

Appendix 106 -- Lee Tenghui German Interview (1999)

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Q1. Your Excellency, Taiwan's economy is a success story admired around the world. Another impressive success in recent years has been Taiwan's democratic achievements. However, Taiwan is considered by Beijing's government as a "renegade province." This is a cause for permanent tensions and threats against your island from the mainland. How do you cope with these dangers?

A: I will answer your question from the historical and legal viewpoints. There has been an impasse in cross-strait relations because the Beijing authorities ignore the very fact that the two sides are two different jurisdictions and that the Chinese mainland continues to pose a military threat against us. The historical fact is that since the establishment of the Chinese communist regime in 1949, it has never ruled the territories under the Republic of China (ROC) jurisdiction: Taiwan, Penghu, Kinmen, and Matsu.

In the 1991 constitutional amendment, Article 10 of the Additional Articles (now Article 11) limits the area covered by the Constitution to that of the Taiwan area, and recognizes the legitimacy of the rule of the People's Republic of China on the Chinese mainland. Articles 1 and 4 of the Additional Articles clearly stipulate that the members of the Legislative Yuan and the National Assembly shall be elected from the Taiwan area only.

The 1992 constitutional amendments further stipulate in Article 2 of the Additional Articles that the president and the vice president shall be popularly elected by the people of the Taiwan area. Thus, the reconfigured national agencies represent only the people of the Taiwan area. The legitimacy of the rule of the country comes from the mandate of the Taiwan people and has nothing to do with the people on the mainland.

The 1991 constitutional amendments have designated cross-strait relations as a state-to-state relationship or at least a special state-to-state relationship, rather than an internal relationship between a legitimate government and a renegade group, or between a central government and a local government. Thus, the Beijing authorities' characterization of Taiwan as a "renegade province" is historically and legally untrue.

In the face of cross-strait developments, we will continue to prudently advance cross-strait exchanges and actively promote dialogue and consultations. Moreover, we will continue to further develop our democratic system, pursue stable economic growth, and actively strengthen contacts with the international community, so as to ensure our survival and development.

We believe that consolidating mutual trust through exchanges and fostering stable relations through mutual trust is the most effective way to resolve a crisis. Taiwan and the Chinese mainland should develop a win-win relationship based upon reciprocity and mutual benefit.

Q2: Declaring Taiwan an independent state does not seem to be a realistic option, and Beijing's "one country, two systems" formula is not acceptable for the majority of people in Taiwan. Is there any room for compromise between these two lines of policy? And if there is, what does it look like?

A: I have already explained very clearly that the Republic of China has been a sovereign state since it was founded in 1912. Moreover, in 1991, amendments to the Constitution designated cross-strait relations as a special state-to-state relationship. Consequently, there is no need to declare independence. The resolution of cross-strait issues hinges on the issue of different systems. We cannot look at issues related to the two sides simply from the perspective of unification or independence. Progression from an integration of systems to a gradual political integration is the most natural and most suitable choice to guarantee the welfare of all Chinese people. At present, the ROC has become the first democracy in the Chinese community. We would like to take a more active role in the Chinese mainland's modernization process; therefore, we hope that the authorities there can proceed with democratic reform to create favorable conditions for democratic unification. This is the direction of our efforts. We want to maintain the status quo, and maintain peace with Beijing on this foundation.

Q3: The treatment of Hong Kong as a "Special Administrative Zone," since its handover from the British in summer 1997, and the treatment of Macau after its return from Portugal in December this year, may be considered by the Chinese mainland as a rehearsal for the larger event of taking over Taiwan in a peaceful manner. Isn't this a tempting idea for the outside world--by solving the Chinese problem that otherwise poses as a great long-term danger to your region?

A: The root of the Chinese problem affecting regional security lies not in the return of Hong Kong and Macau to the Chinese mainland, nor whether Taiwan will return to its fold. The ROC on Taiwan is not a colony of any nation. This is how Taiwan differs from Hong Kong and Macau. The crucial question is the Chinese mainland's overemphasis on nationalism and its failure to implement democracy. The Chinese mainland has not only conducted smear campaigns and saber rattling against us, but has also refused to renounce the use of force against Taiwan.

Furthermore, it has tried everywhere to minimize the ROC's international presence. This overbearing attitude does not promote a harmonious relationship across the Strait, nor is it beneficial to stability in the Asia-Pacific region. The Chinese mainland has placed an excessive emphasis on nationalism and continuously advances military expansionism. Under these circumstances, there can be no doubt that such acts would arouse suspicion from neighboring countries. A long-term resolution is to replace totalitarian rule on the mainland with democracy, thus easing tension in the region.

The Chinese mainland's promise of a "one country, two systems" formula for Hong Kong and Macau is irrelevant to Taiwan, since the formula contains intrinsic contradictions, violates the basic principles of democracy, and denies the existence of the Republic of China. Although the Chinese mainland has attempted to apply the "one country, two systems" formula to the

ROC, as it has in Hong Kong and Macau, Taiwan is neither Hong Kong nor Macau. Hong Kong and Macau were colonies, but the ROC is a sovereign, independent state. Taiwan is basically different from Hong Kong and Macau. Only when a free and democratic system has been implemented on both sides of the Taiwan Strait will the peace and security of Asia be ensured.

Q4: If everything goes wrong and the situation gets out of control on both sides of the Strait between Taiwan and the Chinese mainland, to the effect that military actions start, by what means and on whom, aside from the Taiwanese themselves, would you rely for your defense in such a war?

A: All issues between the two sides of the Strait should be resolved by peaceful means. This is our firm and consistent position, as well as the expectation of the international community. The ROC announced the termination of the Period of National Mobilization for Suppression of the Communist Rebellion in 1991, renouncing the use of force to achieve national unification and intending to resolve difference through peaceful means. However, the Beijing authorities have never been willing to renounce plans or preparations for using force to resolve issues between the two sides. This has caused serious cross-strait tensions and is the key threat to the region's security. The international community should urge the Beijing authorities to renounce the use of force against Taiwan, use peaceful means to resolve disputes, and join in safeguarding stability in this region.

The situation in the Taiwan Strait and the security of the Asia-Pacific region are inseparable. Therefore, on April 8, 1999, at a meeting of our National Unification Council, I offered my idea on "establishing a mechanism for cross-strait peace and stability." Our hope is that both sides will achieve beneficial interaction through exchanges and consultations, promote bilateral relations and thus ensure the security and peace of both sides and the region.

In addition to stressing the close and inseparable linkage between the stability of the Taiwan Strait and the peace of the Asia-Pacific region, the ROC values our cooperation with the United States. For many years, the United States has made necessary defensive weapons available to the ROC. Exchanges in every area of economics, culture, science, and technology have continued to grow. In the foreseeable future, the cooperation in security between the Republic of China and the United States will still be one of the important factors for maintaining stability in the Taiwan Strait.

Q5: The United States and other Western countries are fascinated by the huge market of the Chinese mainland. This will likely diminish their support for Taiwan. Does this mean that Taiwan's future will be gloomy?

A: Acting in their own self-interest, many countries have in recent years strengthened trade relations with the Chinese mainland. That is understandable. However, we should not overlook the fact that trade relations between the ROC and other Western countries including the US are also very close. For example, the ROC is the seventh largest trading partner and export market of the United States. Currently, the ROC's total imports from the U.S. have varied from 1.3 to 1.6 times those of the Chinese mainland. Furthermore, if we examine the internal developments in the Chinese mainland, we see the emergence of many structural

economic problems. Because the future overall development of the Chinese mainland is filled with many uncertainties, we should closely monitor any changes.

In contrast to the uncertainties on the Chinese mainland, development in Taiwan is quite stable. Taiwan is important for two reasons: its safeguarding of democracy and human rights and its important strategic position in the Western Pacific region. Most of the people in the world today value democracy and human rights and expect the Chinese mainland to do the same.

Democracy and human rights are important pursuits of countries throughout the world. The world also expects the same of the Chinese mainland. Over the years, we have promoted political democracy, actively participated in the international community, and greatly improved cross-strait relations. For these efforts we have gained the world affirmation. We believe the Taiwan experience can serve as a catalyst for the modernization and democratization of the Chinese mainland.

Taiwan is strategically located in the sea-lanes controlling maritime shipping in the Western Pacific region, and is thus important to the U.S., Japan, and South East Asia. Therefore, Taiwan plays a crucial role whether it be in the cross-strait relationship or in regional stability.

Q6: In spite of the deep political rift between Taipei and Beijing, Taiwan's economy is heavily engaged in the economy of the People's Republic of China through investments worth billions of US dollars. This kind of involvement in the mainland makes Taiwan prone to economic blackmail by Beijing. How could you possibly prevent such a movement by Beijing's leadership?

A: Investments on the mainland by Taiwan enterprises are gradually forming an upstream, midstream, and downstream network. Indeed, this has already exerted some competitive pressure on our economy. Therefore, we need to consider how we can maintain our competitive advantage and the autonomy of Taiwan's economy, during the process of developing economic and trade relations between the two sides of the Taiwan Strait.

Fundamentally, the economies of Taiwan and the Chinese mainland are complementary, rather than competitive. I have proposed the policy of "patience over haste, steady progress over a long term" as the principle directing cross-strait relations. The goal is to establish reasonable regulations for investments on the mainland with a rational and moderate disposition. These regulations include limiting investments in areas of high technology and basic infrastructure, and conducting more scrupulous assessments and examinations of large-scale investment worth over US\$50 million.

On the other hand, we have also promoted construction of science-based industrial parks to upgrade Taiwan's industry. At the present time, high-tech products account for over 40 percent of our exports. The ROC government has also initiated the privatization of state-run enterprises and encouraged the private sector to participate in public construction, in order to create more domestic investment opportunities for enterprises.

Hopefully, enterprises will "leave their bases in Taiwan," so that Taiwan's economy will continue to grow.

Q7: The Chinese mainland is struggling with many serious economic and social problems, as there are growing numbers of jobless people and shrinking reserves of foreign exchange. The Beijing government may feel forced to devalue the renminbi to avoid major economic difficulties and the resulting social unrest. Wouldn't such a devaluation of the renminbi cause a serious economic backlash for Taiwan?

A: The Chinese mainland imposes many regulatory measures on foreign exchange. Thus, even if the renminbi is allowed to depreciate, we do not expect the situation to get out of control, because the economies of Taiwan and the Chinese mainland are complementary, rather than competitive. Although a devaluation might place certain mainland products in price competition with ours, an increase of exports from the mainland would actually increase demand for intermediate products from Taiwan, therefore, Taiwan's exports would not be markedly affected.

However, expectations that the depreciation of the renminbi could possibly cause the New Taiwan (NT) dollar to fall, which would have a direct or indirect destabilizing effect on our foreign exchange and stock markets.

Therefore, we will take steps to explain to our citizens that a devalued renminbi will not significantly impact Taiwan's economy. The fluctuations of the NT dollar and the renminbi are not necessarily related. However, a problem of concern is whether the depreciation of the renminbi will affect the financial situation of Taiwan businessmen on the Chinese mainland, which, in turn, may affect Taiwan. We are fully prepared for this possibility.

Q8: Would the ROC still be interested in purchasing German submarines?

A: We have discussed this issue with your government for quite some time; however, your government, wary of Beijing's attitude, has not yet approved the sale of submarines to the ROC. Beijing has deployed more than a hundred old and new submarines in the East China Sea. In such a vast area, it is questionable that the number of submarines we could purchase would be adequate to defend Taiwan on a submarine-to-submarine basis. Moreover, countering submarines with submarines is a rather difficult defense strategy, the effectiveness of which requires further consideration.