be achieved in one day.

In accordance with the Sino-British Declaration and its annexes, there are two important tasks the People's Republic must complete before 1997: The first action must be enactment of the Basic Law, Hong Kong's mini-constitution, which will legalize all promises made by the PRC in the Joint Declaration. Secondly, the PRC will work with the UK to set up the Sino-British Joint Liaison Group and the Land Commission. The major functions of the former organization include consultation on the smooth transfer of government in 1997 and discussion the issues of maintenance of Hong Kong's status within the

⁸ Between 1982 and 1983, because of the issue of sovereignty and administration, the Sino-British negotiation on the future of Hong Kong went erratically. The anxiety of people immediately reflects a sensitive economy of Hong Kong. The stock market and the Hong Kong dollar slump accompanied the stalemate in negotiations greatly. The faltering economy persisted until the UK made concessions to the PRC, using the "one country, two systems" idea to resolve the Hong Kong issue.

international organizations. As to the Land Commission, its function through the Sino-British cooperation is to deal with the problems of extending land leases beyond 1997. In this way, economic invigoration of Hong Kong will not be interrupted by the change of government.

In addition to the foregoing tasks, the PRC, on the other hand, will actively expand its influence in Hong Kong with the hope that it can control any eventuality in this area. Consequently, the Beijing government dispatched a large cadre of technocrats to Hong Kong to join the task of the united front, investing funds in Hong Kong businesses to stabilize the economy of the area.

The following will discuss how the People's Republic plans to implement the "one country, two systems" in the Hong Kong area in terms of three aspects: drafting the Basic Law; setting up the Liaison Group and the Lease Commission; and extending the CCP's influence in Hong Kong.

A. Drafting the Basic Law

The Joint Declaration provides that the National People's Congress of the PRC shall enact and promulgate a Basic Law of the Hong Kong SAR in accordance with Article 31 of the Constitution of the PRC.⁹ The Basic Law will stipulate that the socialist system and socialist

⁹ Joint Declaration, para. 3 (1), 3(12).

policies will not be practiced in the Hong Kong SAR; Hong Kong's previous capitalist system and lifestyle will remain unchanged for 50 years.¹⁰ Simultaneously, the Basic Law will define the respective authority of the Central Government in conjunction with the Hong Kong SAR government, and its political structure.

The Basic Law Drafting Committee (BLDC) was established at the third meeting of the Sixth National People's Congress on 10 April 1985. This Committee is a work unit of the congress but has no right of approval of the Basic Law. The BLDC contains 59 members. Each of the drafters was appointed by the NPC. Among 59 members of the committee, 23 members are residents of the Hong Kong area with most of the representatives being prominent businessmen and professionals. The selection of these Hong Kong drafters not only reflects Beijing's preoccupation with the stability and prosperity of Hong Kong, but also demonstrates its difficulty in finding a target group that can represent the territory. This paradox exists because Hong Kong lacks democracy under the rule of the United Kingdom.

Later, on 18 December 1985, the BLDC set up a Basic Law Consultative Committee (BLCC), which includes 180 members most of whom are from various circles of the Hong Kong area. According to provisions of the BLCC, this

¹⁰ Joint Declaration, Annex I, § II.

committee is an unofficial and voluntary organization that is not subordinate to the BLDC, even though some members of BLCC are also drafters of the BLDC. The main function of the BLDC lies in soliciting and mirroring public opinion from mainland China and Hong Kong.

According to the PRC's plan, the draft work will be divided into four stages:¹¹ At the first stage, the BLDC in 1985 would comprehensively investigate and collect public opinion in areas surrounding Hong Kong in hopes of developing the scope and content of the Basic Law, simultaneously, setting up several sub-groups corresponding to issue areas.

Between 1986 and 1987, the BLDC would come to the second stage. The main works of the committee, at this stage, was to discuss each subject and to edit the draft of the Basic Law. In doing so, it hoped to have the first draft of the Basic Law in early 1988 when it could be released to the outside world.

In 1988, at the third stage, in accordance with public opinion on the first draft of the Basic Law, the BLDC would make some revisions and send the document to the Standing Committee of the NPC for review.

At the last stage, after obtaining agreement from the Standing Committee of the NPC, the BLDC in early 1989

¹¹ Byron S. J. Weng, "Examining Reunification, Self-determination and the 'One Country, Two Systems' in the Hong Kong Experience," Ming Pao, Nov. 1987: 31.

plans to release the second draft of the Basic Law, once again consulting opinion from various circles in the Hong Kong area and making revisions, as necessary. The Beijing government hopes that the Basic Law can be passed by the NPC during the first half of 1990.

From the legislation process of the Basic Law, there is little doubt that Beijing has, indeed, received opinions from various circles of Hong Kong. The comments of dissent in the society and among the BLDC have been sufficiently aired. Moreover, to a variety of critics, the Beijing government exhibits its patience and avoids rebutting the views of opponents. In sum, while drafting the Basic Law, the CCP tries to leave an impression on the Hong Kong citizenry that the establishment of the Hong Kong model is through a procedure of negotiation, consultation, legislation, and final implementation.¹² By doing this, Beijing hopes to assuage the apprehension of Hong Kong people, thereby rallying a mandate for its jurisdiction over the Hong Kong area.

In April 1988, the first Draft Basic Law--hereafter called Draft--including ten chapters with three addenda, was released to the public. The Draft stipulates: (1) the relationship between the Central Authorities and the

¹² Byron S. J. Weng, "The Hong Kong Model of 'One Country, Two Systems': Promises and Problems," Asian Affairs (An American Review), 14, no. 4 (Winter 1987): 194.

Hong Kong SAR; (2) fundamental rights and duties of inhabitants; (3) political structure; (4) economy; and (5) external affairs, etc. Generally speaking, most parts of the Draft are congruent with the spirit of the Joint Declaration. But, Hong Kong elites and the Beijing government have a disagreement over the meaning of "high degree of autonomy" prescribed in the Sino-British agreement. For example, the Draft provides that the NPC has final word on the explanation and revision of law made by the Hong Kong SAR. Some critics consider these provisions as violating the "high degree of autonomy" prescribed in the accord.¹³ Besides, some criticized the political structure manifested in the Draft as being undemocratic. Opponents demand that the government and legislature be organized through direct election in the Hong Kong SAR. These controversies will be discussed later.

**B. The Joint Liaison Group
and Land Commission**

In order to ensure smooth transfer of sovereignty, the PRC and UK decided to establish the Joint Liaison Group which will work from 1 July 1988 to 1 January 2000.

¹³ Joseph Y.S. Cheng, "The Draft Basic Law: Message for Hong Kong People," ed. Hungdah Chiu, The Draft Basic Law of Hong Kong: Analysis and Documents, Occasional Papers/Reprints Series in Contemporary Asian Studies, no. 5 (Baltimore: School of Law University of Maryland, 1988), 12-23.

This organization, as the Joint Declaration prescribes, is for liaison, not an organ of power. It will play no part in the administration of Hong Kong.¹⁴ Still, the PRC has exerted its influence on Hong Kong through this channel several times. At present, the Joint Liaison Group has held meetings once in each of three locations--Beijing, London, and Hong Kong--in each year. The rank of the representative from each side is equal to an ambassador.

The leading task of the Joint Liaison Group centers around a handful of urgent issues including nationality, travel documents, and international rights and obligations that will affect Hong Kong's relationship with other countries after 1997. At present, multilateral treaties applicable to Hong Kong include 261 items.¹⁵ In the past, Hong Kong conducted its international linkages through the United Kingdom. Once its sovereignty reverts to PRC, Hong Kong's connection with international society must be reshaped. Otherwise, the prosperity of this enclave will be untenable.

The General Agreement on Tariff and Trade (GATT), Multifibre Arrangement (MFA), and International Labor Organization are the most important among various

¹⁴ Joint Declaration, Annex II, § 6.

¹⁵ Fan SSu, "Kuo chi lien hsi: Hsiang Kung fan jung ti sheng ming hsien (International Linkage: the Life Line of Hong Kong's Prosperity)," The Nineties, May 1984: 46.

multilateral treaties. Both parties, the PRC and the UK, in the Joint Liaison Group to date have had a consensus on the principles of handling these issues that would allow Hong Kong international linkage beyond 1997.

As for the Land Commission, its primary work is three fold: (1) extending the private land leases beyond 1997 as necessary; (2) limiting the land to be granted by the Hong Kong government during the transition period; (3) deciding the use and allocation of premium income obtained by the British Hong Kong government from land transaction.¹⁶

Among the three functions of the Land Commission, apparently extending the land lease beyond 1997 is most important. Only by doing this can the economy of Hong Kong run normally and people in the territory have more confidence in their future.

C. Expanding Influence in the Hong Kong Area

Aside from the foregoing transition measures, the PRC also vigorously increases its influence in Hong Kong because Beijing hopes to become acquainted with the situation and further reinforce its social and economic influence in Hong Kong. The Beijing authorities are unwilling, according to reports, to see two matters happen during the transition period: One, Hong Kong

¹⁶ Joint Declaration, Annex III.

conduct may change in the way the People's Republic cannot accept; the other, Hong Kong's economy could become deteriorated, which will damage the progress of Chinese modernization. In the PRC's view, the way to avoid these unfavorable situations is to extend its social and economic influence to the Hong Kong area. In this way, even if any bad conditions develop, the CCP could take rapid counter measures.

However, during the transition period, the status of the People's Republic has become embarrassing. Since Hong Kong remains under administration of the British Hong Kong government until 1997, the CCP cannot publicly intervene in colonial affairs. Otherwise, the Hong Kong populace will question eventual self-administration after the transfer date.

Considering the above factors, the PRC, thereby, must increase its leverage over Hong Kong through unofficial organizations and avenues. As a matter of fact, over the past several decades, Beijing has had no official diplomatic representative in Hong Kong because the UK feared that once it allowed a Communist commissioner to enter, there would be two counteractive governors in the territory. For this reason, the Hong Kong branch of the New China News Agency (Xinhua, NCNA) has become the People's Republic's de facto diplomatic mission in Hong Kong, for a long time, despite the fact

that its director has no official diplomatic status.¹⁷

After the PRC and the UK made the agreement on the future of Hong Kong in 1984, the importance of the Xinhua Hong Kong branch immediately ascended. It has become a center of implementing Beijing's policy on Hong Kong. On this account, the Xinhua News Agency has expanded its large scale organization, adding many new executive officers. Simply speaking, the function of the Hong Kong branch of the Xinhua embraces three aspects: (1) coordinating the activities of China-backed firms in Hong Kong; (2) propagandizing the Hong Kong model and the "one country, two systems" doctrine; (3) unfolding the task of building a united front to win support from the various circles of Hong Kong.¹⁸

The first duty concerning the New China News Agency will be the responsibility of coordinating the China-backed firms in order to stabilize the economic situation. For example, in 1985, following the sudden collapse of the Overseas Trust Bank, a financial storm swept over Hong Kong. Seeing the crisis, the Bank of China intervened to stabilize Hong Kong's banking

¹⁷ Norman Miners, The Government and Politics of Hong Kong (Hong Kong: Oxford University Press, 1986), 240-241.

¹⁸ Yu Chi-wen, "Chung-kung tsai Kang te kung tso hsi tung (The CCP's Working System in Hong Kong)," The Nineties, Oct. 1985: 41.

system.¹⁹

While using the China-backed companies as an equilibrium, the Xinhua News Agency also directs these state-owned companies to invest capital in Hong Kong for political purposes in order to thwart the flight of private money to offset a possible panic of 1997. In other words, in the CCP's view, China-backed companies can participate in the investment club contributing to building investor confidence. To be sure, the activities of the China-backed businesses are not confined to political investment. Their other function concentrates on assisting Chinese modernization. This phase will be discussed in more detail later.

The second major task of the Hong Kong branch of the Xinhua lies in explaining Beijing's policies toward Hong Kong and pacifying the anxiety regarding the people's future. In this aspect, Xu Jutun, Director of the Hong Kong branch of the Xinhua, plays an important role. Unlike his predecessors, Xu actively takes part in the social life, such as making public address and visiting various circles of Hong Kong. On the other hand, Xu's public pronouncements have generally been supportive of the Hong Kong government, and he has refrained from

¹⁹ Y. C. Jao, "Hong Kong's Economic Prospects after the Sino-British Agreement: A Preliminary Assessment," The Future of Hong Kong: Toward 1997 and Beyond, ed. Hungdah Chiu, et al. (New York: Quorum Books, 1987), 62.

comments on present political issues for fear of embarrassing the Hong Kong administration. Nevertheless, on a few occasions, he has revealed Beijing's concern for political change in Hong Kong. For instance, he has publicly objected to radical changes in the political structure of Hong Kong before 1997. Due to Xu's remarks, the Hong Kong government mitigated the course of democratization in Hong Kong.

In addition, the CCP is renovating newspapers, such as Wen Hei Pao and Ta Kung Pao in Hong Kong, in hopes of changing their images. The management of the three Beijing-owned publications in Hong Kong has been upgraded, as well.²⁰ All these reforms demonstrate the CCP's intent to increase domination over the media, which will be beneficial in implementing of the "one country, two systems" plan in Hong Kong.

Unfolding a united front is another important task of the Xinhua in Hong Kong during the transition period. "The united front," in the opinion of the Chinese Communists, means uniting all people who can be united and mobilizing all positive factors to achieve a specific objective. Clearly, the current objective of the Communist Party is to infuse the "one country, two systems" plan in the British colony. So, all united-

²⁰ Ting Wei and Tu Yao-ming, "Tui 'i kuo liang chih, 'te chih i (Questioning the 'One Country, Two Systems')," Ming Pao, May 1988: 41.

front work is directed to this goal.²¹

In order to win wide support of the Hong Kong people, the groups that the CCP wants to ally with is extended to those who support reunification with the motherland. In Beijing's view, whether the people believe in the socialist system is not very important;²² therefore, the Xinhua News Agency uses patriotism rather than socialism to capture the backing of the people.

In some respects, the CCP's patriotic united front in Hong Kong indeed has attracted a few big businessmen and local elites to be involved. One of the most important reasons is that the Xinhua News Agency has enough allurements to induce businessmen and local elites to cooperate with the Communist Party. These incentives contain offers of government positions in the Hong Kong SAR, potential economic interest, and a feeling of certainty.

On the other hand, the traditional leftist unions and organizations in Hong Kong, under the guidance of the Xinhua News Agency, actively expand their political basis which will be used to buttress the government of the Hong Kong SAR.

²¹ Cheng An-tung, "Tan tan tung-i-chan-hsien te hisn far chan (Discussing Recent Development of the United Front)," Renmin Ribao (People's Daily), 20 February 1986: 2.

²² Renmin Ribao, 28 November 1986: 1.

Because of the special status of the Xinhua News Agency, some call it the "shadow government." People living there are gradually realizing the fact that their future is not being determined by the British Hong Kong government but by the Beijing government. As a consequence, in the people's eye, the Xinhua News Agency represents their future master. Therefore, when Hongkongers contemplate their future or become dissatisfied with present problems, the Xinhua becomes an appealing object.

For example, in 1984 the taxi-drivers, struggling for their rights, went to the Xinhua News Agency for assistance. But, the NCNA did not give them any help and encouragement because it did not want to upset the authority of the Hong Kong government at that time.

Viewed from the foregoing analysis, the various transitional measures and preparatory tasks developed by Beijing are clearly geared to the eventual implementation of the "one country, two systems." The saying "Rome was not built in a day," applies to the "one country, two systems" scheme. All preparations made during the transition stage were necessary steps to move the "one country, two systems" plan from idea to reality. When the Basic Law is completed and all preparatory tasks are settled, the sovereignty of Hong Kong will be transferred to the People's Republic. The "one country, two systems"

at that moment becomes reality. Thus, what the CCP intends to do in Hong Kong between 1984 and 1997 are integral parts of carrying out the scheme of establishing the Special Administration Region in Hong Kong.

III. Background Conditions

From the perspective of federalism, the "one country, two systems," as mentioned many times, is an idea to solve the dilemma between the self-rule (the two systems) and the shared rule (one country). Nevertheless, according to past experience, federal principles are mainly applied to assuage ethnic and linguistic issues within the territory. There is no precedent for using the federal idea to mitigate the conflicts between the capitalist and socialist systems. In this respect, undoubtedly, the CCP's reunification plan is unprecedented.

Beijing's idea is great, but the difficulty ahead of it, however, is greater. Since there exists a terrible social and economic gap between Hong Kong, Macao, and Taiwan, on the one hand, and mainland China, on the other, the implementation of the "one country, two systems" thereby will encounter many hurdles.

In the case of Hong Kong, its relationship with the mainland at present is troubled with discrepancy of background conditions. The term, background conditions, refers to a few important factors that can affect the

patterns of future change, when two political units try to unite as one. As far as the incorporation of Hong Kong into mainland China is concerned, four conditions are important to the success of their amalgamation. Lacking any one of them will make the course of integration very rough.

A. Main Value Similarity.

Some integrationists holds that the main value of compatibility between two systems is important to their successful integration. In this matter, a great gulf exists between Hong Kong and mainland. Although Hong Kong under British rule does not have democracy, it has sufficient freedoms. Some major Western values, such as rule of law, human rights, and contract relationship, have been successfully transplanted from Britain to Hong Kong. These attributes have become essential aspects of the people's life. Even though most people in Hong Kong have an apathy toward politics, they have a strong affiliation with the capitalist system.

In contrast to Hong Kong, mainland China is a socialist country. Under this system, political elites often view the world in different ways. For instance, when Beijing's leaders mention democracy, human rights, and the rule of law, the connotation of these words is very different from that of Western thinking. In drafting the Basic Law, many controversies among BLDC

committee members arise from conceptual differences on the important issues. When discussing "democracy" and "autonomy," it can be found that Hong Kong and mainland representatives use the same words, but mean different things. Another example is the CCP's anti-spiritual pollution of 1983. So-called spiritual pollution, in the CCP's mind, refers to a few capitalist ideas and thoughts exerting a bad influence on the mainland. Still, these ideas and thoughts, to which the CCP forcefully objects, are not only favored by the Hong Kong people but they are the foundation of prosperity in Hong Kong. Consequently, due to the incompatibility of values, it is conceivable that the integrative process between the two societies will confront many obstacles.

B. Capability and Responsiveness

For economic consideration and the preponderate Taiwan issue, there is little doubt that the CCP will do its best to keep its promises about Hong Kong. Nevertheless, the basic question, as George Hicks indicates, is whether the CCP is able to maintain the stability and prosperity of Hong Kong.²³ This contention is significant because of two reasons: In the first place, the CCP to date has little experience in managing

²³ George L. Hicks, "Red Capitalism," Basic Law, Basic Questions: the Debate Continues, ed., William McGurn (Hong Kong: Review Publishing Company Limited, 1988), 97-112.

the capitalist system; therefore, its ability to respond quickly to signals of the economic market is questionable. From another point of view, the operation of the capitalist economy is sustained by a market mechanism, but in the mainland the government is accustomed to intervening into economic affairs. Under such a circumstance, doubt is cast on CCP's ability to resist meddling in the economic operation of Hong Kong.

Secondly, some are skeptical about Beijing's concentration on the changing situation in Hong Kong. For Beijing leaders, there have been too many issues competing for their attention. So, it is unlikely that they can quickly react to the various demands of the Hongkongers. From another point of view, Communist leaders are not familiar with socio-economic conditions in Hong Kong. As a result, it will be very easy to misunderstand the implications of any event that happens in that area; consequently, they could make a wrong judgement. This situation, at the early stage of integration, is very dangerous because the serious troubles could arise from seemingly insignificant issues. If the central government cannot respond properly to the demands of the new integrated regions, the situation becomes tantamount to planting the seeds of turbulence in the future. Consequently, Beijing must increase its administrative capabilities to take care of the needs of

the Hong Kong people; otherwise, the people's discontent could build to a point in which severe discontent may be triggered.

C. Living Standard

The differences between the living standard of Hong Kong and the mainland is another headache for completing integration. In 1986, per capita income in Hong Kong was \$6844; in contrast, per capita income in the mainland, \$250.²⁴ In other words, average income of the people in Hong Kong is 27 times that of the mainland. According to Deng Xiaoping's estimate, hopefully per capita income of the PRC can reach \$800 in the early 21st Century.²⁵ Even now, the projected income of the mainland is far behind that in Hong Kong in 1986.

With this income discrepancy, reunification, in the eyes of people in Hong Kong, is like a small rich company being merged into a big but poor enterprise. No matter how many promises the CCP submits, the different living standards of the two areas cause the Hong Kong populace to feel insecure in the course of integration. In contrast, for the mainlanders, after reunification they could demand a share of Hong Kong's achievements. Immigration from the mainland to Hong Kong will increase.

²⁴ Asia 1988 Yearbook, 7-8.

²⁵ Deng Xiaoping, "Build Socialism with Chinese Characteristics," Fundamental Issues in Present-Day China (Beijing: Foreign Language Press, 1987), 54-55.

The population explosion will depress Hong Kong's living standards. In sum, owing to the wide lifestyle gap between the two sides, the unification process will be perplexed by many issues of domestic immigration, deteriorating Hong Kong's quality of life.

D. Transaction and Communication

The number of transactions between the two political units constitutes an important criterion for measuring the possibility of their integration. At this point, the integration between Hong Kong and the mainland seems to be sanguine because both areas have experienced mutual economic interdependence for a long time. Over the past 34 years, Hong Kong has been China's second-largest trading partner, aside from the years, 1965, 1968, and 1969, when Hong Kong took the first place.²⁶ Moreover, more than 20% of the PRC's trade export is via Hong Kong.²⁷ At present, China derives 40 percent of its foreign exchange earnings from this area.²⁸

In addition to the intimate economic linkage, Hong Kong, because of its geographic proximity, is the hub of

²⁶ Lenard Silk, "Economic Scene: Hong Kong's Uneasy Boom," The New York Times, 24 July 1987: D2.

²⁷ Asia & Pacific Review of 1988 (Lincolnwood: NTC Business Books, 1988), 67.

²⁸ Adam Platt, "Cross Investment Expands Trade Ties between the Territory and Mainland," The Washington Times, 10 June 1986: 4D.

PRC contacts with the outside world.²⁹ Most tourists travel through Hong Kong into mainland China. Of these tourists, Hongkongers occupy the largest proportion.³⁰ As a result of their frequent transactions and communications, this situation is favorable to furthering integration between Hong Kong and the mainland.

E. Confidence and Trust

According to Karl Deutsch, one of the essential background conditions for political amalgamation is "mutual predictability of behavior."³¹ That is to say, two political communities must have the ability to predict the possible behavior of each other. From this perspective, they can mutually produce confidence and trust. To be sure, the presence of this certainty is based on the familiarity between two political communities. Without mutual interaction, it is unlikely that mutual confidence and trust can be created.

Viewed from this background, the integration of Hong Kong into the mainland reveals a pessimistic prospect. For one matter, the majority of Hong Kong's 5.5 million

²⁹ Piers Jacobs, "Hong Kong and the Modernization of China," Journal of International Affairs, 39, no. 2 (Winter 1986): 63-75.

³⁰ State Statistical Bureau, People's Republic of China, Trade and Price Statistics in 1987 (Hong Kong: Oxford University Press, 1987), 228.

³¹ Karl W. Deutsch, et al., Political Community and the North Atlantic Area (New York: Greenwood Press, 1957), 56-58.

residents are refugees from mainland China because of past political and economic catastrophes.³² For these refugees and their offsprings, their memory of the ever changing and fluctuating CCP' policies cannot be easily forgotten. Even though the CCP is undergoing economic reform, most people in Hong Kong are skeptical of Deng's reforms. Old experiences tell them that the CCP's policy is unpredictable; it is difficult for the people of Hong Kong to have confidence in any plan executed by the CCP.

Beijing leaders, in contrast, do not have sufficient confidence in people of Hong Kong, either. On the one hand, most people in Hong Kong have the record of voting by their feet, fleeing from the mainland; on the other, Hong Kong people are steeped in a capitalist lifestyle; they are disgusted with the socialist system. The CCP, therefore, fears that if it delegates complete autonomy to the Hong Kong people, they may claim independence from China.³³ Since Hong Kong and the PRC cannot trust each other, the integrative process, as a consequence, hits one snag after another.

In summary, from the foregoing analysis, except for transaction and communication, no conditions provide enough impetus to incorporate Hong Kong into mainland

³² Shih-chieh Jih-pao (World Journal), 30 June 1987: 2.

³³ Kuo-chi Jih-pao, 1 Oct. 1986: 2.

China. For this reason, in the ensuing section, it will be found that when the "one country, two systems" plan is applied to Hong Kong, the forces of resistance are considerable.

IV. Integration Process

Now, let us employ the above idea by briefly analyzing the main controversies over implementation of the "one country, two systems" in Hong Kong.

A. Political Dimension

From the political aspect, the transition processes are beset with two questions: (1) should the Hong Kong government reform its political system before 1997? and (2) what type of the political system will be suitable for Hong Kong after reunification?

The first controversy arises from the fact that the Hong Kong government intends to orient its political system more toward democracy. This policy was laid down in the White Paper of 1984. According to the plan for Hong Kong, the legislative body will be open to indirect election first, and then, step by step, the council will evolve by direct election. As is well known, all legislators for Hong Kong are appointed by the Governor; moreover, the relations between legislature and government are on a consultative basis rather than check and balance. Furthermore, what the British Hong Kong government plans to do is to stage a typical retreat from

the colony, leaving a parliamentary government to run the territory.

But, when the Hong Kong government tried to continue as before, the PRC immediately issued a strong protest, stating that Hong Kong government's policy deviates from the Joint Declaration. According to the CCP, the 1984 system in Hong Kong was not to change as agreed in the Joint Declaration. However, in the meantime, the United Kingdom did change the system by introducing a partially elected council, a move that Beijing considered to be a violation of the agreement. This situation, as a metaphor made by a Beijing's supporter, is like the Chinese Communists making a deal for a chicken, but do you think they want a duck at the end of the day?³⁴

According to the 1984 White Paper, the Hong Kong government planned for 24 of 56 members in the Legislative Council to be elected by indirect election in 1985; then in 1988 a small number of the legislators would be directly elected. The final goal is the direct election of a significant portion of the legislators.³⁵ Nonetheless, Xu Jutun, Director of the Xinhua News Agency's Hong Kong office, immediately protested that the

³⁴ Adam Platt, 6D.

³⁵ White Paper: The Future Development of Representative Government (Hong Kong: Government Printer, 1984), 24; reprinted in Hungdah Chiu, et al, eds., The Future of Hong Kong (New York: Quorum Books, 1987)

British electoral reform deviates from the Joint Declaration.³⁶ The CCP has suggested that direct election of the Hong Kong government should not be held until after the Basic Law is completed in 1990.³⁷ In deference to the PRC, the UK changed its plan in compliance with PRC desires.

In 1987, the Hong Kong government published the Green Paper expressing that it would conduct a poll to investigate public attitude toward direct election in 1988. Afterwards, the Hong Kong government, in its White Paper in 1988, released the result of the poll which showed that most of the public did not favor direct election in 1988.³⁸ By this, the Hong Kong government decided to delay the direct election until 1991.

Some critics blame the government in Hong Kong for bending to Beijing's pressure. In their viewpoint, Hong Kong needs democracy now more than ever because unless they can get a democratic system from the British now, they will have little chance to acquire it from China

³⁶ Lo Shiu-hing, "Decolonization and Political Development in Hong Kong," Asian Survey, 28, no. 6 (June 1988): 624.

³⁷ Nicholas D. Kristof, "What Chance Elections? British Hedge," The New York Times, 9 November 1987: A10.

³⁸ White Paper: The Development of Representative Government: The Way Forward (Hong Kong Government Printer, February 1988), Chapter III; reprinted in William McGurn, ed., Basic Law, Basic Questions (Hong Kong: Review Publishing Company Limited, 1988)

after 1997.³⁹ Why is electoral reform so important now? From the opinion of the liberal group, even though the Hong Kong political system has been undemocratic over the past 140 years, the government, however, seldom abused its power because its action are under the check of the democratic government in London. Therefore, they fear that if the present political system is not changed to be more democratic, the new government may abuse its unconstrained power because the PRC, unlike the UK, is a totalitarian nation.⁴⁰

In some respect, the apprehension of the democratic group is well founded. As Emily Lau indicates, there still exist a number of draconian laws that give the Hong Kong government tremendous power to suppress the mass media. Lau, accordingly, maintains that if the Hong Kong public wants their freedom extended beyond 1997, they must liberalize the repressive laws now on the books. Otherwise, the future government may abuse human rights by merely enforcing old laws.⁴¹

From another point of view, most of the Hong Kong populace is indifferent to the political reform. According to a recent survey made by the Chinese

³⁹ Nicholas D. Kristof, "China's Hong Kong: Sans Democracy?" The New York Times, 26 April 1987: 20.

⁴⁰ Kuo-chi Jih-pao, 15 May 1987: 2.

⁴¹ Emily Lau, "The Right to Write," Basic Law, Basic Questions, 69-80.

University of Hong Kong, the territory's citizens are apathetic about politics. Moreover, "most are not in favor of organizing political parties. In the eyes of Hong Kong people, at present, there is still not a trustworthy political leader and a territory- or district-wide basis."⁴²

In business circles, conservative forces are strong. They tend to maintain a good relationship with Beijing, objecting to any quick change in Hong Kong. From their perspective, the prosperity of Hong Kong is based on its stability. Broadening participation will, however, increase transaction cost, such as a welfare program costly to the prosperity of the territory.

Taking the previous analysis together, it can be said that the citizens of Hong Kong have a divided attitude toward direct election. This is why the Hong Kong government dares to break its promise and succumb to CCP pressure instead.

The second thorny problem centers around the draft Basic Law. Since the Basic Law, as of now, has not been completed, no one can predict whether the many controversies can be settled. However, it is still worth examining a few of the strident points in the draft.

The liberal critics assume that the major

⁴² "Survey Shows Low Public Enthusiasm for Politics," FBIS, 19 December 1988: 76.

shortcoming of the draft lies in Articles 10, 16, 17, and 169, which relate to the constitutional links between Beijing and the Hong Kong SAR, each article seriously reducing the autonomy of Hong Kong. According to these provisions, the National People's Congress will have the final word on making, explaining, and revising the law of the Hong Kong SAR.

Another quarrel is imminent in the future political structure of Hong Kong. Liberal groups strongly demand that the governor and legislative council should be chosen by direct election. Furthermore, they request that the activities of political party be allowed to function after reunification. Nevertheless, Beijing and business circles take a different stand. Deng Xiaoping has publicly said that Western parliamentary government is not appropriate for Hong Kong.⁴³ Viewed from the present tendency, Beijing puts stability as its first priority; consequently, it prefers that the governor be selected through consultation and the legislative council be created through indirect election. Besides, concerning the formation of new parties, Beijing takes a hesitant attitude for fear that it may cause political and economic instability in Hong Kong.⁴⁴

All in all, the liberal group occupies only a small

⁴³ Pei-mei Jih-pao, 18 April 1987: 2.

⁴⁴ Shih-chieh Jih-pao, 5 July 1986: 1.

portion of the Basic Law Drafting Committee (BLDC). In contrast, Beijing leaders and the Hong Kong's businessmen have formed a coalition. So, in drafting the Basic Law, a tug of war exists and the liberal groups have slim chances of winning.

B. Socio-Economic Dimension. At the transition stage, Hong Kong encounters three troubles from a socio-economic aspect. In the first place, the prosperity of Hong Kong, to some degree, is dependent on its status as the largest financial center in Asia. But, when the sovereignty of the territory is transferred to mainland China, Hong Kong's financial status will be challenged. For the foreign financial investors, doing business with the Communist countries will add a burden of political risk. Even though this extra burden is not very extensive, in the extreme rivalry of the international market, Hong Kong could easily lose its competitiveness. The major financial companies will move their branches to Singapore, or some other financial center without difficulty.

The China-funded companies in Hong Kong constitute another variable affecting the future of Hong Kong. The total estimated investment of the China-backed companies was more than six billion dollars in 1987; they, not the United States, have become the largest investor in Hong

Kong.⁴⁵ The current number of the mainland-based companies in Hong Kong is above 3,000.⁴⁶

Beijing enterprises in Hong Kong have three objectives. Except for engaging in politically-motivated investment as mentioned, these companies are learning modern technology and management skills, on the one hand, and earn the foreign exchange, on the other. That is to say, Beijing invests its government's capital in Hong Kong, mainly for modernization.

However, with the decentralization of Beijing's power, local governments compete for control of businesses by various means. Many mainland-based firms in Hong Kong are gradually changing into speculators. Their speculating behavior not only disturbs the financial market of Hong Kong but offers nothing for Chinese modernization.⁴⁷ At the end of 1988, Beijing began to rectify the unlawful activities of the China-funded companies, hoping to recover the credibility of the companies. But, when some firms were forced to close, many problems, such as broken contracts and unemployment, resulted.

On the other hand, due to the crisis of confidence

⁴⁵ Ting Wei and Tu Yao-ming, "Questioning the 'One Country, Two Systems'," Ming Pao, May 1988: 39-40.

⁴⁶ Lien-ho Pao, 17 October 1988: 2.

⁴⁷ "Rectification of PRC-Funded Companies Viewed," FBIS, 29 December 1988: 84-86.

in the future of Hong Kong, many private firms have transferred their funds to other countries. Under this background, the rapid increase of investments in the China-funded companies could cause the market economy of Hong Kong to be controlled by the People's Republic. The bright side of this situation is that Beijing will not change the socio-economy of this area since its stake has become substantial. Still, the over-involvement of the "Deng's dealers" also has its dark side for Hong Kong. That is, any policy change in the Beijing government will affect the China-backed companies which could concurrently frustrate the economy of Hong Kong.

While Hong Kong's investment picture is at variance, emigration presents another socio-economic issue. As mentioned in previous parts, citizens feel in their inability to effect future events. According to statistics, 1988 emigration figures include about 50,000 citizens of Hong Kong, twice that of 1987. Moreover, it is estimated that the total emigrants will comprise 10 percent of Hong Kong's population in the early 1990s.⁴⁸ The destination of these Hong Kong emigrants is mostly Canada and Australia.

Even worse. among most of those leaving Hong Kong are professionals who are the backbone of the territorial

⁴⁸ Shao-nien Chung-kuo Chen-pao (China Daily News), 17 December 1988: 6.

economy. With their leaving, Hong Kong enterprises will experience a severe brain drain.⁴⁹ This damage will be invisible only for a short term. But, in the long run, the quality and performance of Hong Kong's economy will not be easily sustained. But, if the Hong Kong model succeeds, these professionals are expected to return to Hong Kong.

V. Macao Problem

After the People's Republic of China and the United Kingdom signed the agreement on the future of Hong Kong in 1984, Chinese officials requested that Portugal negotiate the Macao problem. In the ensuing three years, the PRC and Portugal began to negotiate. The Beijing's standing was very clear; the future of Macao should be a copy of the Hong Kong model, becoming the Macao SAR. All socio-economic systems there will be kept intact after reunification. In other words, Macao would be another test for the "one country, two systems" plan.

The Macao problem differs from the Hong Kong issue in two points: First of all, China has never relinquished its sovereignty over Macao. Even in the protocol of Lisbon, China only allowed Portugal the right to permanently administer this territory. In addition, since 1974 Portugal converted the status of Macao from

⁴⁹ Nicholas D. Kristof, "A New Wave for Hong Kong: Young Professionals Fleeing," The New York Times, 9 November 1987: A1, A10.

territorial province to a territory of China under Portuguese administration.⁵⁰ Moreover, Lisbon has notified Beijing that it can reclaim Macao any time. For this reason, unlike Hong Kong, no exact date existed for Macao's return.

In the second place, contrasting with the high development of Hong Kong, Macao is a stagnant colony. Its economy is far behind that of Hong Kong, and the enclave is of little importance to mainland China.⁵¹ Nevertheless, for fear of disturbing the stability of Hong Kong, the PRC has refused the return of Macao's administration from Portugal several times. Because of the above two reasons, Beijing, in negotiating with Portugal, appears more flexible in its attitude.

A. The PRC's Policy at the Transition Stage

Similar to the Sino-British Joint Declaration, the Sino-Portuguese Joint Declaration of 26 March 1987 promulgates that after unification Macao will enjoy executive, legislative, and independent judicial power except for foreign and defense affairs.⁵²

⁵⁰ "Macao," Asia 1988 Yearbook (Hong Kong: Far Eastern Economic Review, 1988), 173.

⁵¹ Friedemann Bartu, "On the Edge of China," Swiss Review of World Affairs, 35 (September 1985): 12-15.

⁵² Joint Declaration of the Government of the People's Republic of China and the Government of the Republic of Portugal on the Question of Macao, 13 April

The Joint Declaration states that the PRC's basic policies regarding Macao will be stipulated in a "basic law" of the Macao SAR and these policies will remain unchanged for 50 years.⁵³ At present, Macao's BLDC is drafting the Basic Law which expectedly will differ little from Hong Kong's.

In order to implement the Sino-Portuguese Joint Declaration, the Joint Liaison Group and the Land Group were established.⁵⁴ Xinhua News Agency's Hong Kong headquarters enlarged its branch in Macao, in preparation for the sovereignty transfer. As a matter of fact, since the Kuomintang influences were forced to leave this territory in the late 1960s, the leftist forces have dominated and controlled all social and economic foundations. In such a situation, it is expected that the execution of the "one country, two systems" will encounter no serious opposition in the Macao transition.

It is worth noting that during the negotiations, even though the PRC and Portugal have had no dispute on the question of sovereignty over Macao, they do have a disagreement with the timing and conditions of the

1987 (hereafter, the Sino-Portuguese Joint Declaration); printed in Beijing Review, 13 (April 1987)

⁵³ The Sino-Portuguese Joint Declaration, para. 3(12).

⁵⁴ The Sino-Portuguese Joint Declaration, para, 4, 5.

transfer.⁵⁵ At the outset, the PRC hopes that the date for the return of Macao sovereignty to China is the same as the Hong Kong exchange, 1997. But, Lisbon insists that the Macao issue is different from Hong Kong's. At first, there was no definite date for Macao's return. So, Portugal did not want to leave an impression that Hong Kong and Macao constitute the same issue. Secondly, Macao's transfer preparation will need time. Because most Chinese in Macao cannot speak Portuguese, it will take some time for Chinese to undertake Portuguese language-dominated governmental positions. Finally, the People's Republic and Portugal agreed on 20 December 1999 for the sovereign transfer.

Another friction between the People's Republic and Portugal arises from the problem of nationality. According to Portuguese law, dual citizenship is permitted. Conversely, the PRC does not recognize dual nationality. In this way, after it resumes the sovereignty over Macao, China insisted that citizens of Macao cannot hold two nationalities at the same time. But, Portugal, in considering the welfare of 10,000 Portuguese living in Macao, demanded that Macao residents be allowed to keep their dual nationality. Through negotiation, Beijing at last made a concession to Lisbon,

⁵⁵ Jiang Yiping, "Macao to Return to China," Beijing Review, no. 13 (March 1987): 4.

promising that dual nationality will be allowed because of their special status. Nevertheless, they will not be entitled to Portuguese consular protection in the Macao SAR or any other part of the PRC.⁵⁶

B. Difficulties of the

Integration Process

In the course of integration of Macao into the mainland China, background conditions, such as basic values, as well as trust and confidence, have not developed enough to facilitate an integration process. In a recent Macao legislative election, independent candidates surprisingly won one more seat than expected. Some assume that this reveals that the political consciousness of Macaoans has been awakened.⁵⁷ Many symptoms of Macao's sovereign transfer are similar to those in Hong Kong. Emigration and departing capital become open secrets in the territory.

Yet, in regard to integration, there have been several special obstacles in Macao. First of all, as noted earlier, the "one country two systems" will keep the established systems unchanged. This statement means that Portuguese law and institutions will continue to be applied in Macao. But, different from the case of Hong

⁵⁶ The Sino-Portuguese Joint Declaration, Memoranda.

⁵⁷ Emily Lau, "A Liberal Helping," Far Eastern Economic Review, 20 October 1988: 15-17.

Kong, most Chinese in Macao do not understand Portuguese. In this way, when Macaoans rule their territory, they will have a serious problem running the bureaucratic machine if most of them do not have a good command of Portuguese.⁵⁸

In the second place, there are about 10,000 Portuguese living in Macao. For them, this territory is their home. Therefore, when the PRC resumes its control over Macao, they face a problem of whether to remain or leave. Because of this momentous change, Macao people feel more difficulty in grasping their destiny for the future.⁵⁹

While Macao's citizens are in a dilemma, so is the final issue, religion. Inherited from Portuguese tradition, most Macao people follow the Roman Catholic faith. Since the CCP, in the past, objected to Chinese Catholic organizations because of their linkage to the Vatican, there is serious apprehension about the attitude of the PRC toward Catholic organizations there. Nevertheless, in the Joint Declaration, the PRC has promised that it will not disturb the relationship of Macao's religious organizations with similar organizations

⁵⁸ "Ao-men: wen ti tsai na li? (Macao: What Is Its Problem?)," The Nineties, February 1986: 17.

⁵⁹ Lung Ssu, "Ao-men ho Hisang-kang bu i yang (Macao's Case Is Different from Hong Kong's)," The Nineties, November 1986: 58-59.

overseas.⁶⁰ Therefore, it is expected that the relationship between the Vatican and Macao Catholic organizations can be maintained without question.

VI. Conclusion

In conclusion, the various difficulties in unifying Hong Kong with mainland China arise from the chasm of the background conditions of the two sides. All these questions gradually evolve into a crisis of confidence. At the outset, the "one country, two systems" stated in the accord is a common good accepted by all, but why does the implementation of this reunification plan continually become more difficult? This circumstance exists because both sides fear cheating; as a result, the original idea of reunification little by little changes its nature.

The crisis of confidence can be best substantiated from that fact that while discussing the "one country, two systems," Beijing and Hong Kong have different parameters. For Beijing, its interest is "one country." By contrast, Hong Kong is inclined to emphasize the "two systems." Under such a dichotomy, how to fulfill the spirit of the "one country, two systems" becomes uncertain.

As far as the Draft Basic Law is concerned, its length of provisions is five times that of the Act of

⁶⁰ The Sino-Portuguese Joint Declaration, Annex I, § III.

Home Rule in Faroe and in Greenland, respectively.⁶¹ At this point, it is clear that Beijing is trying to show its good faith in satisfying the demands of the Hong Kong people as much as possible. Nevertheless, why do many Hong Kong people still have a pessimistic view of the future? The fundamental reason results from the fact that the CCP does not yet have enough credit to foster faith in its promises. Even worse, Beijing through its propaganda often conveys the impression that Hong Kong is an instrument for achieving Chinese modernization and leverage for resolving the Taiwan issue. According to this logic, when these objectives are completed, the special status of Hong Kong will be untenable. This kind of reasoning leaves Hong Kong people with a very pessimistic attitude toward their future.

As a colony, Hong Kong has lacked political organizations. Concerning their future, the opinions among the Hong Kong people are extremely divided. In this situation, the PRC, indeed, can take advantage of passing the Basic Law without serious trouble. But, accepting the Basic Law is not equal to resolving the crisis of confidence. The problem of distrust cannot be cured by carrot and stick. It must be overcome by an

⁶¹ The Faroe Islands and the Greenland are the parts of Denmark. Concerning the home rule act for two islands, see Albert P. Blaustein, et al., eds., Constitutions of the Countries of the World (New York: Oceana Publications, 1986), 1-99.

accumulation of credibility.

If the confidence gap between Hong Kong and the mainland can be mitigated in the ensuing years, the experiment of coexistence--capitalism and socialism--still has an opportunity to succeed. Otherwise, as time goes by, very likely, the "one country, two systems" will be left a shell of its original intent. If this failure really happens, the outcome of Chinese reunification could result in the tragedy of Hong Kong and the end of Chinese modernization.

CHAPTER 5

Taiwan at the Crossroads: Confrontation or Conciliation

While examining the vicissitudes of Taiwan-mainland relations during recent decade, two important issues must first be clarified: one is the domestic changes on both sides of the Taiwan Straits; the other, United States' policy on Chinese reunification. The former issue is relevant to a change in background conditions of reunifying China; the latter is linked to a third party, the US, which has had a great stake in Taiwan for a long time.

With this issue on the horizon, it is easy to realize why Beijing is anxious to resolve the Taiwan impasse by the "one country, two systems" model and why Taipei resists Beijing's offer.

The following section is divided into four parts: (1) structural changes in both Taiwan and the mainland; (2) U.S. role in the Taiwan issue; (3) Beijing's strategy for reunification; and (4) Taipei's attitude toward unification with the mainland.

I. Changes in Taiwan and the Mainland

In the past ten years, the People's Republic of China (PRC) and the Republic of China (ROC) respectively

have experienced structural transformations from both political and economic aspects. These changes include a turnover in leadership, the rise of a new generation, and political and economic innovations. Because of these immense changes on both sides of the Taiwan Straits, Taiwan-mainland relations, as a consequence, have become more complicated and mutable than before. But first, the changes in Taiwan must be explored.

A. The Change in Taiwan

For a long time, in the eyes of Sinologists, the ROC on Taiwan is an authoritarian state under the control of Generalissimo Chiang Kai-shek's family; therefore, the present confrontation between the ROC and the PRC is an extension of the civil war. Due to the past power struggle, both Kuomintang and Communist leaders continue to carry on mutual distrust of each other; so, peaceful reunification of Taiwan with the mainland can be determined only by the willingness of the leaders of two dominant parties.

Because of the vast political and economic transformations in Taiwan during the recent decade, all above arguments become out-dated.

1. Leadership Turnover The first great change in Taiwan was the end of the Chiang dynasty with the death of President Chiang Ching-kuo on 13 January 1988. Since 1949, Chiang Kai-shek, first, and his son, Chiang Ching-

kuo, later, had ruled Taiwan for about forty years. When they were alive, their charismatic leadership led eventually to their becoming the final adjudicator on all state affairs.

For two reasons, Beijing assumes that the demise of President Chiang Ching-kuo was a great loss to unification. First, Chiang in Taiwan was the only leader who had absolute authority to decide whether or not to negotiate with the Chinese Communists. After his death, the KMT evolved into collective leadership. The new leaders will be unlikely to make any radical change in the anti-communist policy for fear of encountering domestic objection. Consequently, with the end of Chiang's rule, Taiwan-mainland relations seem impossible and unlikely to result in dramatic change. As expected by Beijing's senior leaders, reunification could be realized through conciliation of leaders on both sides.

Secondly, even though Chiang Ching-kuo, to his last day, refused to compromise with Beijing, he had a strong attraction for the mainland. He always insisted on the principle of one China and objected to Taiwan's independence. At this juncture, he and the Communists leaders shared a common stand. So, when he died, Beijing expressed concern about the new leaders' attitude toward

the principle of one China.¹ From another point of view, no matter how avid an anti-Communist, Chiang Ching-kuo was a leader with whom Beijing had been acquainted for several decades. In contrast, Chiang's successor, Lee Teng-hui, a native Taiwanese, has never even visited the mainland. Communist leaders had little knowledge about him before Lee ascended to the presidency.

By the above accounts, with the windup of the age of strong authority, the collective leadership in Taiwan casts a new variable for reunification.

2. The Rise of New Generation. In the past forty years, the political power in Taiwan was controlled by mainlanders. But, recently, due to the aging of officials, they gradually faded away from the political arena with the rise of the new political elites.

The new generation of political leaders in Taiwan have several salient features: In the first place, they are well-educated and are worldly wise; secondly, they have no experience in struggling with the CCP; thirdly, native Taiwanese make up more than half of new elites.

With the generation change in Taiwan's political circle, at least, two possible influences prevail on the

¹ Beijing issued a message of condolence to Taipei for Chiang's death. In that message, Beijing specially praised Chiang for upholding the single China and opposing Taiwan independence; see Robert Delfs, "Kind Words from Zhao Cut No Ice in Taiwan," Far Eastern Economic Review, 28 January 1988: 20.

issue of Taiwan-mainland relations. For one matter, the new political elites will treat the unification question in a more realistic way; ideological factors will be gradually relaxed in the process of decision making. As such, it is conceivable that the relationship between Taipei and Beijing can be ameliorated.

But, on the other hand, the new generation of elites falls short of a strong identification to the mainland because most of them grew up on Taiwan. Even though these leaders still regard themselves as Chinese, they, however are different from old mainlanders and do not think of reunification as an urgent problem. This situation cause the CCP to fear that Taiwan will pursue independence someday.

3. Political Democratization and Liberalization.

Since October 1986, President Chiang has embarked on several important reform policies: (1) lifting the thirty-seven-year-long martial law; (2) preparing a legal framework for the formation of the new political parties; (3) reforming parliamentary structure; (4) lifting the ban on new newspapers.

All these measures, apparently, will create two momenta--broadening political participation and relaxing the state's control over society--which can drive the social and political systems in Taiwan into an unprecedented change. The first impetus, broadening

political participation, is manifested in organizing new political parties and reforming the parliamentary chambers. At present, twelve political parties have been registered.² Among them, the KMT is the largest political party with 2.4 million members; the Democratic Progressive Party (DPP), second, totalling about 8,000 members.³ The remaining parties are so small that they fail to play any important role in the island's future. Allowing the establishment of new political parties, undoubtedly, will change the KMT's role from a directive to a competitive party. KMT will be the first Leninist-style party in the world, to evolve into a democratic party.⁴

Reforming the legislative bodies is another significant issue that will transform the power structure of Taiwan. In the past, nearly 85 percent of legislators were elected on the China mainland long ago in 1947 and have been continuing to perform their duty on Taiwan without change. Only 15 percent of the legislators are elected there every three years. Under the measure of parliamentary reform, the older legislators soon will be

² Chung-yang Jih-pao (Central Daily News), International Edition, 31 January 1989: 1.

³ Thomas Omestad, "Dateline Taiwan: A Dynasty Ends," Foreign Policy, no. 71 (Summer 1988): 176-198.

⁴ Yangsun Chou and Andrew J. Nathan, "Democratizing Transition in Taiwan", Asian Survey, XXVII, 3 (March 1987): 277-299.

encouraged to retire with a pension. Expectedly, by 1992 all legislators in the Legislative Yuan will be elected directly by the people of Taiwan.⁵ This reform will result in the complete Taiwanization of the legislature.

Apart from political democratization, lifting martial law and terminating the ban on new newspapers constitutes the second thrust, liberalization. This innovation implies that the KMT government has loosened its control over social and economic affairs. A few basic rights in the constitution, such as freedom to demonstrate and strike, frozen for decades, returned with the end of the martial law on 1 July 1987. In addition, 16 regulations based on martial law were abolished, as well.⁶ These relaxed policies totally shatter the authoritarian nature of the KMT regime.

Because of political democratization and liberalization, the social forces on Taiwan thereby appear stronger and more diverse. Under such circumstances, various elements of society gain more control to check and balance state activities. In this sense, in regard to the unification issue, the ruling party, KMT, will find it impossible to arbitrarily make a decision without Taiwan's social consensus. For Beijing, this transformation of Taiwan will complicate relations

⁵ Chung-yang Jih-pao, 27 January 1989: 1.

⁶ Chung-yang Jih-pao, 24 June 1987: 1.

between the two sides of the Taiwan Straits.

4. **Diplomatic Isolation.** In the game of who represents China from 1970s onward, Taipei obviously becomes the loser. Under the pressure, the ROC on Taiwan lost its diplomatic ties with all important countries, including the United States. Simultaneously, Taipei also has been forced to withdraw from all significant international organizations. Presently, there are only 23 countries that maintain formal relations with Taiwan.

Frustration of diplomacy leaves Taiwan's international status uncertain. This situation has a direct impact on the domestic politics of Taiwan. The opposing party, DDP, advocates self-determination, even though party leaders explain that self-determination is different from independence. Both the KMT and the CCP, however, assert that the real intention of the DDP is to pursue Taiwan's independence.⁷

Currently, the independence issue casts an uncertain variable on the issue of reunification. With an increase in diplomatic isolation, the KMT leadership is eager to find its identity in the international society. In the event that Beijing continues to block the participation of Taiwan in international society, the independence sentiment will prevail more and more in Taiwan. This

⁷ Shim Jae Hoon, "The Independence Issue," Far Eastern Economic Review, 18 February 1988: 22.

will erode the improved relations between the KMT and the CCP.

5. **Economic Issue.** From an economic standpoint, Taiwan has had a very successful performance over the past four decades. In 1986, its per capita income reached \$3468 which is nearly 14 times of per capita income of the mainland wage earners during the same period.⁸ In recent years, Taiwan has maintained a huge trade surplus. For instance, in 1987, its trade balance was about \$16 billion.⁹ Besides, the KMT government has accumulated the world's second largest foreign exchange reserve with \$71 billion, trailing only Japan.¹⁰ In the past ten years, the average of Taiwan's economic growth rate comes to 9% a year.¹¹

Although Taiwan's economic achievement has become a model that many developing countries are eager to parallel, it is, however, faced with the pressure from the world's protectionism and a transformation of Taiwan's economic structure. As far as protectionism is concerned, Taipei feels that it is necessary to diversify

⁸ Asia 1988 Yearbook (Hong Kong: Review Publishing Company, 1988), 6-7.

⁹ Tai Ming Cheung, "Lower Tariffs Harder Dollar Help Deficit," Far Eastern Economic Review, 15 September 1988: 62.

¹⁰ Shim Jae Hoon, "Awash in a Sea of Money," Far Eastern Economic Review, 15 September 1988: 49.

¹¹ Hoon, 49.

its export market. In this way, the country can avoid the risk of putting all its eggs in one basket. But, a new market is not easily found under the constraints of protectionism. The huge market on the mainland, consequently, attracts the interest of Taiwan's businessmen.

From another point of view, with the economic development, many light industries in Taiwan are gradually losing their edge in the competitive world market. High wages and the lack of a labor force are common industrial problems. As a result, some businessmen are moving their factories to the mainland by means of middlemen in Hong Kong. Much cheaper labor is available in the PRC. In addition, Taiwan's businessmen have embarked on indirect trade with the mainland for years mainly through Hong Kong.

In other words, coupled with other changes, Taiwan's economic difficulties are paving a way to build contacts with the mainland. It is reported that Taiwan's exports to the mainland reached \$2 billion in 1988, about 4% of the total exports.¹² The economic interaction between the two sides of the Strait, without question, will produce a great impact on the issue of China's unity.

¹² "Lian an ching mao fa chan fen hsien ping ku chi tai chin hsing (To Evaluate the Risk of the Taiwan-Mainland Trade Development Is Necessary)," Central Daily News (International Edition), 18 January 1989: 1.

This will be discussed in detail later.

To summarize, as a result of the leadership turnover and the transformation in the political and economic structures of Taiwan, some old factors which affect Chinese unification gradually fade away, but new factors emerge rapidly on the scene. These changes deeply entangle the development of Taiwan-mainland relations.

B. The Change in the Mainland

While the Taiwanese society undergoes a substantial change, mainland China is experiencing a second revolution--sweeping political and economic reforms undertaken by Deng Xiaoping and his followers.¹³ Since 1978, the scope and complexity of these reforms have become so immense that the entire Chinese society has been reshaped.

1. **Succession Problem.** Similar to the Taiwan's situation, the mainland is approaching the end of strongman rule. Deng Xiaoping, 84-years-old and the last supreme leader of the CCP, has made an effort to arrange for a second and third echelon of leadership for years. There is no doubt that in the post-Deng period, no Communist leaders can enjoy the same authority as Deng. Under such a situation, concerning the Taiwan issue, the future collective leadership of the CCP is unlikely to

¹³ Harry Harding, China's Second Revolution: Reform after Mao (Washington, D.C.: The Brookings Institution, 1987), 1-7.

make any bold changes, such as, making further concession to Taiwan, for fear of encountering objection from the inner circle. For this reason, some scholars suggest that Taiwan authorities should negotiate with the mainland, while Deng is alive. In this way, China experts hold that Taiwan can acquire a better offer from Deng than from his successors.¹⁴

2. Generation Change. In the recent decade, there have been a great change in the People's Republic. Most of the first generation of the party cadres have been retired or passed away; the new generation of leaders have begun to undertake the major tasks of running the government and party. These new political leaders are better educated than the old leaders. Moreover, they show less ideological fervency in dealing with the issues. In addition, they do not have the experience of struggling with the Kuomintang as their forefathers.

Due to a discrepancy in the educational and historical background, the future leadership in the mainland is more likely to treat the Taiwan-mainland question in the way different from the previous generations. As long as Taiwan does not claim independence, the new leaders may take a more realistic attitude toward the Taiwan issue. Still, on the other

¹⁴ Kuo-chi Jih-pao (International Daily News), 16 August 1988: 1.

side of the coin, under the collective leadership, the rivalry between Taiwan and the mainland is unlikely to be resolved through a spectacular action.

3. Political and Economic Reforms. Chinese reforms are involved in many aspects of society. Viewed from the standpoint of China's unity, the CCP's reform policies have the following implication: In the first place, Beijing's decentralization measures in political and economic fields diminish the authority of the central government.¹⁵ If this tendency persists, the authoritarian nature of the Communist regime will be transformed. In other words, with the political liberalization, it is expected that the differences between Taiwan and the mainland will be gradually lessened, at least in the field of the social pluralism.

Secondly, the CCP's economic modernization casts another factor to resolve the Taiwan issue. Currently, Beijing places economic reforms as the top priority. As discussed previously, the CCP urgently needs a peaceful environment to boost productivity; consequently, reunion with Taiwan by force turns into an unfeasible alternative in the short term. Furthermore, capitalist Taiwan, in Beijing's view, can make a great contribution to Chinese modernization in matters of technology, management skill,

¹⁵ Daniel Southerland, "Some Chinese Fear 'Economic Warlordism'," The Washington Post, 12 December 1988: A1, A20.

foreign exchange, etc. Therefore, Chinese Communists present the "one country, two systems" proposal, hoping to solve the Taiwan issue, peacefully.

In a nutshell, with the change in the political and economic structures on the mainland, the background conditions for reunification have also changed, as well.

This situation will produce a new opportunity for reconciliation between Taiwan and the mainland.

4. Detente with the Neighbors. In the past several years, one of PRC's important achievements lies in improving the relations with China's neighbors, India and the Soviet Union. Indian Prime Minister Rajiv Gandhi visited Beijing at the end of 1988. He is the first Indian prime minister to go to China since 1954. Gandhi's visit symbolizes improvement in Sino-Indian relations.¹⁶

Simultaneously, the PRC is also trying to reduce its tension with the Soviet Union. Beijing has indicated three obstacles that are blocking normalization of the bilateral relations: (1) Soviets troop in Afghanistan; (2) the Vietnamese occupation of Cambodia; and (3) Soviet army along the Sino-Soviet border.¹⁷ Since the new Soviet leader, Mikhail Gorbachev, came to power, he has

¹⁶ "Sino-Indian Relations Usher A New Era," Beijing Review, 2-8 January 1989: 9-10.

¹⁷ Daniel Southerland, "China Comments on Soviet Ties," The Washington Post, 10 April 1985: A17.

expressed his country's willingness to overcome these barriers in his Vladivostok address in October 1986. In the ensuing years, some of these obstacles have been removed, such as the pullout of the Soviet forces from Afghanistan. The Sino-Soviet ties, consequently, have improved. Both governments have decided to hold a summit meeting in Beijing in May 1989.¹⁸ Gorbachev will be the first Soviet Party general secretary to set foot on Chinese soil in 30 years.

Needless to say, for the PRC, improving the ties with the peripheral countries will be helpful in creating a secure and peaceful environment for its economic modernization. But, from the perspective of reunification, reducing the pressures from the surrounding countries will help the PRC gain more leverage regarding the Taiwan issue.

Summing up the above analysis, the old thinking obviously has become out-dated due to the kaleidoscopic changes on both sides of the Taiwan Straits. In practice, the political leaders in the People's Republic and in Taiwan have begun to perceive this transition which will have a deep impact on their relations. Both parties at present are slowly adjusting their strategy of reunification for acceptance of this new situation.

¹⁸ Daniel Southerland, "Shevardnadze Brings Letter from Gorbachev to Beijing," The Washington Post, 2 February 1989: A32.

Before examining their strategy, it is necessary to introduce another important variable: the role of the United States in the course of Chinese reunification.

II. U.S. Role in Chinese Unity

Since Richard Nixon opened the doors of mainland China, U.S. policy toward China's unification has never been changed. This policy includes three important elements: (1) acknowledging that there is but one China and Taiwan is part of China; (2) insisting that differences between Taiwan and the mainland must be resolved by themselves through peaceful means; (3) stating that the U.S. will not mediate differences between the two Chinese sides, nor will U.S. force Taipei to negotiate with Beijing. This basic stance of American government has been consistently laid down in the following documents: the Shanghai Communique, 28 February 1972; the Joint Communique on the Establishment of Diplomatic Relations, 1 January 1979; the August 17 Communique of 1982; and other official statements of American government on the Chinese reunification.

Even though American government reiterates its policy of noninvolvement in China's unity, the PRC, however, considers this policy to be deceptive. In Beijing's view, US arms sales to Taiwan are the best evidence substantiating American interfering in domestic issue of China, hindering the Chinese reunification.

Since 1979, the PRC on many occasions has indicated that US arms sales to Taiwan is a major barrier blocking the development of Sino-American relations. Beijing has requested Washington to terminate its supply of military equipment to Taipei.¹⁹

Yet American government does not agree with Beijing's charge that the U.S. is interfering in China's affairs. In Washington's opinion, when its diplomatic relations with the PRC were established, neither side ever expressed a consensus on the Taiwan issue. Concerning the reunification question, the US government for a long time has been only concerned about a peaceful means to achieve the destination which must be peaceful. Based on this consideration, until the situation of the Taiwan Straits is settled, the American government has an obligation to offer military equipment to Taiwan for its defense. Moreover, supply of defensive weapons to Taiwan is prescribed in the Taiwan Relations Act, 1979. The American government is doing nothing more than implementing the law passed by its Congress.²⁰

Because of the arms sales issue, Washington-Beijing ties were unstable for a number of years. PRC's rage

¹⁹ "Hostile Policy will Sabotage Sino-US Relations," Beijing Review, 26 July 1982: 9.

²⁰ Martin Lasater, "The PRC's Force Modernization: Shadow over Taiwan and U.S. Policy," Strategic Review (Winter 1984), 57-60.

finally climbed to a peak in 1982 when the American government prepared to sell FX advanced fighters to Taiwan instead of the antiquated F-5A and F-5E fighters. Beijing presented Washington with a vigorous protest over the FX decision. The PRC threatened that Sino-American strategic relations would be seriously damaged unless the US promised to gradually reduce arms sales to Taiwan, simultaneously giving an exact date for the termination of such sales.²¹

In that diplomatic storm, it was reported that Beijing even implied that it might downgrade its ties with Washington, if the arms sale question could not be resolved. In consideration of Sino-American strategic interest, Washington finally was forced to drop its decision to sell Taiwan the FX fighters. Moreover, US and PRC drafted a joint communique on the issue of US arm sales to Taiwan. This communique was released on 17 August 1982. It embraced several significant parts:

(1) US reiterates that there is but one China and Taiwan is part of China;

(2) US has no intention to pursue a policy of "two Chinas" or "one China, one Taiwan";

(3) US appreciates the PRC's policy of striving for a peaceful resolution of the Taiwan issue as indicated in

²¹ Martin L. Lasater, The Taiwan Issue in Sino-American Strategic Relations (Boulder: Westview Press, 1984), 178-201.

PRC's Message to Compatriots in Taiwan issued on 1 January 1979 and the Nine-Point Proposal put forward by the PRC on 30 September 1981;

(4) because of the above new situation, US states that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years and it intends to gradually reduce its arms sales to Taiwan, leading to a final resolution.²²

As a matter of fact, the August 17 Communique only temporarily quelled the diplomatic storm between the US and the PRC; the question of the arms sales did not acquire a definite resolution. In the ensuing years, Washington and Beijing continually quarrelled with the explanation of the communique in three aspects: First of all, according to the communique, reducing arms sales to Taiwan, in Washington's view, is based on an assumption that the tension in the Taiwan Straits had been diminished. In other words, if the PRC abandons its stand on peaceful reunification, American government may increase its arms sales to Taiwan. But, Beijing holds that decreasing US arms sales to Taiwan is unconditional

²² "U.S.-PRC Joint Communique, August 17, 1982," Dept. of State Bulletin, 82, no. 2067 (Oct. 1982), 19-21.

as stated in the August 17 communique.²³

Secondly, even though the United States promised a gradual decrease in its arms sales to the Republic of China, there is no exact date for the termination. PRC's ambassador to Washington, Han Xu, complained that according to the present rate of decrease in arms sales, it will take about 50 years to end them. At present, the American government cuts down its sales about \$20 million each year. In 1990, it is reported that US-Taiwan arms deal will be reduced to \$660 million.²⁴

The third complicated issue relevant to the question of the arms sales is the transfer of technology. Since signing the August 17 Communique, the American government has turned to secretly transferring military technology to Taiwan in order to avoid Beijing's protest. In doing so, Taiwan can get what it urgently needs without directly buying American weapons. Beijing deems the supply of military technology as a violation of the August 17 Communique.²⁵ But, American government takes a different view.

Actually, Beijing has clearly recognized that the

²³ "The United States Should Strictly Observe Agreement," Beijing Review, 30 August 1982: 25-26; see Robert A. Scalapino, "Uncertainties in Future Sino-U.S. Relations," Orbis (Fall 1982): 681-696.

²⁴ Chung-yang Jih-pao, 28 January 1989: 1.

²⁵ Shih-chieh Jih-pao, 7 November 1988: 1.

arms sales issue cannot be resolved immediately. Therefore, it turns to foment a more active US role in Chinese reunification, especially in forcing Taipei to negotiate with People's Republic. In 1985, Deng Xiaoping sent a message to the U.S., requesting American government to help resolve the reunification issue. But, the Reagan Administration, after careful consideration, decided to reject Deng's request, making no change in US policy on the Taiwan issue.²⁶

Why does American government retain the present policy toward China's unity? Does this policy serve US interest best? How far can this policy go in a changing Sino-Soviet relations? All these questions have piqued the debate in Washington since the mid-1980s.

American policy of noninvolvement in the Taiwan issue has won the support from both major US parties, Republican and Democratic. Under this policy, US improves its relations with the PRC, on the one hand, and maintains substantial ties with an old ally, on the other. Moreover, because of this policy, many Americans can shuttle between two sides of the Taiwan Straits when conducting their business. For Washington, this policy serves so many interests devoid of any risk of breaking the established consensus on China's reunification.

²⁶ Martin L. Lasater, U.S. Policy toward China's Reunification (Washington D.C.: The Heritage Foundation), 112-113.

Nevertheless, accompanied by improvement of Sino-Soviet ties, US reunification policy is faced with a challenge. The first noticeable alarm arose from the Soviet General Secretary's speech in Vladivostok in 1986. In the speech, Mikhail Gorbachev stated that the Soviet Union would play a more active role in Asia, in order to improve relations with Beijing.

The new Soviet diplomatic moves raised concern in Washington to the effect that Sino-Soviet ties might improve in the way that would alter the regional power balance. Consequently, some experts suggest that the U.S. could prevent such a power shift by forcing Taipei to negotiate with Beijing. The Reagan Administration after serious consideration, found no compelling reason to change its attitude. So, its reunification policy has been retained.

From the previous analysis, it is worthwhile to note that American policy of noninvolvement bears on playing "the China card." From the Nixon Administration onward, US continually harbors hopes to use the PRC to partially counterbalance the Soviet threat in Asia. Each time when US feels it is likely to strengthen strategic linkage with Beijing, Washington confronts a dilemma: should its stance on the Taiwan issue be yielded in exchange for Beijing's strategic cooperation?

Development of Sino-Soviet relations will introduce

a new variable to the balance of power in Asia. Even though American government, as of now, still keeps the line of noninvolvement in China's reunification, how far this policy can go has been questioned.

In March 1987, the US Secretary of State, George Shultz visited China. His remark on the Taiwan issue at first caused some anxiety in Taiwan about a possible change in US reunification policy. Shultz stated that

The principles of one China and a peaceful resolution of the Taiwan question remain at the core of our China policy. While our policy has been constant, the situation itself has not and cannot remain static. We support a continuing evolutionary process toward a peaceful resolution of the Taiwan issue. The pace, however, will be determined by the Chinese on either side of the Taiwan Strait, free of outside pressure.

For our part, we have welcomed developments, including indirect trade and increasing human change, which have contributed to a relaxation of tensions in the Taiwan Strait. Our steadfast policy seeks to foster an environment within which such developments can continue to take place.²⁷

According to Chun-tu Hsueh, who has discussed Shultz's remark with high ranking U.S. and Chinese diplomats, Shultz's statement was an indication of a significant shift of U.S. attitude, if not policy, "from completely neutral to a positive position, a subtle reflection of new developments that call for contacts

²⁷ Secretary Shultz's remarks at a banquet in Shanghai on 5 March 1987 was printed in Dept. of State Bulletin, 87, no. 2122 (May 1987): 10-11.

that Taiwan has persistently refused in the past."²⁸ However, the U.S. Taiwan policy of noninvolvement has basically remained unchanged.

III. Beijing's Strategy of Reunification

In 1979, Beijing leaders launched a new campaign for reuniting mainland China with Taiwan. In the last several years, the CCP's reunification blueprint has gradually developed into the "one country, two systems" proposal. Beijing, on many occasions, declared that it would offer Taiwan more generous terms than those offered to Hong Kong and Macao.

This favorable offer states that after reunification Taiwan can retain its armed forces and continue to buy defense weapons from other countries. In contrast, on the Hong Kong issue, the CCP insisted that it will station troops in the territory because this action symbolizes the recovery of sovereignty.

Moreover, Beijing also promised that negotiations between the CCP and the KMT will be on an equal basis. That is to say, Beijing will not regard this negotiation as a compromise between central and local authorities.

As for Beijing's offer, Taiwan's leaders, from the beginning, have showed little interest, and considered it

²⁸ Chun-tu Hsueh, "The Reunification of China," China Daily (Beijing), 24 April 1987; For the Chinese version of the article, see Chun-tu Hsueh, Menlin Ji (Collected Works), 211-213.

a trick of CCP's united front. In order to entice Taiwan to accept its reunification suggestion, the CCP thereby has adopted three strategies: nationalistic appeal, economic allurements, and coercive means.

A. Nationalistic Appeal

The CCP understands that most of the senior Kuomintang leaders have struggled all their lives for the prosperity and strength of China. Despite hostility toward Chinese Communists, the old cadre of the KMT have retained strong identification with mainland China. For this reason, the CCP often employs nationalism to shake their stand on the issue of reunification.

On the subject of nationalism, Beijing often enkindles two traditional myths rooted in Chinese minds: (1) historical consciousness of a unified China; (2) dividing China is analogous to treason.

As far as the first myth is concerned, Beijing depicts that "although China experienced many dynastic changes and even situations of separatist regimes, national unification was always the main current in history. This is unique among countries of the world with ancient civilization."²⁹ Because of this historical consciousness of a unified country, China can survive despite many destructive forces in its developmental

²⁹ Lin Ganquan, "On Splits and Unification in Chinese History," Renmin Ribao, 27 May 1985: 5; translated in FBIS, 6 June 1985: K2-K5.

process. By virtue of this myth, Beijing proclaims that the division of the Chinese motherland is unbearable and causes suffering among its people; only by reunifying can China be stronger and more prosperous.

Another traditional idea concerning the national unification presumes that the one who contributes to Chinese unification will go down in history as a national hero. Conversely, not working for unification will make him a traitor. In the Message to Compatriots in Taiwan in 1979, Beijing stated that

...The important task of reunifying our motherland, on which hinges the future of the whole nation, now lies before us all; it is an issue no one can evade or should try to. If we do not quickly set about ending this disunity so that our motherland is reunified at an early date, how can we answer our ancestors and explain to our descendants? This sentiment is shared by all. Who among the descendants of the Yellow Emperor wishes to go down in history as a traitor?³⁰

With the relaxation of Taiwan-mainland relations, Beijing's nationalistic appeal somehow has obtained a few responses from Taiwan. In September 1988, an old legislator of Taiwan, Hu Chiu-yuan visited the mainland and discussed the unification issue with high level officials there. He requested that the CCP and the KMT negotiate the question of reunifying China.³¹ Even

³⁰ "N.P.C. Standing Committee Message to Compatriots in Taiwan," Beijing Review, 5 January 1979: 18-19.

³¹ "Taiwan 'Legislator' Visits for Unity," Beijing Review, 3-9 October 1988: 10-11.

though Hu violated the ban on contacting CCP's officials, he, however, was not punished by law, as expected.

Furthermore, in July 1988, 34 senior and retired leaders of the KMT, headed by Chen Li-fu, put forth a proposal for the reunification of China through Chinese culture. They suggested that if the CCP were to give up Communism, Taiwan would financially support economic development in the mainland with a large subsidy.

From the above two cases, it is revealed that calling for unification by nationalism can touch the feelings of the people in Taiwan, even though most of them are aged mainlanders.

In addition, the CCP appeals to the homesickness of the mainlanders in Taiwan, encouraging them to visit their relatives and to come live in the mainland. This appeal, indeed, moves a lot of the aged mainlanders. In practice, before the KMT regime lifted its ban on travelling to the mainland, a hundred thousand people had secretly visited their home in the mainland through Hong Kong or Japan. At last, Taiwan authority under great pressure, was forced to permit people go to the mainland for family reunions.

B. Economic Attraction

As discussed before, owing to the pressure from world protectionism and the change in its economic structure, Taiwan urgently needs to exploit new markets.

In contrast, the mainland also needs capital and production skills from Taiwan for modernization. In view of this situation, the CCP urges direct trade between the two markets bordering the Straits. Moreover, after reunification, Taiwan can gain more economic benefits from the mainland, according to Beijing.

Taiwanese businessmen are very practical and smart. In the past decade, no matter how many governmental restrictions are on the books, they have done business with the mainland through third parties, mostly via Hong Kong. Between 1978 and 1987, Taiwan's indirect exports to the mainland increased from \$50,000 to \$1.2 billion.³² In 1988, Taiwan's indirect export to the mainland climbed to \$2 billion, making up 4% of Taiwan's total exports. During the same period, Taiwan's exports to Hong Kong amounted to \$5.6 billion, about 4% of its total exports. It is estimated that after 1997 when Hong Kong reverts to the PRC, the value of exports to the mainland will be stepped up to 15% of Taiwan's output.³³ Moreover, between 1978 and 1987, Taiwanese businessmen's investment in the mainland totaled about \$100 million, but in the single year of 1988, it suddenly increased to

³² Hung-tao Chou, "Hai hsia liang an mao i kuan hsi te chien tao (Evaluation on Taiwan-Mainland Trading Relations)," Shih-chieh Jih-pao (World Journal), 25 July 1988: 26.

³³ "lian an ching mao," 1.

\$400 million, due to the relaxation of Taiwan's policies towards the mainland.³⁴

In facing the rising trade flow between the two entities on the Straits, Beijing is pleased on two accounts. For one matter, this tendency will increase its leverage over Chinese reunification because Taiwan will pour large investments into the mainland. Secondly, economic cooperation among the three markets--mainland, Hong Kong, and Taiwan--is beneficial to the Chinese economic development. Beijing points out that

...integration of the mainland's scientific research results, raw materials, and cheap labor with Taiwan's capital, management expertise, and marketing technology and Hong Kong's financial and communication facilities is certain to create an Asian economic power--a great Chinese economic entity.³⁵

C. Coercive Means

Apart from nationalistic appeal and economic allurements, Beijing, more often than not, threatens Taiwan by saying that it will not rule out the possibility of using force to resolve the Taiwan issue. In light of various CCP leaders' remarks on the Taiwan issue, it may be stated that under four conditions Beijing would consider using force against Taiwan: (1)

³⁴ "Commentary on Taiwan Investments on Mainland," Zhongguo Xinwen She; translated in FBIS, 4 January 1989: 77.

³⁵ "Commentator on Taiwan Economic Cooperation," FBIS, 9 January 1989: 71.

Taiwan allies with the Soviet Union; (2) Taiwan claims independence; (3) Taiwan develops nuclear weapons; and (4) turmoil occurs in Taiwan.

In recent years, in view of the various changes in Taiwan, the CCP reveals its apprehension that the Taiwan issue will drift way out of control. Consequently, Beijing adds another situation in which the military action might be used against Taiwan, that is, that Taiwan authority continues to refuse to negotiate with the CCP.

The latest Beijing threat to use force against Taiwan happened in early November 1988. It was reported by Taiwan sources that Deng Xiaoping, in the second working conference on the theory of united front work, made the strongest and longest speech he ever made on the subject of reunification. He warned that if the KMT continues to reject peace talks with the CCP, Beijing might select non-peaceful methods to resolve the unification question.³⁶ In terms of the CCP's leaders' remarks on the Taiwan issue, it seems that they are gradually losing their patience and urgently seek a definite resolution.

Aside from the threat to use force, the People's Republic also urges other countries not to sell weapons to Taiwan. As shown previously, because of US arms sales to Taiwan, Beijing has a serious conflict with

³⁶ Shih-chieh Jih-pao, 22 December 1988: 1.

Washington. Another example is the 1981 friction between the Netherlands and the PRC because the Netherlands agreed to sell two submarines to Taiwan. Beijing protested that the Dutch deal seriously intervened in the internal affairs of China.³⁷ But, Amsterdam disregarded the PRC protest and decided to honor its contract with the ROC; as a result, Beijing immediately downgraded its diplomatic relations with Amsterdam.³⁸ The PRC did not improve its ties with the Netherlands until several years later when Amsterdam promised that it would not make any military deals with Taiwan.

Boycotting Taiwan to take part in international organizations is another of Beijing's means of coercing Taiwan's authority to rethink its peaceful offer. As a result of Beijing's interference, Taiwan was excluded from all important international organizations during the 1970s. In recent years, in consideration of the possibility of Taiwan independence, Beijing agrees that Taiwan authority can use the name of "China, Taipei" to participate in various organizations in the international society. Nevertheless, Taipei regards this as a Beijing trick.

To sum up, while pushing the KMT to accept the "one

³⁷ "Dutch Government's Bad Decision," Beijing Review, 2 March 1981: 14.

³⁸ "China Downgrades Sino-Dutch Diplomatic Relations," Beijing Review, 11 May 1981: 10.

country, two systems" proposal, the CCP aims to employ the various means mentioned above to achieve its ends. However, Taiwan, despite being under great pressure, has not bent to Beijing. In other words, Beijing's strategies for reunification do not project a determinant effect on Taiwan. How does it happen? Before examining the shortcomings of China's strategies, it is better first to understand Taipei's attitude toward Chinese unity.

IV. Taipei's Attitude toward Reunification

Simply speaking, Kuomintang's attitude toward the Chinese Communists is revealed in its "three noes" policy--no contact, no negotiation, and no compromise. The KMT feels that, according to the past two experiences of cooperating with the CCP, there is no single word from the Communists that was not a lie and no single move that was not political chicanery.³⁹ Based on this distrustful mentality, the KMT, under the leadership of Chiang Kai-shek and Chiang Ching-kuo, always believed that "to talk peace with the Chinese Communists is to invite death."⁴⁰

In the KMT's view, China must be reunified under the Three Principles of the People laid down by Sun Yat-sen.

³⁹ Chiang Ching-kuo, "Bitter Lessons and a Solemn Mission," in Hung-mao Tien, ed., Mainland China, Taiwan, and U.S. Policy (Cambridge: Oelgeschlager, Gunn & Hain, 1983), Appendix H.

⁴⁰ Chiang, Appendix H.

According to Sun's doctrine, China should be established as a country of the people, by the people, and for the people. Taiwan authority maintains that its economic achievement is attributed to the implementation of the Three Principles of the People. Consequently, if the Chinese Communists have a good faith in saving China, they should abandon Communism and live by Sun's program, the KMT indicates.

Therefore, whenever the CCP launched an aggressive reunification campaign after 1979, Taiwan's "three noes" policy becomes more and more unpopular among society. On the domestic side, many liberal scholars and officers complain that this policy is very passive and difficult to implement in international society. Besides, the "three noes" may cause Taiwan to lose the sympathy of many friendly nations that cannot understand why and how Taiwan continues to oppose the CCP.

Even though the KMT's uncompromising policy looks awkward, its stance, however, serves several unseen Taiwan interests. If Taiwan changes its present policy toward the CCP, it will face the following troubles:

In the first place, negotiating with CCP will likely trigger Taiwanese-mainlander conflicts in Taiwan. Some Taiwanese in the opposing camp are concerned that KMT-CCP talks would result in the KMT selling out Taiwan's interests. Secondly, peace talks between the two sides

will damage Taiwan's economy since businessmen and professionals in Taiwan will feel future insecurity. This sentiment will affect willingness to invest in the business circle, and cause many professionals to emigrate abroad. Thirdly, negotiating with the CCP will downgrade Taiwan's status in the international society. At present, Taiwan still has diplomatic relations with 23 countries. When Taiwan begins its talks with the mainland, most of these countries are expected to recognize Beijing. Fifth, once Taipei negotiates with Beijing, it is likely that U.S. arms sales to Taiwan will be cut down further because of the amelioration of the situation in the Taiwan Straits.

Considering above factors, apparently, once the Kuomintang holds peace talks with Beijing, its bargaining position will immediately weaken because of the disadvantageous change in the domestic and international situation. Under such a circumstance, how can Taipei acquire acceptable terms from Beijing? Consequently, for the KMT, negotiation itself can damage its political and economic basis, leading to an unfavorable outcome of negotiations.

So, currently Taiwan is at a crossroads: confrontation or conciliation. At the cost of insisting on the "three noes" policy, the strained relation becomes more and more intolerable; in contrast, negotiating with

the CCP can be harmful to Taiwan's interests. This situation constitutes a great dilemma for the Kuomintang.

In June 1982, former Premier Sun Yun-hsuan, for the first time, revealed a slight change in the KMT's attitude toward Chinese reunification. While addressing the 11th Sino-American Conference on mainland China, Sun pointed out a possible way of reunifying China. He said that "if the political, economic, social, and cultural gaps between the Chinese mainland and Free China continue to narrow, the conditions for peaceful reunification can gradually mature....The obstacles to reunification will be reduced naturally with the passage of time."⁴¹ In his speech, Sun also quoted President John Kennedy's address--"the United States would never fear to negotiate but would never negotiate out of fear"--to clarify the KMT's position on the question of reunification.

Sun's remark showed a sign that in dealing with the reunification issue, the KMT's ideological fervor gradually has given way to realistic thinking. In later years, the KMT has been inclined to emphasize three preconditions for peaceful reunification: (1) the CCP must give up "the four cardinal principles"; (2) the CCP must renounce the use of force against Taiwan; and (3) reunification must wait until the social and economic

⁴¹ "Premier Sun Discusses Issue of Reunification," FBIS, 11 June 1982: V1.

gaps between two sides of the Straits are reduced.

These three requirements for reunification of China surely cannot be accepted by the CCP, but they are more realistic and understandable than the formula, "reunifying China through the Three Principles of the People."

Aside from its relaxing ideological terms on the issue of reunification, the KMT in recent years has also adjusted its foreign and mainland policies in hoping to assuage the pressure from Beijing.

A. Flexible Mainland Policy

Taiwan's new mainland policy, simply speaking, still adheres to the "three noes" principles, but moves toward a major expansion of unofficial contacts with the mainland. James Soong, deputy secretary general of the Kuomintang Central Committee, has called for the separation of China and the Chinese Communists. He states: let China be China; Chinese Communists be Chinese Communists. His idea portrays the nucleus of Taiwan's present policy toward the mainland.

According to the KMT's idea, the party hopes to draw a line between politics, on the one hand, and economic, cultural, and academic exchanges, on the other. Concerning government contacts, the KMT keeps following the "three noes" policy; with regard to nongovernment contacts, the KMT prepares, stage by stage, to lift the

bans and let people on both sides have the opportunity to contact one another.

Under this framework, Taiwan authorities revoked the restrictions on visits to the mainland by citizens who have relatives there in October 1987. Over the past year, estimates reveal that more than 385,000 Taiwanese have traveled to the mainland.⁴² In addition, in November 1988, Taiwan authorities agreed that mainlanders can come to the island on the condition that they wish to visit their ailing relatives or attend family funerals. Presently about 100 mainland residents have applied for trips to Taiwan.⁴³

Aside from family reunions, in April 1988 authorities allowed people of two regions to have regular correspondence through the Red Cross Society in Taiwan.⁴⁴ According to statistics, the society had transferred 1.4 million letters from Taiwan to the mainland by the end of 1988. Reports tell that the average letter flow between the two sides have reached more than 18,000 letters a day.⁴⁵

⁴² "Number of Taiwan Tourists, Businessmen Increases," FBIS, 29 December 1988: 78.

⁴³ "First Residents Visit Taiwan Since Ban Lifted," FBIS, 17 November 1988: 72.

⁴⁴ Chung-yang Jih-pao, 28 March 1988: 1.

⁴⁵ "Changes in Mainland, Taiwan Relations Noted," FBIS, 29 December 1988: 76.

On economic aspects, the ruling party on Taiwan allows indirect trade between Taiwan and the mainland via a third party. Moreover, the government permitted the import of 50 mainland agricultural and industrial raw materials in July 1988; additionally, 20 kinds of raw materials from the mainland will be approved on sight.⁴⁶ But, in consideration of national security, Taiwan authorities prohibit local companies and businessmen from directly trading with or investing in mainland enterprises.⁴⁷

Two other unprecedented measures made by Taipei are: first, Taiwan has decided to invite outstanding mainland personages, mainland scholars and students working and studying abroad to visit Taiwan. The first group of Chinese mainland students visited Taiwan in December 1988, receiving a friendly and warm welcome. Second, the government in Taiwan has ruled to allow their people in the cultural, educational, and sports circles to participate in activities held by the mainland. Taiwan is expected to participate in the Asian Games to be held in Beijing in 1990.

B. Flexible Diplomatic Policy

As Taiwan insists on the principle of "one China,"

⁴⁶ "Security Stressed in Indirect Mainland Trade," FBIS, 3 January 1989: 81.

⁴⁷ "Government Rejects Direct Mainland Trade," FBIS, 9 January 1989: 74.

it has paid a great price in its diplomatic relations. From the 1970s onward, Taiwan has almost lost all its important diplomatic ties throughout the world. At the present time, only 22 countries, most of them in Central America and Africa, maintain formal relations with Taipei. In addition, most significant international organizations, such as IMF, OECD, and the World Bank, under the pressure of Beijing, have dismissed Taipei's membership. Consequently, Taiwan has become a diplomatic orphan.

Despite diplomatic isolation, the KMT has been surprisingly successful in exerting its economic power to develop substantial relationships in the international society over the past decade. Currently, more than 140 countries maintain trading relations, including economic, cultural, and academic aspects, with Taiwan. Simultaneously, Taiwan manages 62 trade and representative offices in 41 countries.⁴⁸

Because of the Taiwan's economic clout, many countries, little by little, pay substantial attention to their ties with Taiwan. The United Kingdom, France, and Canada recently resolved to upgrade their representative office on Taiwan in order to deal with their consular affairs and import-export business. On the other hand,

⁴⁸ Shim Jae Hoon, "Money and Diplomacy," Far Eastern Economic Review, 2 February 1989: 29-30.

Taiwan authorities supplied \$1.3 billion to establish the Overseas Economic Cooperative Foundation used to help the economic development of Third World countries. Undoubtedly, in facing this attraction, some poor countries will take a more positive attitude toward Taiwan, including the possibility of reviving diplomatic recognition.

Currently, Taipei's stand on diplomacy is that under the principle of one China, it will employ a more aggressive and flexible diplomacy. Although the KMT denies the possibility of dual recognition, the entire tendency driven by Taipei is to extend its links with other nations from unofficial to official nature.

In view of Taipei's diplomatic strategy, Beijing has expressed great concern. In December 1988, Beijing issued a strong statement, indicating that Taiwan intends to create "two Chinas," or "one China, one Taiwan" by means of its flexible diplomacy.⁴⁹ Later, Beijing notified all countries who have formal ties with Beijing that it cannot stand any one developing official relations with Taipei.

C. The Hong Kong Issue

While easing the tensions across the Straits, Taipei also keeps an eye on the likely change in Hong Kong after

⁴⁹ "Spokesman Comments on Taiwan's 'Elastic Diplomacy'," FBIS, 19 December 1988: 69.

1997. On the official stance, Taiwan claimed that it does not recognize the Sino-British agreement on the future of Hong Kong because the ROC is the sole legitimate government of China who should be the authority to negotiate with the United Kingdom. Nevertheless, in reality, Taipei has gradually found itself walking into a stalemate on the issue of Hong Kong.

At one extreme, Taiwan has a significant stake in Hong Kong from the following aspects: (1) Hong Kong is Taiwan's third most important trading partner; (2) Hong Kong acts as a Taiwan's major entrepot; (3) Hong Kong is a bridge between Taiwan and the mainland in terms of indirect trade and family reunion; (4) Hong Kong is the largest financial center in Asia. All these interests that Taiwan has with Hong Kong are so important that the KMT leaders feels it difficult to find a third party to replace the role of Hong Kong. In other words, Taiwan will suffer grave consequences if it cuts off its linkage with Hong Kong after 1997.

At the other extreme, the "three noes" policy is going to haunt Taiwan-Hong Kong relations after 1997. Under the shadow of no compromise with the Chinese Communists, how can the KMT continue to retain its intimate connection to Hong Kong without question?

At present, the Taiwan authorities are taking a

wait-and-see attitude on the issue of Hong Kong. In the event that Hong Kong can enjoy high autonomy as promised by Beijing, Taipei may find Hong Kong still useful and will have an excuse for remaining there for business reasons. Otherwise, Taipei will probably turn to locate a third place, such as Singapore, to assume the functions of Hong Kong. But, Singapore is a poor substitute. It cannot replace Hong Kong in Taiwan's eyes. In such a circumstance, the three entities, Taiwan, Hong Kong, and the mainland, will all suffer simultaneously.

V. Adjustment and Prospects

From the above analysis, although the tension between two sides of the Taiwan Straits has been mitigated, no signs thus far show that Taiwan will accept the "one country, two systems" offer, or, that the Communists can force the Kuomintang to give up its present stance. Accordingly, while detente is gradually replacing tension, the prospects for reunification are still obscure.

In 1984, when the PRC came to terms with the United Kingdom on the Hong Kong issue, Beijing leaders had an optimistic hope of reunifying with Taiwan. In the CCP's version, if the Hong Kong problem could be resolved through the "one country, two systems" design, so could Taiwan. But, viewed from the practical situation, although Taiwan authorities are relaxing their policies

toward the mainland, the relations between Taiwan and the mainland must remain threefold: (1) one-sided, not bilateral flow, (2) non-government relations only, and (3) economic, not political, interaction in nature. In this way, Beijing cannot gain the expected result through improved ties between the two governments.

Briefly, the shortcomings of the CCP's reunification policy toward Taiwan include three points: First of all, concerning Chinese unity, the CCP continued for years to place its hopes on the KMT. Beijing on many occasions has urged the cooperation for the third time between the CCP and the KMT. It sounds like that if the KMT accepts the CCP's offer, the Taiwan issue can be settled immediately.

This observation ignores the fact that the present KMT is neither the one in mainland China of the 1940s nor the one in Taiwan of the 1950s and 1960s. With the changes in the political and economic structure, the KMT no longer enjoys the supreme authority it once did. As indicated by Lucian Pye several years ago, "change in Taiwan has passed the point at which it would be easy or even possible for the top leaders to declare that Beijing's nine points for reunification are acceptable, thereby settling the matter."⁵⁰ At this point, it is

⁵⁰ Lucian W. Pye, "Taiwan's Development and Its Implications for Beijing and Washington," Asian Survey, 26, no. 6 (June 1986): 614-615.

unrealistic for the CCP to presume that Taiwan can be delivered to Beijing anytime the KMT wishes to do so.

Secondly, while urging Chinese reunification, the CCP always appeals for nationalism, ignoring the fact that a nationalistic appeal has its limitations. There is no doubt that the value of identity is important to mankind. But, men also care about and pursue other values, such as security, freedom, happiness, and self-fulfillment. Provided that there exists a conflict among these values, men generally rank them in order according to their preference. From this perspective, nationalism is not irresistible; it can be sacrificed for other values.

The discrepancy between Taiwan and the mainland in the economic and political fields presents a case in point. Most people in Taiwan support the idea of Chinese reunification, but most of them oppose reunifying China under the current circumstances. That is to say, most people on Taiwan do not want to satisfy the feeling of nationhood at the risk of losing other critical values, such as freedom, prosperity, and security. By this account, it can be partially explained why the "one country, two systems" cannot attract the interest of the Taiwanese.

Aside from the above two reasons, lacking support from past credibility provides another weak point of the

CCP's reunification proposal. Besides, the past struggle between the KMT and the CCP also make "opposing communism" a joyous mandate on the island of Taiwan, to some extent. However, the reason for opposing Communism has changed. In the KMT's view, the present duel between the KMT and the CCP is not for party interest but for the right path of development for all China to take. With this mentality, Taiwan naturally has no interest in the proposal presented by Beijing.

Recently, there have been several signs showing that the CCP is beginning to adjust its reunification strategy. The first sign is revealed in the expansion of the united front. Except for Kuomintang, Beijing also expressed that it is willing to cooperate with other political groups and parties on the issue of unification. On 26 December 1988, the official magazine, Liaowang (Outlook), stated that "we place our hopes in the Taiwan authorities, and we place more of our hope in the people of Taiwan." This official magazine also said that "the mainland is willing to discuss the way toward reunification with all parties, factions, groups, and people from all walks of life."⁵¹ More importantly, for the third time, cooperation between the KMT and the CCP

⁵¹ Jiang Nong, "A General Survey of the Mainland's Policy toward Taiwan over the Past Decade," Liaowang (Outlook), 26 December 1988: 8-9; translated in FBIS, 9 January 1989: 68-70.

was not mentioned in this article. This demonstrates that Beijing has become more understanding about Taiwan's situation than before.

Another interesting sign appearing in Liaowang is that the CCP recognizes that "currently, the two sides are still in a consensus building stage. There is still some way to go before talks on reunification." At this point, it seems that the CCP is beginning to pay attention to the confidence gap between the two sides. Furthermore, several other articles published in mainland newspapers urge the establishment of a trading organization in dealing with the increasing commerce between Taiwan and the mainland. All these developments indicate that Beijing is gradually taking a more realistic attitude toward the Taiwan issue. But, can the Taiwan-mainland relations be developed into the conditions Beijing expects? This subtle question will be discussed in the following chapter.

CHAPTER 6

Conclusion: Feasibility

In the foregoing chapters, the reunification plan, "one country, two systems," offered by Beijing leaders, has been examined from three different angles: historical background, theoretical foundation, and policy implementation. In this chapter, this reunification overture will be reviewed in a broader context. The main focus will concentrate on two aspects: first, under what conditions can the "one country, two systems" scheme be successfully applied to solve the problems of Chinese unity? Second, do any alternatives exist for peacefully ending the division of China? The former question centers around the limitation and applicability of Beijing's overture; the latter is focused on other feasible ways toward Chinese unification.

For the convenience of analysis, discussion begins with speculation on several likely prospects of the Hong Kong model.

I. Prospects of the Hong Kong Model

In regard to the possible scenarios of Hong Kong after 1997, both pessimism and optimism prevail. Optimists hold that the "one country, two systems" will work because Beijing considers that the success of the

Taiwan issue and its mainland modernization hinges on the performance of the Hong Kong model. At the same time, some observers assume that the Chinese Communists are now assuming a capitalist posture. The ideological tensions between two systems will be gradually relaxed to a point in which coexistence becomes possible.¹

In contrast, pessimists take a dim view of Hong Kong's future for the following reasons: (1) the ideological conflict between Communism and capitalism; (2) the crisis of confidence among the Hong Kong people; (3) Beijing's lack of experience in running a capitalist system; and (4) the mutable policies of the Chinese Communist Party (CCP).²

Needless to say, pessimists and optimists can find much rationalization to support their views, respectively. But, neither side can predict the future for certain. In other words, the future of Hong Kong is still filled with many uncertainties, some advantageous, some disadvantageous. Consequently, wishful thinking or anxiety are not helpful to the future of Hong Kong. The proper way of examining the prospects of the territory is to elicit the factors which render the "one country, two systems" plausible and ones which will disclose the

¹ George L. Hicks, "Hong Kong on the Eve of Communist Rule," The Future of Hong Kong, ed. Hungdah Chiu et al. (New York: Quorum Books, 1987), 24-25.

² Hicks, 25-29.

adversities. By doing so, the preconditions of Hong Kong home rule should be clarified.

What are the preconditions of the Hong Kong model? In Beijing's opinion, the basic idea of two systems in one country is grounded on three assumptions:

(1) Retaining Hong Kong's capitalist systems without change is proposed to facilitate economic modernization in the mainland;

(2) The Hong Kong special administrative region (Hong Kong SAR) emulates the long-standing British colonial institutions and policies. Just as the British governed Hong Kong, Beijing intends to continue the benign dictatorship long established there. People can enjoy the capitalist lifestyle and freedoms, but political participation and institutions that check-and-balance the government institutions are not included in Beijing's conception;

(3) After reunification, Hong Kong and the mainland, will be ideologically separated by two systems. Beijing does not want the socialist mainland to affect Hong Kong's society; simultaneously, capitalist Hong Kong is not expected to interfere with the mainland.

Clearly, if any one of these three pillars were to erode, the foundation of the "one country, two systems" plan would collapse. The present trouble with Hong Kong lies in the fact that each of the buttresses discussed

above could be undermined. For this reason, both the Beijing leaders and the Hong Kong elites feel difficulty in continuing the expected development of Hong Kong beyond 1997. In the following, several different scenarios will be mapped out to decide the possible changes in the three preconditions of the Hong Kong model.

A. Economic Modernization in the Mainland

Since 1978, the Chinese Communists have launched comprehensive and courageous economic reforms to catch up with the advanced nations by the mid-21st Century. This Chinese economic modernization involves complicated and multi-dimensional changes in its society. It is impossible for this discussion to cover all the changes so comments here are confined to facets of this reform relevant to the future of Hong Kong.

While exploring the relationship between Hong Kong and PRC's modernization program, some scholars are inclined to infer that because Hong Kong can make a significant contribution to the mainland development, Beijing, will not strangle this important catalyst. Their views are well founded in some respects. With an internationally-oriented economy, Hong Kong, is the best place through which the PRC can not only acquire financial services and technology transfer, but the enclave is also a channel through which the People's

Republic can expand its trade with other countries.³

However, this contention is conditional. Its basic assumption presumes the continuation of the economic modernization in the mainland. If this assumption is not valid, no matter the degree of contribution Hong Kong makes to China's economic expansion, the success of the Hong Kong model cannot be guaranteed. For this reason, the following analysis will circumvent the linkage between Hong Kong and Chinese modernization; rather, it will examine possible development of Beijing's economic reform, which will produce different impacts on the "one country, two systems" scheme.

1. **Three Prospects of Economic Reform.** Generally speaking, there are three possibilities concerning China's modernization program in the future:

(1) the breakdown of economic modernization; (2) the rapid advancement of economic modernization; and (3) the slow motion of the economic modernization.

In the first scenario, some students are concerned that if the PRC's economic reforms encounter serious frustration or the leftists regain power, the mainland may turn back to self-reliance or Stalinist strategies to develop its economy. Under such a circumstance, Beijing's policy toward Hong Kong may be changed. Very

³ Piers Jacobs, "Hong Kong and the Modernization of China," Journal of International Affairs, 39, no. 2 (Winter 1986): 63-75.

likely, Hong Kong will be another Shanghai of the 1950s, the city that was transformed to a socialist economy after the Communists' takeover.⁴ Even if this situation takes place, Hong Kong will remain at the top of Chinese economy. Its strong physical infrastructure and excellent geographical position remain as the strong points of the territory.⁵ Nevertheless, the Hong Kong people will suffer unprecedented changes in their lives as the PRC takeover.

Another scenario refers to the possibility that the mainland reforms go very smoothly. Through the help of Hong Kong and its special economic zones, the growth of the mainland could increase so fast that PRC will reach its expected goal by the mid-21st Century. At that time, the instrumental value of Hong Kong will be exhausted. So, possibly the CCP will not allow the Hong Kong SAR to continue another 50 years. Hong Kong may be turned into a special economic zone under the control of the "red capitalists." If this phase occurs, the "one country two systems" will be short lived, ending in about 50 years.

The third possible future on Hong Kong is that the progress of Chinese modernization becomes a footdragging

⁴ Iran Kelly, Hong Kong: A Political-Geographic Analysis (London: Macmillan, 1987), Chapter 6.

⁵ Benjamin P. Fishburne, III, "Hong Kong 1997: Practical Aspects," Case Western Reserve Journal of International Law 20, no. 1 (Winter 1988): 43-50.

process. Similar to many developing countries, the People's Republic, while developing its economy, is crippled by many problems, such as the shortage of capital, the lack of technology, and overpopulation. On the other hand, China also has its special restraints in the course of modernization. While pursuing economic development, the Communist leadership demands that this development must be both socialist and Chinese styles, as well.⁶ The former requirement involves continuing retention of its legacy in the mainland; the latter is aimed at preventing the spread of Western values throughout China.

Ironically enough, these three variables--modernization, socialism, and Chinese culture--conflict with one another in many aspects. It is difficult to satisfy these three requirements simultaneously. For example, while using the "responsibility system" to encourage a farmer to step up his agricultural production, the "iron rice bowl" doctrine, which symbolizes the socialist egalitarianism, cannot be sustained.⁷ By the same token, in the wake of the economic development, the increase in the divorce rate

⁶ Suzanne Ogden, China's Unresolved Issues: Politics, Development, and Culture (New Jersey: Prentice Hall, 1989), 5-8.

⁷ Steven N.S. Cheung, "China in Transition: Where Is She Heading Now?" Contemporary Policy Issue, 4, no. 4 (October 1986): 5-6.

and the criminal rate is unavoidable.

In light of the current tendency of economic reform, the CCP apparently attaches much importance to developing productivity at the expense of the socialist values and Chinese culture. Nevertheless, undeniably the socialist and cultural factors constitute a veto power, constraining the distance and speed of economic modernization. This situation is a dilemma for the managers of economic development in mainland China. Still, from another point of view, the footdragging of the Chinese modernization program is beneficial to the continuation of the "one country, two systems" in the Hong Kong area. Only in such a situation will the PRC require this golden goose to continually serve its zigzag development in the future.

As far as the foregoing three scenarios of Chinese modernization is concerned, there is little doubt that the slow-moving mainland economy can serve the best interest of Hong Kong. Either failure or rapid advancement of economic reforms in China will be detrimental to the prospects of the Hong Kong SAR. Close examination will disclose which scenario has the greatest chance of coming true.

2. The Reality of Economic Modernization. For most of the aged party leaders, economic innovation in the mainland means that people will have a better living

standard and the state can therefore be stronger and richer. As to how to achieve these objectives, they do not have a clear idea in their minds, not to mention a consensus regarding goals among them.⁸ This paves a way for the friction in the party as shown in recent years.

The conservative leaders have a strong commitment to the orthodox Marxist and Leninist concept about the role of the Communist party. They tend to support the central, planned economy. Deng Xiaoping and his followers, however, belong to another faction, favoring restricting the scope of the party's role and permitting society to have more autonomy. No matter how conservative or liberal, the leaders try to explain socialism in a way that their versions meet the requirements of socialism. The reformers justify their policies by broadening the concept of socialism. Market mechanism, material incentives, and relaxing of the party's control do not contradict the spirit of a socialist doctrine according to their arguments. Conversely, conservatives worry about these capitalist evils, which will make China alter its course from socialism and turn to capitalism.

Concerning rural reforms, the conservative opposition feels that decentralization and market-

⁸ "Reformists & Conservatives Express Their Attitudes," Inside China Mainland, May 1986: 1-7.

oriented reform lead to the farmer's speculation on cultivating cash crops instead of grain production. If this phenomenon goes on, the decrease in grain production will trigger an agricultural crisis. As a matter of fact, there is an indication that grain production tends to be stagnant now. The total grain production has lowered around about 380 million tons during the past four years.⁹ For this reason, agricultural reforms have encountered acrimonious criticism from the elder leaders.

As for urban reforms, the conservatives are attacking rising inflation and market economy. For them, under the central planning system, economic activity is not only easily controlled, but will not cause an inflationary problem. More importantly, the conservatives are concerned that the ultimate result of further industrial reforms turn out to be an economic system that is no longer socialist.

However, it is interesting that both reform and conservative leaders agree on the open-door policy. Both sides advocate increased trade relations with the Western countries. Moreover, they are against "spiritual pollution" and "bourgeois liberalization," as they

⁹ Stephen Dowdle, "Seeking Higher Yields from Fewer Fields," Far Eastern Economic Review, 19 March 1987:78-79.

describe Western values and ideas.¹⁰

Because Beijing leaders have not come to an agreement on the direction and pace of economic development, government policies thereby cannot break the cycle of decentralization and recentralization, or, loose now and tight later. In order to reform its economy, Beijing has loosened its control over provinces and allowed more market viability. But, when encountering frustration, the central government immediately tightens its control.¹¹

To state an example of recent inflation in the mainland, the main cause of this problem, as indicated by Daniel Southerland, is that "the economic system, only half reformed, has produced a two-tiered price system. Officials who control scarce commodities obtain commodities at state-set prices and sell them at higher prices on the free market."¹² As a result, the coexistence of controlled and free markets stirred inflation and encouraged corruption.

Because of the rising inflation, the Chinese

¹⁰ "It Is Necessary to Deepen the Opposition to Bourgeois Liberalization," Jingji Ribao, 15 May 1987: 1; translated in FBIS, 29 May 1987: K5-K10.

¹¹ "Straining at Beijing's Tether," The Economist, 10 December 1988: 31-32.

¹² Daniel Southerland, "Some Chinese Fear 'Economic Warlordism'," The Washington Post, 12 December 1988: A1, A20.

Communists have begun to hesitate regarding their planned price reform. Although many Chinese economists assume that price reform is the necessary step to modernize Chinese economy, Beijing leaders, after serious consideration, have decided to postpone this plan in order to fight inflation. Beijing fears that the price reform may further fuel inflation, causing the entire economic reform to run out of control.

Unlike the rural reform, CCP's urban innovation recently has become more subtle and complicated. It leaves an impression that the top leadership "has no clear direction but is groping and reacting to events rather than shaping them."¹³ Hence, some maintain that Chinese economic development has stepped into "a prolonged and difficult period of transition."¹⁴

At any rate, even if the reform drive loses its momentum or the conservatives get the upper hand in the future, the economic reform is not likely to be reversed. Two reasons can justify this argument: First, it should be realized that the conservative leaders also support economic reform and the open-door policy. Their differences lie in the pace and direction of economic

¹³ Daniel Southerland, "Deng's Authority Diminishes in China," The Washington Post, 24 December 1988: A10, A11.

¹⁴ Louise de Rosario, "Development and Growth Create New Confusion," Far Eastern Economic Review, 24 March 1988: 59-60.

reform. Based on the traumatic experiences of Mao's era, it is very unlikely that the conservatives will restore the Stalinist or the self-reliance economic system. Secondly, it cannot be denied that the past ten-year reform plan has allowed most Chinese people an opportunity to enjoy the fruits of economic modernization. Consequently, the conservative leaders dare not reject Deng's plan too fast because the whole economic reform policy has won the support of the people. Therefore, it is reasonable to conclude that no matter how intensified the political struggle may be, Chinese economic reforms will not be stopped, but possibly could slow down.

From this standpoint, success of the Hong Kong SAR could become a reality. As mentioned before, the success of the Hong Kong SAR is dependent on continuation of the Chinese modernization program; moreover, progress of economic reforms cannot be too fast. The PRC will appreciate the value of Hong Kong to the mainland, only on this basis. Hong Kong, then, can escape from socialist control for a long time.

B. Political Development in Hong Kong

A recent political development in Hong Kong is a time bomb which might destroy the entire plan of the "one country, two systems." In Beijing's view, the Hong Kong model is similar to that of the crown colony under the

rule of the British government. Citizens are not encouraged to participate in political activities; the governor will enjoy supreme power in the territory and will be responsible only to Beijing; the laissez-faire economy will be kept intact.

But, due to many discrepancies between Hong Kong and the mainland, the Hong Kong inhabitants show no confidence in the assurance of the People's Republic, as indicated in Chapter 4.¹⁵ As to the Hong Kong elites, they are divided into two groups, liberal and conservative. The liberals have the opinion that the best way of protecting home rule in Hong Kong is to establish democracy. With this belief, the liberal group requests that the head of administration and legislators must be chosen through direct election. They also urge the formation of political parties after 1997. Furthermore, they demand that the central government take a hands-off policy in regard to enacting, revising, and interpreting laws in Hong Kong.

In contrast, the conservative group is concerned about the stability of Hong Kong after 1997. First, they maintain that the Hong Kong people have no experience in

¹⁵ According to a recent survey in Hong Kong, nearly 70% of the young people do not trust Beijing's word that it will honor its promise after 1997; moreover, more than 40% of the youths hope to emigrate to other countries. See Shih-chieh Jih-pao (World Journal), 20 February 1989: 3.

democracy; therefore, it is not appropriate to start the stone of democracy rolling too soon. Otherwise, Hong Kong will be the scene of social unrest. Such agitation not only damages the prosperity of the territory but would entice Beijing to intervene in the affairs of Hong Kong.

Secondly, the conservative apprehends that with the development of democratic politics, the Hong Kong government will be compelled to increase the outlay for social welfare programs. If this happens, the businessmen will be taxed more. Without question, increased spending and taxation will be detrimental to the prosperity of Hong Kong.

Even though liberals are in the minority in Hong Kong politics, they can successfully force Beijing to make some concessions in the process of drafting the Basic Law. Under liberal pressure, Beijing gradually changes its mind, beginning to pay attention by permitting activities of the political parties and allowing the creation of the governor and legislators through direct election. At least, on the surface, the CCP at present shows no intention of opposing the development of democratic politics in the Hong Kong SAR. Hu Jutun, director of the Xinhua Hong Kong branch, recently stated that as a capitalist society, Hong Kong will surely carry out capitalist rather than socialist

democracy.¹⁶ But, Beijing often reveals its concern about the growth of democracy for fear that the radical democratic transformation might trigger conflicts among different interests, causing social tumult.¹⁷

The current dispute between the liberals and Beijing leaders centers around the pace of Hong Kong's democratization. One side urges that democracy must be implemented as early as possible; the other side hopes that the democratic process will be gradual. The liberal group, to put more pressure on the Communist leaders, recently launched a series of demonstrations, accusing Beijing of intentionally delaying the date of direct election.¹⁸

Hong Kong's democratic movement is an intricate problem. For Beijing, it has made many concessions on the design of the political structure. But, the rising cries for democracy leads Beijing to suspect the intentions of the liberals. Now they are concerned about the possibility of unrest after 1997.

So, concerning the feasibility of the "one country, two systems" in Hong Kong, the key is determined by

¹⁶ Shih-chieh Jih-pao, 21 February 1989: 3.

¹⁷ Chun-tu Hsueh, "Meeting with Governor David Wilson and Comments on the Hong Kong Situation," Menlin Ji (Collected Works) (Beijing: China Friendship Publishing Corp., 1989), 11-19.

¹⁸ "Actions Protest Draft Law Post-1997 Model," FBIS, 20 December 1988: 70-71.

whether the liberals can land on the bottom line of Beijing's fiat. While Hong Kong is still in the transition stage, Beijing does not want to strike the already-weak confidence of the enclave. This condition is the main reason why the liberal group acquired some concessions from Beijing. But, it must be noted that the CCP's compromises are not without limits. Basically, the Communist leaders assume that allowing democracy in Hong Kong will fuel enormous troubles, disturbing the stability and prosperity of the region. This phase, in Beijing's view, deviates from its original purpose of establishing the Hong Kong SAR.

By this account, whether practicing democracy can protect Hong Kong from Beijing's interference is questionable. After all, Hong Kong will be part of the PRC after sovereignty is transferred. Hong Kong's autonomy is delegated by the Beijing government. With no democracy in the mainland, the democratization of Hong Kong cannot change its status as a subordinate to Beijing. Consequently, the liberal group hopes to use democracy against the probable meddling by the Chinese Communists. As a Chinese quip says, the struggle is like "a mantis trying to stop a cart with its arms"; it bravely rushes to attempt to do something far beyond its ability. A review of past experiences in the developing countries shows that democratic movement is always

accompanied by the social conflicts and unrest, to some degree. This occurrence is what Beijing really fears. So, as some conservatives indicate, the radical democratic movement may pave a way for the CCP's involvement in Hong Kong affairs.¹⁹

Certainly, it cannot be denied that the liberals have made a contribution to Hong Kong because they won some gains for the territory. But, they must understand their own limits and the degree of Beijing's tolerance. How much democracy can the top leadership permit? The liberals have to clarify the bottom line. By doing so, while struggling for democracy, they can reap maximum yield from Beijing without making a quixotic error.

But, the development of the democratic movement is not easily controlled by the originators. Because of the movement's fervor, leaders and masses tend to demand more and more rights beyond their capability. This is the potential danger of Hong Kong's democratic movement because the "one country, two systems" cannot operate in an unstable society.

C. Interaction between Hong Kong and the Mainland

In Beijing's mind, the interaction between the Hong Kong SAR and the mainland will be limited to an economic level. The PRC does not want socialist political and

¹⁹ "Law Drafter Louis Cha Interviewed," FBIS, 21 December 1988: 54-56.

social ideas to encroach on Hong Kong society. By the same token, the PRC will not permit capitalist evils to pollute the mainland society. From this perspective, Beijing only hopes for coexistence of two systems, it does not intend to fuse the two systems into a new one.

But, the major question revolves around one point: can Beijing absorb Western capital and technology while filtering out all other Western values and ideas? The same dilemma may be applied to Hong Kong: Can Hong Kong shun the influences of the socialist world and ideas while accepting the rule of the People's Republic?

As discussed above, when Beijing expands its predominance over Hong Kong, the diseases of socialism, such as inefficiency, corruption, and bureaucratism, could flow into the territory. The China-funded companies are a case in point. These state enterprises leave the Hong Kong people with the impression that the Communists are inefficient and corrupt. Some, thus, fear that the prosperity of Hong Kong will be damaged by the large number of bureaucrats and technocrats who are expected to enter Hong Kong.

On the other hand, the possible impact of capitalist Hong Kong on the mainland also conjures up concerns in Beijing. A few top leaders get "Hong Kong phobia." They are worried that by the time the PRC reclaims sovereignty over Hong Kong, it will have "a Shenzhen which is modeled

on Hong Kong, a Guangdong which is modeled on Shenzhen, a whole country which is modeled on Hong Kong."²⁰ That is to say, the conservatives fear that after reunification, the entire mainland will follow the pace of Hong Kong.

Undoubtedly, according to the "one country, two systems" idea, the mainland will continue to develop its socialist economy. Therefore, when the capitalist lifestyles and cultural values stream into the mainland, the Communist leaders will begin to resist Hong Kong's influences. But, viewed from the practical standpoint, to avoid this influence will not be easy. For example, in 1986 alone, 25.7 million people crossed through the Hong Kong-China border gates into the mainland.²¹ Surely, they took the capitalist values to the residents in the mainland. At present, it is an open secret that people in Guangdong like to watch T.V. programs from Hong Kong more than those of the mainland. Moreover, mainlanders are fascinated by Hong Kong's music and fashions. All these facts show that it will be impossible to filter out the spiritual pollution while bringing in Hong Kong's capital and technology.

From these viewpoints, the implementation of the

²⁰ Lo Ping, "Beijing Officials Have a Bad Dose of Hong Kong Phobia," Cheng Ming, 1 January 1986: 10-11; translated in FBIS, 7 January 1986: W5-W8.

²¹ Andrew Scobell, "Hong Kong's Influence on China: The Tail That Wags the Dog?" Asian Survey, 28, no. 6 (June 1988): 610.

Hong Kong model will likely produce the following result: the CCP's bureaucratism, inefficiency, and corruption will gradually encroach on the economic foundation of Hong Kong; in contrast, the capitalist evils of Hong Kong will, step by step, spread along the coastal provinces of the mainland.

If this situation really happens, the "one country, two systems" plan will be inundated with many problems. But, it is still too early to conclude the fate of the Hong Kong model. Its three pillars--the mainland modernization, the political development of Hong Kong, and the mutual influences between Hong Kong and the mainland--are filled with various possibilities. Accordingly, the slow-moving modernization is beneficial to the establishment of the Hong Kong SAR. Rather, the political democratization and the interaction between the two systems may constitute a serious problem affecting the sustenance of the Hong Kong SAR. The Beijing leaders and the Hong Kong elites must foster mutual trust to reinforce these buttresses. Otherwise, the Hong Kong model cannot succeed.

II. The Resolution of the Taiwan Issue

Concerning the Taiwan issue, Beijing hopes that it can be resolved according to the same mode as the Hong Kong model. But, viewed from the practical situation, Taiwan displays no interest in Beijing's offer, the "one

country, two systems" plan. Why is the Hong Kong model not able to attract more Taiwan's interest? To answer this question the political differences between Taiwan and Hong Kong must be examined.

A. Taiwan: Not Another Hong Kong

In general, three accounts divulge the impossibility of applying the Hong Kong model to Taiwan

First of all, even though the jurisdiction of the Republic of China (ROC) has shrunken to a tiny island, Taiwan, it is a political entity, holding the major features of a nation--territory, people, and sovereignty. As of now, 23 countries in the world still maintain diplomatic relations with the Republic of China. But, Hong Kong is only a colony without sovereignty; its fate, consequently, is not determined by the people, but by bargains between the United Kingdom and the People's Republic of China.

In this sense, the background of establishing the Hong Kong SAR cannot pertain to Taiwan. As long as the ROC can control its own fate, Taiwan will not renounce its official title, lowering itself to the status of a local government.

Secondly, Taiwan sustains an armed force large enough to deter attack from the mainland, but Hong Kong has no such protection. In view of the present international environment and its domestic reforms, the

Beijing government is unlikely to use force against Taiwan in the foreseeable future. This deterrent is the major reason why the Kuomintang unhesitatingly continues to reject peace talks with Beijing, not to mention the "one country, two systems" plan.

In the third place, it must be noted that the KMT is the party that ruled China between the 1920s and the 1940s. The elder Taiwan leaders revel in past glories and ideals. Even if junior leaders become more realistic, they, under the pressure of tradition, dare not to drop the title, ROC, and downgrade the status of Taiwan to be a subjugated government.

More importantly, with rising economic clout, Taiwan becomes more self-confident than before. In comparison to the backwardness of mainland China, Taiwan leaders hope to push Beijing to develop mainland economy according to the Taiwan experience.²² Taipei authorities think that only by doing so will reunifying China become possible and benefit all Chinese.

On the other hand, under long-term colonial rule, Hong Kong does not have the driving force of influential political organizations. Most of the Hong Kong elites are professionals and businessmen and have no interest in politics. Currently, there are no powerful political

²² Yu-ming Shaw, "Taiwan: A View from Taipei," Foreign Affairs 63 (Summer 1985): 1050-1063.

organizations or accepted leaders in Hong Kong capable of leading the people in opposing the Communists. Even in the recent democratic movement, the major subject in Hong Kong was limited to the issue of home rule. Different from Taiwan, Hong Kong elites were willing to be heads of the local government as long as autonomy could be achieved. Hong Kong leaders do not have the ambition to incite political change in the mainland as the KMT plans to do.

By the above indications, it is apparent that the Hong Kong model has little chance of being accepted by Taiwan. Predictably, as long as Taipei can continue to retain its deterrence, it will not yield its sovereignty and will not accept Beijing authority as its head. For the time being, Taiwan will continue to reject Beijing's proposal in regard to political amalgamation, and will retain its "one China" stance.

B. More Parties Involved, More

Difficulty for Unity

As suggested, the CCP puts great hope in the KMT. Beijing's hope is that Chinese division can be ended through cooperation of the Kuomintang and the Chinese Communist Party. With this assumption, Beijing affirms that it would offer more generous conditions to Taiwan as long as the KMT comes to a negotiation table. Furthermore, there was an unconfirmed rumor in the summer

of 1988 that since Beijing leaders urgently wanted to resolve the Taiwan issue, they were willing to forge a new constitution for China along with the KMT. In other words, the concept of "one country, two systems" is open for bargaining, in Beijing's view.

Nevertheless, reunification through the cooperation between the Kuomintang and the Chinese Communist Party has become stodgy in the wake of the series of domestic changes in Taiwan. As mentioned in Chapter 5, except for the past acrimony, the main reason for Taipei's reticence to talk with Beijing is international and domestic constraints. Taiwan leadership fears that once it deals with the Chinese Communists, its status will be weakened immediately because of a series of unfavorable happenings, such as the Taiwanese-mainlanders conflicts, economic chaos, and international isolation.

Furthermore, with KMT's political reforms, the hegemony of the ruling party is declining. This situation makes the Taipei government incapable of talking with Beijing without the public's consensus.

As Andrew Nathan points out, when Taiwan's political power becomes pluralized, two more factors--the Taiwan electorate and the Taiwan independent forces--will have to be involved in Taiwan-mainland relations.²³ Both

²³ Andrew J. Nathan, "The Effects of Taiwan's Political Reform on Taiwan-Mainland Relations," paper presented at the Conference of Democratization in the

rising forces not only restrict KMT's maneuvering in dealing with the mainland issue; but they also compel the ruling party to take more flexible diplomacy in order to break out of international isolation.

Regarding the question of unification, no one will doubt that the Kuomintang and the Chinese Communists are playing the major role. But, neither the KMT nor the CCP can settle the future of Taiwan unilaterally because of pressures from the opposing side.

Through the above analysis, Beijing clearly has a difficulty in forcing Taiwan either to accept the Hong Kong model or to hold peace talks. Unless the CCP shows more flexibility, unification of the two China's will be far beyond reach.

C. The Issue of Sovereignty

Frankly speaking, the "one country, two systems" is an imaginative idea. From its superficiality, it symbolizes tolerance and understanding, the spirit of which is important to political cooperation between the "two systems." However, Beijing leaders confine the meaning of the "one country, two systems," to a narrow scope. They are preoccupied with the idea that without solving the sovereignty problem, China cannot be considered to be a unified country. With this idea, the People's Republic defines the relations between "two

Republic of China, Taipei, Taiwan, January 9-11, 1989.

systems" along a central-to-local tie. Consequently, the essence of the CCP's overture comes at the expense of the title, Republic of China. After reunification, mainland-Taiwan relations will be a central-local type of governmental relationship.

Many mainland scholars praise Beijing's Taiwan policy as being very reasonable and generous because Taiwan is incomparable to the mainland in terms of its size and population. Nevertheless, it must be noted that these scholars do not see the point of the issue. Concerning reunification under the central-local model, the real thrust does not lie in its fairness, but resides only in its feasibility.

Even though the Republic of China encompasses only the island of Taiwan, the leaders and people are proud of their institution and economic achievement. In Taiwan's eye, mainland China is backward and poor; moreover, the Communists are seldom trustworthy. Probably, Taiwan's viewpoints contain some prejudice about Communist China. But, misunderstandings and distrust cannot be eliminated in a single day. Lacking the condition of mutual trust and confidence, discussing the most sensitive problem, sovereignty, becomes extremely unwise and futile.

Take the German question as an example. After World War II, Germany was divided into two political units: the Federal Republic of Germany (FRG) in the west and the

German Democratic Republic (GDR) in the east. Aside from influences of the major powers, the internal relations between FRG and GDR were full of conflicts and distrust in the 1950s and 1960s. The Federal Republic, under the Hallstein Doctrine, insists on the principle of one Germany. In contrast, the Democratic Republic has not sincerely adhered to the idea of one Germany from the beginning of the division. The East German leaders only pay lip service to the idea of German unification. Its ulterior motive was to separate itself from the Federal Republic forever.²⁴

From the outset, West Germany could not accept the status quo of the German division. Their leaders deeply hoped to reunite Germany through reconciliation of major powers. But, as time went by, the hope of German unity grew dim. How to resolve the uncertain relations between the two Germanies became a major election topic in the Federal Republic in early 1970s.

It is known that the Chancellor Willy Brandt's Ostpolitik paved the way for the rapprochement between the FRG and the GDR. But, in practice, the Eastern policy of the FRG, intent on improving relations with the Communist bloc by negotiating with East Germany, encountered serious objections from different internal

²⁴ John H. Herz, "Germany," Divided Nations in a Divided World, ed. Gregory Henderson et al. (New York: David Macay, 1974), 10-15.

political groups from the beginning. Nevertheless, according to Richard Lowenthal, the reason that Brandt won the election of 1972 resulted from his most effective campaign argument:

... 20 years of nonrecognition of the East German state had not only failed to bring reunification a single step nearer, but allowed the G.D.R. to raise ever higher the barriers between the Germans in East and West The new Eastern Treaties and the Berlin Agreement would at last begin to lower those barriers.²⁵

Brandt pointed to the stubborn fact that controversy over the sovereignty problem is ineffectual for the settlement of reunification except for adding more barriers to German unity. After winning the election of 1972, Brandt began to negotiate with the Democratic Republic. Finally, both parties initialed the Basic Treaty on 8 November 1972, constituting recognition of the status quo. In Article 3, the two German states reaffirm the inviolability of the frontier between them and respect each other's territorial integrity. Article 4 states that the two Germanies promise that neither of the two states can represent the other internationally. Further, in Article 6, both agree that sovereignty of each of the two states is limited to its own territory and each respects the other's independence and

²⁵ Richard Lowenthal, "The German Question Transformed," Foreign Affairs 63, no. 2 (Winter 1984/85): 303-315.

autonomy.²⁶

With signatures on the Basic Treaty, the human contact between the two Germanies becomes easier and more frequent. The sense of common history and culture interfused the FRG and the GDR. More importantly, this feeling of identity has also been revived among the younger generations of the two Germanies. This development will make future unification become easier, once external control is removed.

From the above German model, it can be found that controversy over the sovereignty question will increase mutual suspicion and create more hurdles on the road to national unity. In contrast, recognition of the status quo will help to break established barriers, advancing interaction and exchange between the two political entities.

Another case that stands as an example to Beijing is the Korean issue. Over the past several decades, North and South Korea have presented many different unification proposals, but none of them have had an opportunity to be effectual. In general, North Korea prefers to use a holistic strategy to solve the state of partition. In October 1980, Kim Il Sung, the top leader of the Democratic People's Republic of Korea (DPRK), offered to

²⁶ Carl-Cristoph Schweitzer, Politics and Government in the Federal Republic of Germany: Basic Documents (Leamington: Berg Publishers, 1984), 382-384.

establish a confederal state to end the national division. In Kim's idea, a Supreme National Confederal Assembly, organized with an equal number of members from Seoul and Pyongyang, will guide the regional governments of both sides and administer all affairs of the confederal state. Under this unification program, the new name of the country will be the Democratic Confederal Republic of Koryo, conducting state affairs and enjoying sovereignty. Two regional governments could maintain relations with other countries on a limited scale.²⁷

In contrast to North Korea, the Republic of Korea (ROK) in the south is inclined to take a gradual approach in dealing with unification.²⁸ In January 1982, former President Chun Doo Hwan presented his formula for national unification. He suggested that both sides establish a consultative conference to discuss national reunification and to be responsible for drafting a new constitution. During the preparatory period, Chun suggested that both political entities should sign a Provisional Agreement on Basic Relations which would focus on maintaining the armistice, by recognizing each

²⁷ Tae-hwan Kwak, "Problems of Korean Political Integration: A Micro-Level Analysis," The Two Koreas in World Politics, ed. Tae-hwan Kwak, et al. (Seoul: Kyungnam University Press, 1983), 129-140.

²⁸ Michael Haas, "Paradigms of Political Integration and Unification: Applications to Korea," Journal of Peace Research, 21, no. 1 (1984): 47-59.

other's existing political order. This agreement would also promote bilateral exchange, as well as cooperation in cultural and economic fields. Furthermore, Seoul urges holding a summit meeting between the highest authorities of South and North Korea.²⁹

In July 1988, South Korea President Roh Tae-woo extended a new olive branch, so called the "July 7 Declaration," to Pyongyang. Roh called for a south-north summit conference and promoted mutual exchange and cooperation.³⁰ Actually, Seoul's new unification campaign did not have new substance but reiterated the former government's stand. As before, North Korea presented no favorable response to Roh's suggestion.

Concerning the reunification question, the major differences between Pyongyang and Seoul includes two aspects: First, Pyongyang seeks to organize the Democratic Confederal Republic of Koryo (DCRK) under which two autonomous regions would exist; in contrast, Seoul seeks to establish a unified and democratic republic. Secondly, Pyongyang insists that a bilateral cooperation will be impossible unless the DCRK is established first; it also puts forth two other preconditions for improving inter-Korean relations: the

²⁹ Kwak, 141-172.

³⁰ International Cultural Society of Korea, South-north dialogue in Korea (Seoul: 1988)

pullout of US troop from the Korean peninsula and renunciation of anti-communist laws in the south. But, Seoul maintains that before achieving unification, South and North Korea must do something constructive to promote the progress of unification, such as cultural and economic exchanges, as well as a summit conference.³¹

Because the two Koreas continue to stick to their respective stands on the unification issue, the people of both sides, as of now, have no way to consort with each other or even to engage in non-political interaction. At this point, it is no exaggeration to say that currently the situation in the partitioned Korean peninsula is the most aggravated among all divided nations.

From the above discussion, the stalemate of the Korean unification once again demonstrates the fact that achieving political amalgamation is unlikely unless the psychological and material gaps between two political units are reduced. Even though the two Koreas present different unification strategies, they, however, share a common ground, trying to use a political means--drafting a new constitution or building a confederal state--to end the division of Korea. That is to say, while approaching the unification issue, both Korean governments are obsessed with the sovereignty problem. As a result, each

³¹ Hyung-chan Kim, "From Deterrence to Detente and Beyond: Some Private Thoughts on Korean Unification," Asian Profile, 16, no. 1 (February 1988): 36-42.

gets the opposite result: division continues and unification is far beyond reach.

Succinctly, the sovereignty controversy apparently is a major barrier that hinders the possibility of national unity through peaceful means. Without mutual trust and confidence as a basis, touching the sovereignty issue in a hasty manner not only impedes the progress of unification but also reduces any constructive suggestion to a triviality.

D. Possible Development

Concerning the present development of Taiwan-mainland relations, positive and negative tendencies exist concurrently. As far as the good news is concerned, although both governments continue on arguing many issues, they, in recent years, have taken more realistic policies resulting in the reduction of mutual confrontation. This situation has produced a beneficial atmosphere, which is helping to increase understanding and trust between two sides of the Straits. But, the other side of the coin is that reunifying Taiwan with the mainland does not seem to be possible in the near future. Under such a circumstance, a divided China will continue to be a volatile factor which can threaten regional security. That is to say, if the Taiwan issue cannot be resolved, the danger of war will remain existent and will haunt the peace of East Asia.

1. **Positive Aspects.** Looking into the positive changes, a review of political relations between both sides of the Taiwan Straits will reveal that the two governments have gradually eased the hostile propaganda and silenced their gun for past few years. At the present time, when reporting news, Taiwan and the mainland are inclined to use neutral rather than ideological terms to describe each other's national events. Just ten years ago, no one believed that the CCP and the KMT would stop the shelling between the PRC city, Hsiamen and the two KMT offshore islands, Kinmen (Qemoy) and Matsu. However, currently both governments not only have stopped the bombardment, but have opened the above places as sightseeing attraction. More interestingly, when the Chinese New Year comes, the Hsiamen and the offshore islands now set off fireworks instead of bombs for celebration.

Another breakthrough between two regimes occurred in May 1986. One of Taiwan's civil airplanes was hijacked to the mainland. Beijing stated that it wanted to return the airplane and its two pilots to Taiwan. As a result, Taipei disavowed its own principles--the three noes--and decided to negotiate with Beijing in Hong Kong for humanitarian reasons. This was the first time since 1949 that the two enemies were seated together to work out a resolution.

It must be noted that easing tensions between Taipei and Beijing cannot spell out the entire picture of changes in Taiwan-mainland association. In practice, a more powerful force compelling reshaping of the relations between the two sides arises from the people in Taiwan who want to visit their relatives on the mainland or for business.

With increasing interaction between the people on both sides, many legal problems have been presented. The governments on either side must deal with civil controversies: such as marriage, property, wealth, inheritances, and other similar questions that involve both entities. Finally, both governments must enact special laws to manage these issues. Unavoidably, along with the enactment of these laws, both sides are forced into de facto recognition of the validity of the opposite's laws; otherwise, many legal issues cannot be resolved. However, in the wake of enacting special laws, the past nonrecognition policy of both sides becomes null and void. At this point, the non-political interaction between the two civil societies impels their respective governments to make policy changes.

Furthermore, the increasing Taiwan-mainland trade is another factor favorable to establishment of a union. According to statistics, in 1988, Taiwan became the PRC's sixth largest trading partner and the PRC, Taiwan's fifth

largest.³² When Hong Kong's sovereignty reverts to the People's Republic, Taiwan-mainland trade relations will become even closer. At that time, an economic interdependence among three entities--Taiwan, Hong Kong, and the mainland--will be magnified. As indicated in Business Week on 10 October 1988, with the gradual mix of China's labor, Taiwan's management skill, and Hong Kong's financial might, a "Greater China" will take shape. While political unification is impossible in the foreseeable future, "Greater China...is also a comfortable, apolitical, profitable path to reunifying the motherland."³³

With closer ties among the three territories, many Chinese scholars on both sides feel it is possible to integrate the three economies very soon. Consequently, they suggest establishing a kind of economic community. The name of it varies from "Asian Economic Community," "Chinese Common Market," to "A Great Chinese Economic Entity."³⁴ All these suggestions reveal two important points: In the first place, the growing link of three economies make the establishment of an economic

³² "Xinhua 'Roundup'," FBIS, 3 January 1989: 77.

³³ Danah Lee and Dori Jones Yang, "Asia's New Fire-Breather: the Rise of Greater China As An Economic Power," Business Week, 10 October 1988: 54-55.

³⁴ Li Jiaquan, "More on Reunification of Taiwan with the Mainland," Beijing Review, 16-22 January 1989: 26-30.

cooperation organization necessary and beneficial to all parties. Secondly, because of the impossibility of reunifying China in a short term, integrating the three economies, at least, can achieve economic unification, first. Then, through functional cooperation among the three entities, Taiwan and the mainland may eventually have a better opportunity to settle their differences and achieve political unity.

Nevertheless, both governments remain aloof of the above suggestion. In the CCP's view, the economic community idea deviates from its unification plan because this model circumvents the sovereignty problem. Beijing fears that if it accepts the economic initiative, political unification will become more difficult. As for Taiwan, the KMT still has a Communist phobia, worrying that integrating three economies will cause Taiwan to become the economic prisoner of the CCP some day.

Even so, with the increase in Taiwan-mainland trade flow, direct trade and the official contacts between the two sides is unavoidable in the future. But, because the KMT and the CCP cannot undo the deadlock of the sovereignty issue, a further step of economic cooperation, such as organizing an economic community, will be very difficult.

2. Potential Danger. As suggested in the preceding chapter, despite reducing tension in the Straits, the

possibility of Chinese unification seems to be more uncertain because of a change in the political climate in Taiwan. In the CCP's view, the rising political opposition, the Democratic Progressive Party (DPP), leans to the pursuit of Taiwan independence. As a matter of fact, Beijing's apprehension is well-founded. For example, the present chairmen of the DPP, Huang Hsin-chieh, has revealed his party's intention by saying that "In Taiwan, something we always can talk about but not have is mainland recovery. Something we always have but can never talk about is our independence."³⁵ Even though Taiwan's law restricts any claims of Taiwan independence, DPP members, more and more, dare to speak out their wishes and challenge the "one China" policy of the ruling Kuomintang.

Aside from the DPP, the change in the KMT's stance casts another shadow on unification, in Beijing's view. As noted, Taipei recently adopted a flexible diplomacy, which seeks to improve its international status. Beijing maintains that the KMT's real objective is to pursue a "two China" policy. To that change, the CCP feels very sensitive and frustrated. Several times Beijing has accused Taiwan's new leaders of deviating from the late President Chiang Ching-kuo's "one China" policy.

³⁵ Sim Jae Hoon, "Awash in a Sea of Money," Far Eastern Economic Review, 15 September 1988: 52.

But, time is not on Beijing's side. A new generation of leaders in Taiwan does not have as much identity with the mainland as the old leaders had. Therefore, the unification issue will, little by little, lose its attraction to the younger leaders. Perhaps Taiwan under the rule of Kuomintang will not claim independence in the foreseeable future, but it will continue to refuse to reunify with the mainland.

In other words, the division between Taiwan and the mainland remains unchanged and will not change soon despite easing tensions in the Straits. This situation continues the danger of war because Taiwan-mainland relations cannot be stable under the condition of partition. Consequently, it is not proper to have an overly optimistic view of their future associations.

At present, both the KMT and the CCP should not take any provocative actions on the issue of sovereignty so as to avoid mutual conflicts. Taipei must be careful not to seek a "two China" policy; in contrast, Beijing must shun isolating Taipei in the international society as long as the KMT holds to the "one China" policy. If either side give the opposition too much pressure on the question of sovereignty, detente will be replaced by confrontation. In such a situation, military tension and conflicts between the two regimes might take place again.

Through the above analysis, it can be said that

Taiwan and the mainland have reduced hostility, even though the danger of war still exists. The safer way to advance the future unification of Taiwan with the mainland is by people-to-people exchanges and interaction through commerce. By doing this, distrust and misunderstanding between the two sides can be gradually reduced. When the psychological and material gaps separating the two Chinas is decreased, the unification will be easily approached. Consequently, Taiwan should take a more open and positive mainland policy, allowing direct trade and granting less-restrictive contracts of the people on both sides. In contrast, Beijing should continue its open door policy and avoid the threat using force to resolve the Taiwan issue. As of now, no one can definitely predict when Taiwan will reunify with the mainland, but reducing suspicion and broadening mutual contacts is a safer and more constructive way of settling the difference between two sides of the Taiwan Straits.

III. Chinese Dream: Unification

Clearly, there are two different forces propelling China's unification at the present time. The first is Beijing's "one country, two systems" program, which has ascended in stature after dealing with the problems of Hong Kong and Macao. But it has yet to be successful in the Taiwan issue. The second force of China's unity arises from the two civilian societies across the Taiwan

Straits. Sharing a common culture, history, and language, the people of both lands often disregard the prohibitions established by their governments, engaging in bilateral contacts and interactions.

Particularly, in recent years, Beijing and Taipei have relaxed control of their respective societies. As a result, people have more chance to cooperate with one another in many respects. With the rising economic interdependence, both governments must adjust their policies to meet the new situation. In this sense, the civil societies, in practice, are steering the course for Taiwan-mainland relations. Nevertheless, the sovereignty issue still constitutes a potential danger of conflict between two sides. Thus, both governments should not make a hasty policy decisions which will provoke suspicions on the opposite side.

Certainly, Beijing's leaders are as much Chinese as Communist believers. But, while discussing the question of unification, these leaders leave the impression that they have become more Chinese. In Chinese elitist culture, it is believed that "there are no two suns in the sky; neither there are two kings in a country." Beijing leaders, like the ancient emperors of China, always feel insecure unless all opposing parties bend their knee to them.

The concept of legitimate opposing forces does not

exist in Chinese culture. The Chinese Communists inherit this tradition, never allowing existence of a political group on an equal footing. The Kuomintang has the same flaw. In the years of ruling mainland China, the KMT never permitted any political adversary to exist. In Taiwan, the KMT, for forty years, has also used martial law to ban the formation of political parties. Therefore, if one seeks to understand why the KMT and the CCP compete for the position of China's international representative, the best answer can be found in the unique Chinese culture.

In the foreseeable future, the "one country, two systems" plan will have an opportunity to succeed in Hong Kong and Macao, if Beijing can overcome the crisis of confidence surrounding these two enclaves. Moreover, the slow-moving Chinese modernization, the political development of Hong Kong, and the interaction between Hong Kong and the mainland contribute to the feasibility of this unification plan.

As for Taiwan, very possible development in Taiwan-mainland relations is through many contacts between the two societies. The two governments will adjust their policies with more feasible measures to deal with each new situation produced by their people. As both governments relax their regulations, methods of resolving controversies might emerge.

Chinese reunification is a dream which permeates in the mind of all Chinese. Even if this dream cannot come true in one stroke, why can we not be patient, piece by piece, from economic aspect to political, for its completion? This is a possible way to settle the difference between Taiwan and the mainland, and finally achieve unity.

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