

Chapter II

Chinese Policy Toward Hong Kong and Taiwan — Present and Future

Introduction

This chapter analyzes China's policies to date regarding the return of Hong Kong and the issue of Taiwan, identifies the characteristics of these policies, and discusses future policies regarding these issues.

First, Chinese policy on the approaching return of Hong Kong in July 1997 will be examined, as preparations for this return have entered the final stage. China's basic policy regarding the return of Hong Kong is that the "one country, two systems" policy will be maintained for at least 50 years. It appears, however, that preparations for Hong Kong's return are already being conducted under Chinese leadership. In Section 1, the actions regarding this issue that Preparatory Committee of the Hong Kong Special Administrative Region has taken since its founding in January 1996 will be analyzed and the features of these actions considered.

Second, a key aspect in the examination of China's policy toward post-return Hong Kong lies in the fact that the return of Hong Kong has already generated conflict in China's domestic politics. In other words, the return of Hong Kong has already become a domestic political issue. In Section 2, some observations regarding the domestic political aspect of Hong Kong's return will be made by utilizing the analysis presented in Section 1.

Finally, relations between China and Taiwan have continued to be tense since Taiwan President Li Teng-hui's visit to the United States in June 1995. These relations have entered a new phase, however, since Li's victory in the Taiwan presidential election in March 1996. Section 3 analyzes the developments since the Taiwan presidential elections and discusses future Chinese policy towards Taiwan.

1. Chinese Policy on the Return of Hong Kong

This section considers China's policy on the return of Hong Kong as the process enters its final stage. First, China's leadership in the preparations

for the return of Hong Kong is clarified through an analysis of the preparation process, particularly that of the Hong Kong Special Administrative Region Preparatory Committee (referred to below as the Preparatory Committee). The posting of Chinese troops in Hong Kong, an important issue connected with Hong Kong's return, will also be considered. Next, is the issue of democratization, which is likely to become the most sensitive issue following return. Due to the nature of this issue, however, predictions on China's response are extremely difficult to make. The final portion of this section analyzes the Chinese government's response to the "Diaoyutai Defense Movement," which has developed from Hong Kong since July 1996, in order to identify clues as to how the Chinese government will participate in Hong Kong following its return.

A number of detailed studies and reports have already been released which focus on the work to date concerning the return of Hong Kong and will not be repeated here⁽¹⁾.

(1) Characteristics of the Members of the Chinese Preparatory Committee

On December 28, 1995, the Standing Committee of the National People's Congress approved a list of members for the Preparatory Committee, and with the first Plenary Session in January 1996, preparations for the return of Hong Kong entered the final stage.

A total of 150 persons was approved as members of the Preparatory Committee, comprising 56 members from China and 94 from Hong Kong. The composition of this group, in which most of the Hong Kong members are businessmen belonging to the new pro-China faction, is frequently commented on. In addition to preparing for the return of Hong Kong as described later, the Preparatory Committee is also discussing the specific system of rule in the Hong Kong Special Administrative Region (subsequently referred to as SAR). For this reason, China considers the Preparatory Committee an important agency for its intentions to be carried

Table 2-1 Chinese Representatives in the Preparatory Committee for the Hong Kong Special Administrative Region (56 persons, in the order listed in "People's Daily")

| Name | Occupation |
|-----------------|--|
| Ding Renlin | Vice Min. of State Security |
| Wang Fengchao | Dep. Dir., HKMO |
| Wang Hanbin | CPCCC Alternate Member/Vice Chair, NPC |
| Wang Qiren | Pres., Xinhua News Agency, Macao Branch |
| Wang Yingfan | Vice Min. of Foreign Affairs |
| Wang Shuwen | NPC Member and Vice Chair, NPC Law Committee |
| Wang Guisheng | Dir., Hong Kong Macao Affairs Office, Ministry of Foreign Affairs |
| Wang Xuebing | Pres. and Chair of the Board, Bank of China |
| Wang Mingang | Vice Chair, All-China Youth Federation |
| Ulan Mulun | Dep. Dir., Xinhua News Agency, Hong Kong Branch/CCDI member |
| Fang Bao | PPC Vice Chair, Guangdong |
| Gan Ziyu | Vice Min., State Planning Commission/CCDI member/Dep. Head, National Leading Group for Work Concerning Foreign Capital |
| Wan Youwei | CPCCC Alternate Member/Party Com. Sec. Shenzhen City, Guangdong |
| Tian Qiyu | Vice Min. of Public Security |
| Cheng Shousan | Dep. Dir., Hong Kong and Macao Affairs Office, Ministry of Foreign Affairs |
| Qiao Xiaoyang | Vice Chair, Legislative Affairs Committee, NPC Standing Vice Chair |
| Liu Yandong | Vice Min., United Front Work Department/CPPCC Standing Member |
| Liu Jibin | CCDI Member/Vice Min. of Finance |
| Liu Zhen | NPC Standing Dep. Sec.-Gen. |
| Xu Hezhen | Dep. Dir., General Office, PLA General Staff Headquarters |
| Sun Nansheng | Dir., Propaganda Department, Xinhua News Agency, Hong Kong Branch |
| Li Donghai | CPPCC Standing Member |
| Li Bing | Dep. Dir., Central Office for Overseas Publicity/Dep. Dir., State Council Information Office |
| Li Qiming | Dir., Industrial and Communications Statistical Department, State Statistical Bureau |
| Li Guohua | Vice Min. of Foreign Trade and Economic Cooperation |
| Xiao Weiyun | Former Member, Preliminary Working Committee of the Preparatory Committee of SAR |
| Wu Jianfan | Former Member, Preliminary Working Committee of the Preparatory Committee of SAR |
| Zhang Yongzhen | CPPCC Standing Member |
| Zhang Weichao | Dep. Dir., Office of Overseas Chinese Affairs, State Council |
| Zhang Hongxi | Dir., Department of Consular Affairs, Ministry of Foreign Affairs |
| Zhang Liangdong | Dir., HKMO Hong Kong Economic Department |
| Chen Guangwen | Party Com. Dep. Sec., Beijing |
| Chen Yuan | Vice Gov., People's Bank of China/ Member, Securities Commission of the State Council |
| Chen Shunheng | Dep. Dir., Special Economic Zone Office, State Council |
| Chen Ziying | Dep. Dir., HKMO |
| Shao Tianren | Former Member, Preliminary Working Committee of the Preparatory Committee of SAR |

| Name | Occupation |
|----------------|---|
| Zhou Nan | CPCCC Member/NPC member/Dir., Xinhua News Agency, Hong Kong Branch |
| Zheng Yutong | ACFIC Vice Chair |
| Jing Shuping | CPPCC Standing Member/ATS advisor/ACFIC Chair/Chair of the Board, China Minsheng Banking Corporation |
| Xiang Chunyi | NPC Member and Vice Chair, NPC Law Committee |
| Zhao Bingxin | Dir., HKMO Hong Kong Social and Cultural Department |
| Hu Honglie | CPPCC Standing Member |
| Ke Zaishuo | Representative to the former Sino-British Joint Liaison Group |
| Yu Xiaosong | Vice Min., State Economic and Trade Commission/Member, Securities Commission of the State Council/Dep. Head, National Leading Group for Work Concerning Foreign Capital |
| Fei Zongyi | Vice Chair, China International Economic and Trade Arbitration Commission |
| Qin Wenjun | Vice Pres., Xinhua News Agency, Hong Kong Branch/CPPCC Standing Member |
| Qian Qichen | CPC Political Bureau Member/CPCCC Member/Dep. Head, Central Foreign Affairs Leading Group/Vice Premier/Minister of Foreign Affairs |
| Xu Simin | CPPCC Standing Member |
| Xu Ze | Dir., HKMO Hong Kong Bureau Government Administration |
| Xu Zhantang | CPPCC Standing Member |
| Gao Shangquan | Vice Chair, China Comprehensive Development Research Institute/Vice Pres., Society for Research on Restructuring Economic System |
| Tang Shubei | Dep. Dir., Central Office for Taiwan Affairs/Dep. Dir., Taiwan Affairs Office, State Council/CPPCC Standing Member/ATS Vice Chair |
| Tang Xiangqian | CPPCC Standing Member |
| Kui Fulin | PLA Dep. Chief of General Staff |
| Lu Ping | CPCCC Member/Dir., HKMO |
| Zeng Xianzi | NPC Member/ACFIC Vice Chair |

Note: Explanation of main abbreviations:
 SAR: Hong Kong Special Administrative Region
 HKMO: Hong Kong Macao Affairs Office, State Council
 CPCCC: Communist Party Of China Central Committee
 NPC: National People's Congress
 CCDI: Central Commission for Discipline Inspection
 PPC: Province People Congress
 CPPCC: Chinese People's Political Consultative Conference
 ATS: Association for Relation Across the Taiwan Straits
 CPC: Communist Party of China
 ACFIC: All-China Federation of Industry and Commerce

Sources: Compiled by the author from the *People's Daily*, December 29, 1995; *China Directory 1997*, Radio Press, 1996; *Biographical Dictionary of Modern Chinese (1995)*, Kazankai, 1995.

out, and an analysis of the committee's Chinese members is significant to the purposes of this chapter. The occupations of the 56 Chinese members are listed in Table 2-1. This table illustrates the following characteristics with regard to these members.

First, a large number of members have been selected from agencies connected with preparations for the return of Hong Kong. Six members work at the Hong Kong and Macao Affairs Office of the State Council (subsequently referred to as HKMO), which represents the Chinese government in Hong Kong on administrative matters and plays an intermediary role between the Chinese and Hong Kong governments. An additional four members work for the Hong Kong branch of the Xinhua News Agency (subsequently referred to as the Xinhua Hong Kong branch), which actually functions as an agency of the Chinese government in Hong Kong. These figures clearly show the important role of HKMO in the activities of the Preparatory Committee. As discussed later, this importance is generating a series of hardline policies by this office.

Second, in an effort to gain firm control of the post-return Hong Kong economy, the committee includes a number of members working in economic fields. These members include people from finance-related organizations, including the Bank of China, the People's Bank of China, and the Ministry of Finance, as well as the State Planning Commission, the Ministry of Foreign Trade and Economic Cooperation, and the State Economic and Trade Commission.

Third, members from agencies responsible for public security have also been included for the maintenance of law and order in pre- and post-return Hong Kong. One member each was selected from the Ministry of State Security and the Ministry of Public Security, while two members were selected from the People's Liberation Army.

In addition, it should be noted that the committee includes representatives from Guangdong Province and Shenzhen Special Economic Zone. These areas have already been integrated into the Hong Kong economy and are particularly sensitive to the direction Hong Kong takes following its return.

This committee generally comprises members working in return-related fields, in contrast to the focus on businessmen selected as Hong Kong members in order to calm the unease in Hong Kong's economic community. These conditions are sufficient to ensure China's leadership within the Preparatory Committee. In addition, this committee maintains a closed-door meeting comprising ten members, including chairman Qian Qichen and four Vice-Chairmen from China, Wang Hanbin, Lu Ping, Zhou Nan and Wang Yingfan, as well as five from Hong Kong (table 2-2).

Table 2-2 Closed-door Meeting, Hong Kong Special Administrative Region Preparatory Committee

| | | |
|---------------|--------------------------|--|
| Chairman | | Qian Qichen |
| Vice Chairmen | (representing China) | Wang Hanbin, Lu Ping, Zhou Nan, Wang Yingfan |
| | (representing Hong Kong) | Ann Tse-kai, Henry Fok Ying-tung, Simon Li Fook-sean, C.H. Tung, Leung Chun-ying |

Source: *People's Daily*, December 29, 1996.

(2) China's Leadership in the Preparatory Committee

The Preparatory Committee's main duties have so far been to establish a selection committee in order to select Hong Kong's first chief executive and the membership of its Provisional Legislative Council.

Table 2-3 Six Working Panels Established by the Preparatory Committee

| Panel Name | Function |
|---------------------------------------|---|
| Selection Committee Panel | To establish the Selection Committee for selection of the first executive official and the members of the Provisional Legislative Council |
| First Chief Executive Panel | Selection of the first Chief Executive |
| Provisional Legislative Council Panel | Establishment of the Provisional Legislative Council |
| Law Panel | Law |
| Economy Panel | Economics |
| Celebration Activity Panel | Ceremonies for return of Hong Kong |

Source: *People's Daily*, January 28, 1996.

At the First Plenary Session, the work to be carried out prior to the return of Hong Kong was specified, including the establishment of six working panels within the committee (table 2-3) and the adoption of the rules governing the Work of the Committee. The rules, however, establish the principles of "collective responsibility", making the entire committee responsible for the decisions made by the Committee and prohibiting individual members from publicly opposing these decisions, and "secrecy", forbidding members from publicizing committee proceedings. In this regard, Chairman Qian has stated that "the Preparatory Committee has been established as an agency of state authority and state affairs, and members are therefore guaranteed the ability to express their views freely within the committee"⁽²⁾. The implication of the operation of the Preparatory Committee from behind closed doors, however, has left the impression and suspicion that the committee will be led by China. It is perhaps for this reason that the full rules text has not been made public.

The Second Plenary Session in March 1996 has decided to establish the Provisional Legislative Council as a transitional measure until the first legislative council of the SAR is established. As a large number of members from the "democracy faction" which opposes China, mostly members of the Democratic Party, were elected to the current Legislative Council (Legco) of Hong Kong in the election of September 1995, it was necessary for China to prevent this council from becoming the official SAR legislative body. In order to accomplish this, China forced the establishment of the Provisional Legislative Council which had not been specified in either the "Sino-British Joint Declaration" or the "Hong Kong Basic Law"⁽³⁾.

At the Third Plenary Session in May, the Preparatory Committee launched the Selection Committee, adopting a resolution setting the drafting of a list of candidates for executive officials to be finalized within the year. At the Fourth Plenary Session, which began on August 9, the committee adopted "a formula on detailed methods of the formation of the Selection Committee for the first government of the Hong Kong SAR," basically completing preparations for the establishment of this committee.

At the Fifth Plenary Session in October, the documents that describe the details of choosing the first Chief Executive of SAR as well as forming the Provisional Legislative Council of SAR were

adopted, and the selection of the first Chief Executive by December 15 and members of the Provisional Legislative Council by December 31 were confirmed. According to these two sets of documents, candidates for the first Chief Executive and for Provisional Legislative Council members must be approved by the closed-door meeting.

A list of the Selection Committee candidates registered from August 14 to September 15 received final approval at the closed-door meeting held prior to the Fifth Plenary Session, but three of the registered candidates were subsequently disqualified⁽⁴⁾. The Chinese side has not made any official statement concerning this matter, but it appears that the three candidates were disqualified because they were opposed to the establishment of the Provisional Legislative Council.

At the Sixth Plenary Session in November, 400 members for the Selection Committee were selected, and the first Chief Executive and the Provisional Legislative Council members by the end of 1996 were elected.

(3) Stationing of troops

As a result of the military suppression in Tiananmen Square during the 1989 "June 4th Incident," the image of the People's Liberation Army (PLA) has deteriorated in Hong Kong, making people extremely uneasy about the stationing of troops there.

On January 28, 1996, the State Council and the Central Military Commission issued a joint "declaration" announcing that the PLA would officially be stationed in Hong Kong at midnight on July 1 1997, immediately following Hong Kong's return. Major General Liu Zhenwu, 42nd Group Army Commander, assumed command of the PLA unit in SAR. On the following day, January 29, members of the Preparatory Committee inspected troops in Shenzhen, where the troops to be stationed in Hong Kong were undergoing training. At a press conference, Commander Liu and others attempted to calm the fears of Hong Kong residents, emphasizing that these troops were highly efficient, battle-tested soldiers, and that the army would not participate in the SAR administration. Commander Liu also visited Hong Kong twice, in July and again in August, to discuss the transfer of the military, giving the im-

pression that preparations for the stationing of troops in Hong Kong have been proceeding smoothly.

At a meeting of the Sino-British Joint Liaison Group in October, however, China's Chen Zuor announced that certain PLA troops would be sent to Hong Kong prior to its return⁽⁵⁾. Although an explanation was offered that "such action taken prior to the return of Hong Kong does not constitute the stationing of troops, but is for purposes of preparation," the shock of a "dispatch of an advance contingent" has caused great concern in Hong Kong.

(4) Anxiety Over the Democracy Movement — China's Response to the "Diaoyutai Defense Movement"⁽⁶⁾

China's greatest concern is that, following the return of Hong Kong, activities opposing the central government or the Communist Party could take place in Hong Kong, which is accustomed to a free press and political freedom, and that these activities in Hong Kong could spread to other parts of China, leading to social unrest. For this reason, China cannot allow the media and political freedom Hong Kong has enjoyed to date to be maintained following its return.

Lu Ping, HKMO's Director, has stated that "it is against the Basic Law to carry out subversive activities or to attempt to disrupt national unity" following Hong Kong's return⁽⁷⁾. Standards concerning the application of such prohibition are ambiguous, however, and this fuels unease among the people of Hong Kong about post-return conditions.

In this respect, an analysis of China's response to the anti-Japanese movement sparked by the dispute between China and Japan over sovereignty of the Senkaku Islands (referred to below as the "Diaoyutai Defense Movement," as it is called in Hong Kong), a movement centered in Hong Kong from July to October 1996, may allow predictions on how the central government will respond to the democracy movement in post-return Hong Kong.

As is well known, the anti-Japanese movement began in Hong Kong immediately after a right-wing Japanese organization built a lighthouse on the Senkaku Islands on July 14, 1996. China, however, did not officially respond until reports appeared in the *People's Daily* on August 30. On September 5, a

spokesman for the Ministry of Foreign Affairs expressed support for demonstrations opposing Japan in Hong Kong⁽⁸⁾. Activities in Hong Kong subsequently escalated into the Diaoyutai Defense Movement, which included a boycott of Japanese products and protests with up to 10,000 participants. The reaction of the Chinese government, however, did not exceed its September 5 statement.

China's policy toward Japan was criticized by certain Hong Kong media, including *Ming Pao Daily News*, for its "low profile" stance regarding Japan⁽⁹⁾. Sources in Hong Kong also indicate that anti-Japanese statements were made by reporters at *Guangming Daily* and *Workers' Daily* and by other members of the mass media within China as well⁽¹⁰⁾. On September 13, anti-Japanese flyers were posted on the campus of Beijing University, and discussion groups were formed, while anti-Japanese activities were also carried out in Shanghai at Fudan University and at other universities throughout the country. The Chinese government was forced to respond to domestic conditions, and the Vice-Minister of Foreign Affairs was therefore sent to Beijing University to deliver a prohibition against anti-Japanese activities, while the National Education Committee issued a circular calling upon students to remain calm⁽¹¹⁾.

The situation changed on September 26 when Hong Kong activist David Chan dived to his death near the Senkaku Islands. On September 29, Wang Rudeng, assistant director of the Xinhua Hong Kong branch, took the unusual step of attending the memorial service for David Chan. On the same day, however, the Xinhua Hong Kong branch deputy directors Zheng Guoxiong and Zhang Junsheng called upon the people of Hong Kong to "exercise reason and pay attention to safety" when participating in the Diaoyutai Defense Movement⁽¹²⁾, and during a meeting on September 30 with a women's delegation representing Hong Kong and Macao, Wang Fengchao, Deputy Director of HKMO, called strongly for self-restraint in protests against Japan⁽¹³⁾.

Although China praised David Chan's death as patriotic, this event marked a turning point in China's response to the Diaoyutai Defense Movement. The Communist Party Central Committee had circulated 1996 Document #33 to local provincial governments by October 7 and strengthened criti-

cism of certain people in Hong Kong, urging the prevention of damage to relations between China and Japan⁽¹⁴⁾.

The events just described allow the following predictions concerning changes in China's response to the Diaoyutai Defense Movement in Hong Kong.

The movement in Hong Kong gradually escalated, and anti-Japanese activities were also carried out within China, centered on students and the mass media. A protest ship from Hong Kong also sailed to the Senkaku Islands, leading to one death. The mass media in Hong Kong, on the other hand, criticized the Chinese government's policy toward Japan. As a result of concern over further intensification of the movement in Hong Kong, which could have led to anti-Chinese political activities and subsequent social unrest within China, the Communist Party Central Committee moved to control the movement.

As already described, by controlling the membership of the Preparatory Committee and the closed-door meeting, and by granting strong authority to the closed-door meeting, China has taken the leadership in preparations for the return of Hong Kong, particularly with regard to the selection of the first Chief Executive and members of the Provisional Legislative Council consistent with Chinese interests. The same can be said concerning the stationing of troops in Hong Kong, and the more concrete this work becomes in the future, the more evident China's leadership in preparations should become.

This section has briefly examined the central government's response to the Diaoyutai Defense Movement and attempted to predict the response by the central government to the democracy movement in Hong Kong following its return. This examination, however, has indicated that the Chinese government's greatest fear is of the spread to China of the Hong Kong movement and the generation of social unrest. This will form the basis of the central government's future responses.

2. Return of Hong Kong as a Domestic Political Issue

Until recently, the return of Hong Kong was only a diplomatic issue for China involving Hong Kong or Britain. As the determination of Hong Kong's system of rule after its return has moved to

concrete preparations, return has become a point of dispute in Chinese politics, as well as a domestic political issue. For example, as pointed out in the analyses of Chapters 1 and 3, the economic influence of Hong Kong's return on China is evident in the integration of the Hong Kong and Chinese economies, centered on the southern China economic sphere. Politically, the stability of the Jiang Zemin regime is closely related to the success or failure of Hong Kong's return. The 15th National People's Congress of the Communist Party of China (subsequently referred to as CPC), which is scheduled for the fall of 1997, will provide a particularly important indication of the stability of the Jiang Zemin regime, and it would appear that Jiang Zemin hopes to maintain his leadership of the Party by succeeding in the smooth return of Hong Kong. The influence of the return of Hong Kong on China's domestic politics is considered next.

(1) Struggle for Leadership Following the Return of Hong Kong

The struggle over which leaders and government agencies will control SAR after the return of Hong Kong is intensifying. The composition of the Preparatory Committee, described in Section 1, indicates the struggle for control between HKMO, which hopes to maintain its leadership following return, and economic agencies, which hope to gain leadership in Hong Kong.

According to Thomas Chan, because HKMO is an association of the party-government-military complex and has been involved for years in negotiations on the return of Hong Kong, "the simple organizational imperative of HKMO, tempted by the enormous power and potential interests that might come from it, would push the officials of the office to strive for such a role" after the return⁽¹⁵⁾. For example, after the establishment of the Provisional Legislative Council was determined in March 1996, Deputy Director Chen Ziyang called upon civil servants in the Hong Kong government to support this council, causing unrest among Hong Kong's civil servants. Vice-President Zhang, of the Xinhua Hong Kong branch, was forced to assure the civil servants that they would not be required to specify their opinions⁽¹⁶⁾. In July, Director Lu Ping announced that the Provisional Legislative Council would be established within the year (1996), a half-year ahead of the original schedule⁽¹⁷⁾. These

and other hardline policies by HKMO during the process of preparing for the return indicate the office's strong intention of ensuring its leadership following Hong Kong's return. Economic agencies have also formulated concrete policies in order to win the support of the Hong Kong economic community and take leadership in the situation following the colony's return. For example, Deputy Director Yu Xiaosong of the State Economic and Trade Commission has stated that, even after return, Hong Kong companies investing in the mainland will continue to be treated as foreign companies, while Deputy Premier Zhu Rongji, responsible for the economy, has stated that the government will continue to exercise strict control of the advancement of state-operated companies in Hong Kong⁽¹⁸⁾.

Furthermore, such people as Huang Ju, Secretary of the Shanghai Municipal Party Committee and a member of the Political Bureau, and Xu Kuangdi, the mayor of Shanghai, both proteges of Jiang Zemin and members of the so-called "Shanghai Clique," are in the running for high positions in the SAR government. This indicates how highly SAR is valued by the leadership of the central government⁽¹⁹⁾.

(2) Representation of Interests in Hong Kong Following Return

Concern about the prosperity of post-return Hong Kong lies in the lack of clarification of regulations concerning the processes for formulating and implementing SAR policy by the central government. In other words, it is unclear how the central government's interests will be represented in SAR.

Lu Ping, HKMO Director, stated in January 1996 that a Party Committee would not be established in Hong Kong after its return⁽²⁰⁾. This statement is thought to be an attempt to relieve concern in Hong Kong that a Party Committee would dictatorially control SAR. In this respect, Lu's statement was very effective, but if no Party Committee were in fact established in Hong Kong, additional problems would arise, because those representing SAR interests could not participate in high-level Communist Party policy-making agencies such as the Central Committee and the Central Politburo. Within local Chinese government, the secretary of the party committee is generally more powerful than the

provincial governor. It is through the party secretary that local demands are expressed to the Central Committee, bargaining takes place and local interests are taken care of. If no party committee is established in SAR, however, who would bargain with the central leadership over Hong Kong's interests?

In this regard, Edward Chen has expressed the optimistic view that "after the change of sovereignty in 1997, Hong Kong as SAR can protect its own interest and negotiate with the Central government in its own right⁽²¹⁾."

Following return, HKMO will enjoy a rank equal to that of the Chief Executive and will maintain an agency which responds to the SAR government under the management of an individual who reports directly to Premier. As previously mentioned, however, objections to the possibility that HKMO, which is targetting leadership following Hong Kong's return, will represent SAR interests are being voiced. T. Chan has speculated that HKMO, which is seeking to increase its authority and is taking an excessively hardline position, will not be able to represent the interests of post-return Hong Kong⁽²²⁾, but it is said that Director Lu Ping and other members of HKMO will distance themselves from their current posts after the return of Hong Kong and that the hardline policy implemented by this agency to date will be likely to be resolved. Furthermore, in terms of candidates for high office in Hong Kong after its return, Huang Ju and Xu Kuangdi are in the running, as already mentioned, and a major Politburo-level figure such as Huang Ju would benefit SAR.

(3) Hong Kong as "One Chinese Region"

With respect to future policy by the Chinese government toward SAR, not much attention has been paid to the fact that Hong Kong will become "one Chinese region" following its return, meaning that Hong Kong will have the same status as such places as Shanghai and Hubei Province. The Chinese government has certainly stated repeatedly that its policies toward SAR will be different from those for the rest of China. The ability of the Chinese government to ensure this, however, cannot be guaranteed. The Chinese government has had to

repeat such statements precisely because of the strong concern on the part of the people of Hong Kong about this issue.

The fact is, it would appear difficult to firmly maintain special policies toward Hong Kong. For example, SAR will enjoy independent fiscal authority and will not be required to forward tax revenue to the central government, but the governments of other parts of China are likely to be dissatisfied that Hong Kong need not forward tax revenue to the central government despite its wealth. Shao Shanbo, a member of the Preparatory Committee, takes an optimistic view on this sort of dissatisfaction, arguing that the central government will override such objections because the issue of unification with Taiwan has created a consensus in the central government concerning the need to continue the implementation of special policy toward Hong Kong⁽²³⁾. The economic differences, however, between coastal and inland areas have become a political problem in China, with criticism of the central government by poor inland provinces emerging with regard to granting generous hospitality policies to the coastal regions. Given China's economic situation, there is no guarantee that the special policies toward SAR will not be made into an issue by local governments in the future, which could lead to opposition to the "one country, two systems" policy. The "one country, two systems" policy has the potential to generate anomalies within the central government.

3. *Chinese Policy Toward Taiwan Following the Taiwanese Presidential Election*

This section analyzes China's policy toward Taiwan since the Taiwanese presidential election of

March 1996. Following an analysis of the Chinese assessment of the Taiwanese presidential election, the shifts in China's policy toward Taiwan will be examined.

(1) **Chinese Assessment of the Taiwanese Presidential Election**

The results of the presidential election held in Taiwan on March 23, 1996 are illustrated in Table 2-4. China's Xinhua News Agency reported on the election results and added an editorial on the subject the very day of the election⁽²⁴⁾.

The most notable aspect of this editorial was its description of the candidates who were not elected: "The total number of votes gained by the Lin Yang-kang & Hao Po-tsun and Chen Li-an & Wang Ching-feng tickets, both of which opposed 'Taiwanese independence' and argued for the development of strong ties across the Taiwan Strait, was greater than the number of votes won by the Democratic Progressive Party's Peng Ming-min & Hsieh Chang-ting, who favored 'Taiwan independence'." Of the four candidacies, the editorial designated only Peng and Hsieh as representing pro-Taiwan independence, drawing a distinction between them and Li Teng-hui, although China had criticized the president prior to the election for his pro-independence stance. This does not mean that China has changed its view that Li is a supporter of Taiwan independence. Without naming Li, the editorial stated that "a certain leader among the Taiwan authorities was forced to oppose Taiwan independence and express support for unification in order to meet the demands of a great majority of the Taiwan public and gain their votes." This description does indicate, however, a change in the Chinese view of Li Teng-hui.

Table 2-4 Results of the Taiwanese Presidential Election

| Candidates | Party Affiliation | Number of Votes | Percentage of Votes Won |
|------------------------------------|------------------------------|-----------------|-------------------------|
| Li Teng-hui/Lian Chan | Kuomintang | 5,813,699 | 54.0 |
| Peng Ming-min/ Hsieh Chang-ting | Democratic Progressive Party | 2,274,586 | 21.1 |
| Lin Yang-kang/ Hao Po-tsun | New Party | 1,603,790 | 14.9 |
| Chen Li-an/ Wang Ching-feng | | 1,074,044 | 10.0 |

Source: *Issues and Research* (Taiwan), May 1996

(2) China's Policy Toward Taiwan Since the Presidential Election

A summary of China's policy toward Taiwan during the presidential election was provided by the Xinhua News Agency editorial on April 27, 1996⁽²⁵⁾, while a Working Conference on Taiwan held from April 27 to 29 clarified the policy toward Taiwan at that point⁽²⁶⁾.

The editorial summarized that China's policy toward Taiwan following Li Teng-hui's visit to the United States in June 1995 had achieved "important results." Specifically, the editorial argued that China's policy toward Taiwan had 1) caused the resounding defeat of the pro-independence faction in the presidential election; 2) forced Li Teng-hui to abandon pro-independence sympathies, support unification, and implement measures to improve bicoastal relations; 3) convinced the people of Taiwan that the stabilization and development of bicoastal relations is the most significant issue for Taiwan and is in line with the island's fundamental interests; and 4) convinced the rest of the world that Taiwan is a domestic Chinese issue.

In terms of the Working Conference on Taiwan, Foreign Minister Qian reaffirmed that the Eight-Point Proposal concerning Taiwan put forward by President Jiang Zemin on January 30, 1995 (subsequently referred to as the "Eight-Point Proposal")⁽²⁷⁾ constitutes the basic outline on China's policy toward Taiwan. He also stated that China will continue to fight against Taiwan independence and that China hopes to promote economic cooperation. His reaffirmation of the "Eight-Point Proposal" can be interpreted as a message from China to Taiwan that it seeks improved relations within the context of the "one China" principle. In the wake of this conference, a spokesman for the Ministry of Foreign Affairs stated on April 30, 1996 that Taiwan must make the next move toward improved relations and that China hoped Taiwan would take action in this regard⁽²⁸⁾.

On May 2, the Hong Kong newspaper, *Wen Hui Bao*, reported that, according to a high-ranking official, future policy toward Taiwan would actively pursue opposition to Taiwan independence, the promotion of bicoastal exchange, and leadership in the development of bicoastal relations⁽²⁹⁾.

China's message concerning improved relations after the completion of the presidential elec-

tion represents an attempt to exert leadership over the improvement of relations.

(3) China's Policy Toward Taiwan following the Presidential Inauguration

Li Teng-hui delivered an inaugural speech during Taiwan's presidential inauguration on May 29, 1996.

The Xinhua News Agency published its first editorial on this speech, an essay by Guo Xinyan, on May 26. Although the essay praised Li Teng-hui for opposing Taiwan independence and for his desire to visit the mainland, it also criticized him for avoiding the issue of "one China" and pursuing "pragmatic diplomacy," charging that Li Teng-hui is basically "following a separatist path."

On June 4, Foreign Minister Qian delivered a report entitled "Current State of Bicoastal Relations and Future Policy Toward Taiwan." This report presented two fundamental principles for future policy toward Taiwan: (1) adherence to the principle of "one China" and (2) obtaining the support of the Taiwan people. This report, however, made no mention of the "Eight-Point Proposal."

Assuming that Li's inaugural speech offered a reply to the message from China in April in the Working Conference on Taiwan, it would appear that China has decided that progress in the relationship between China and Taiwan during Li's four-year presidential term cannot be expected.

China has emphasized two key strategies for ensuring its leadership in the improvement of relations with Taiwan. One represents a "diplomatic strategy," opposing Li Teng-hui's pragmatic diplomacy and isolating Taiwan internationally. The other is a strategy of "separation of politics and economics," abandoning political negotiations with Taiwan in favor of the active pursuit of direct economic exchange.

(4) Diplomatic Strategy

One characteristic of China's diplomatic strategy is its attempt to prevent the expansion of Taiwan's pragmatic diplomacy, which could also be described as a status quo policy. The main focus of this strategy is the prevention of Taiwan's diplomacy in Africa and its activities regarding return to the United Nations. Another feature of this strategy is

China's effort to cause confusion between Taiwan and countries maintaining diplomatic relations with Taiwan and to establish diplomatic relations with these countries itself, which could also be described as an isolation policy. China's friendliness with the Republic of South Africa (subsequently referred to as "South Africa") is one example of this.

These two characteristics are considered in concrete detail, beginning with the status quo policy. President Jiang Zemin visited six African nations, including Kenya, Ethiopia and Egypt, from May 8, 1996 as his first visit to Africa.

In addition to concluding agreements for economic and technical cooperation in each of these countries, Jiang Zemin pledged large sums of grant aid to Kenya (\$15 million), Ethiopia (\$3.6 million), and Egypt (\$3.75 million) and announced the contribution of \$300,000 to the Organization of African Unity (OAU)⁽³⁰⁾. The reason for China's active diplomacy in Africa is that nine of the 30 countries which maintain diplomatic relations with Taiwan (as of August 19, 1996) are African, and China is working to prevent this number from increasing.

In terms of the isolation policy, the largest African nation maintaining diplomatic relations with Taiwan is South Africa. China, which has historically attached great importance to its relations with third-world countries, wanted South Africa to sever diplomatic relations with Taiwan and establish relations with itself. As described next, South Africa also hoped to establish diplomatic relations with China in order to expand economic and trade relations.

On March 24, 1996, the day after the Taiwan presidential election, South African Foreign Minister paid an unofficial visit to China, and on April 30, China's Minister of State Economic and Trade Commission, Wu Yi, addressed the subject of diplomatic relations while officially in South Africa to attend a general session of the United Nations Conference on Trade and Development (UNCTAD).

The two sides differed, however, with South Africa proposing the principle of "dual recognition," allowing it to maintain relations with both Taiwan as well as establish relations with China. China proposed the principle of "one China," requiring South Africa to sever ties with Taiwan before establishing diplomatic relations with China. An article entitled "Dual Recognition is Impossible" in the September 5 issue of the *People's Daily*

suggested that China had decided to abandon discussions with South Africa concerning diplomatic recognition.

Although this approach to South Africa failed, China has also had success with this policy. Diplomatic relations with Niger were restored on August 19 and an agreement with Panama, which maintains relations with Taiwan, for the establishment of trade representative offices in each country was concluded on April 3, forming the first step toward the establishment of diplomatic relations.

There are currently only 30 countries which maintain diplomatic relations with Taiwan. The question is, however, why these few countries continue these relationships. In almost every case, the main reason is that these are developing countries hoping to achieve economic development through economic aid from developed Taiwan and expansion of trade with Taiwan. Taiwan currently has agreements with South Africa, for example, to provide loans and technical cooperation (worth a total of \$310 million) within 25 different redevelopment plans, and its trade with South Africa totalled \$1.74 billion⁽³¹⁾. China has only to establish diplomatic relations with these countries by replacing Taiwan in fulfilling these countries' needs. In other words, China will succeed if it can provide more economic aid than Taiwan and establish close trade relations with these countries.

South Africa's recent interest in diplomatic relations with China, while insisting on the maintenance of diplomatic ties with Taiwan, was due to the current expansion of its economic and trade relations with China. Trade with China in 1995 totalled \$1.32 billion, which is comparable with the level of its trade with Taiwan⁽³²⁾. It is unlikely that economic relations between China and South Africa will cool in the future, and is in fact more likely that economic cooperation and trade relations between the two countries will continue to expand. For this reason, China has absolutely no need to establish diplomatic relations with South Africa and has an extremely advantageous position of waiting for South Africa to compromise. This trend is likely to continue, as is the case with the other countries maintaining diplomatic relations with Taiwan.

(5) Separation of Politics and Economics

Taiwan Vice-President Lian Chan made a secret visit to Ukraine on August 20, 1996 as part of

Taiwan's pragmatic diplomacy. On that same day, China announced and implemented the "Regulations to manage direct shipping between mainland and Taiwan," clearly signaling the abandonment of negotiations with Li Teng-hui and that it had now chosen to pursue a strategy of separating politics from economics. This strategy emphasizes early realization of the "Three direct exchanges" (direct communications, sea and postal exchanges) policy and the expansion of economic exchange.

With regard to political negotiations, although Taiwan has actively sent signals for the implementation of exchange between non-government groups which has been suspended since June 1996, China has consistently rejected Taiwan's proposals, conditioning these exchanges on acceptance of the "one China" principle⁽³³⁾.

With respect to the promotion of the "Three direct exchanges" policy and expansion of economic exchange, Li Teng-hui and others in Taiwan politics have expressed grave concern about excessive dependence by Taiwan companies on the Chinese market. China is very confident, however, for two reasons: (1) the country's economic development makes Chinese markets extremely attractive, and (2) Taiwan's economy is stagnating. These factors have led China to determine that Taiwan companies are extremely interested in investing in the mainland. An article by Zi Mu in the September 10 issue of the *People's Daily* analyzed current economic conditions in Taiwan as being dependent on other countries, and as the global economy moves toward the formation of trading blocs and protectionism, "Taiwan will have no choice but to strengthen economic relations with the mainland and rely on its large markets for growth to achieve economic development." The article also stated, however, that the Taiwan economy has been seriously damaged and contracted in 1996 due to the deterioration of relations in 1995.

On August 27, a 65 Taiwan business people and scholar delegation headed by Chairman Gao Qingyuan (chief executive officer of the President Group), visited China to attend the Beijing-Taiwan Economic Co-operation Conference. This was the largest Taiwan business group to visit China since the deterioration of bicoastal relations in June last year, symbolizing China's "separation of politics and economics" policy. Although the conference was local-level, it was attended by Vice-Premier Li Lanqing and Director of the State Council's Taiwan

Affairs Office, Wang Zhaoguo, with Vice-Premier Li asking the Taiwan authorities to quickly implement the "Three direct exchanges" policy. Chairman Gao responded that the Taiwan economic community is united in its support for this policy⁽³⁴⁾. President Jiang Zemin also met with the delegation, expressing China's expectations for mainland investment by Taiwan companies and asked them to "grasp opportunities to invest in the mainland." He also indicated China's thoughts on separating politics and economics, stating that "political disputes should not affect or interfere with economic cooperation between the two sides of the Taiwan Straits"⁽³⁵⁾.

Conclusion

Preparations for the return of Hong Kong have already entered the final stage. Although Hong Kong has expressed dissatisfaction and criticism over China's leadership of work on Hong Kong's return in the Preparatory Committee, this leadership is an extremely natural response for the Jiang Zemin regime, which is doing everything in its power to ensure a successful return on July 1, 1997.

The Jiang Zemin regime is not, however, focusing only on immediate success in preparations for Hong Kong's return. The government is already looking ahead to post-return Hong Kong, and the struggle for control of SAR has begun. This indicates how strongly the Chinese government is emphasizing Hong Kong after its return. The central government is also steering the direction of Hong Kong after its return, which it ultimately controls.

Minor fluctuations in policy caused by the struggle for control of SAR are unavoidable in the short term, but this should not affect the government's firm stance on the "one country, two systems" policy or cause any fluctuation in the government's basic policy of ensuring no changes in this principle for 50 years.

Following return, however, Hong Kong will have a dual nature, with the "Hong Kong Special Administrative Region" receiving various unique policies, and becoming "one Chinese region" on the other hand. This may lead to tension in the medium to long term between Hong Kong and other areas of China. At that point, Hong Kong will become ensnared in China's "center-local" and "local-local" relationships, which ironically could represent the true "return to China."

As has just been clarified, Hong Kong will be likely to continue to be controversial even after its return. China's policy toward Taiwan, at least until the next presidential election in 2000, can be expected to pursue its two strategies of "diplomatic" and "separation of politics and economics" policy, as well as to attempt the international and domestic isolation of Li Teng-hui, as long as Taiwan, and more specifically Li, does not adopt any major changes in policy. In addition, China has no immediate intention to politically negotiate with Taiwan as Taiwan and Li Teng-hui will not accept the "one China" principle, and it will be much longer before China conducts negotiations on the subject of reunification itself. This, however, absolutely does not mean that China has become passive on the issue of the unification of China and Taiwan. By taking a leading economic position through economic development and expanded markets, China is preparing for and taking the lead in the inevitable unification negotiations. In reality, China is basing its policy on the adage "haste makes waste."

Finally, the prospects for future Chinese policy toward Taiwan presented in this chapter are based on an analysis that has been focused on interaction between China and Taiwan since the presidential election, with no analysis of the influence of the United States on this issue. It is well known, however, that even with the deterioration of relations between the United States and China following Lee's visit to the United States, China has not backed down from its "one China" policy or its hardline policy toward Taiwan. "Outside pressure" has not altered China's policy toward Taiwan. Accordingly, the analysis presented would not appear to be greatly affected, even taking the influence of the United States into consideration.

Notes:

* Pin'yin romanization has been applied to those Chinese names whose original spellings could not be ascertained.

- (1) Including *Yearbook of Asian Affairs* yearly issues (Institute of Developing Economies, all years), *Ajiken World Trends*, July Issue (Institute of Developing Economies, 1996, referred to below as the July issue of *Trends*), *Chinese Economy*, July Issue (Japan External Trade Organization, 1996), *Direction of the Hong Kong Economy Following Return – Chinese Government's View of Hong Kong* (Fuji Research Institute, 1996)
- (2) *People's Daily*, January 28, 1996.

- (3) Zhou Nan, Director of the Xinhua Hong Kong branch, stated in an interview with *Time* that "some put forward the idea that the National People's Congress Standing Committee act on behalf of the SAR". (*Time*, July 1, 1996).
- (4) *Asahi Shimbun*, October 5, 1996.
- (5) *People's Daily*, October 26, 1996.
- (6) This purpose of this section is not to clarify the author's position on the management of the dispute between China and Japan concerning sovereignty over the Senkaku Islands, but simply to analyze the Chinese government's response to the demonstrations in Hong Kong over this issue. Both the Japanese name, "Senkaku Islands," and the Chinese name, "Diaoyutai," have been used according to context.
- (7) *Sankei Shimbun*, June 6, 1996.
- (8) On September 6, members of the Democratic Party, which opposes China, were invited for the first time to the Hong Kong branch of the Xinhua News Agency, where a letter to Qiao Shi demanding a firm stance on the Diaoyutai issue was received. Although Xinhua appeared to support the Democratic Party's Diaoyutai Defense Movement, this is best regarded as a response to Foreign Minister Qian's answer on 3 September to demands by the Democratic Party. (*Ming Pao Daily News*, [Hong Kong], September 7, 1996)
- (9) Examples from *Ming Pao Daily News* [Hong Kong] include "Why hasn't Beijing taken a firm stance?" on September 9 and "Beijing bears the main responsibility for the Diaoyutai Defence Movement" on September 11.
- (10) *Ming Pao Daily News* [Hong Kong], September 7, 1996.
- (11) *Hong Kong Economic Daily*, September 17, 1996, *Ming Pao Daily News* [Hong Kong], September 17, 1996. These student activities and the government's response were also connected with the 65th anniversary of the Manchurian Incident on September 18. The content of the circular reported on in the *Xin Bao* [Hong Kong] (September 27, 1996) follows: (1) It is necessary to understand the patriotism of all peoples and the indignation concerning the steps towards the restoration of militarization in Japan represented by the occupation of Diaoyutai; (2) patriotic actions require guidance so that they will not be intensified and disrupt social order; (3) the public must be dissuaded and prevented from organizing spontaneous meetings, demonstrations and protests; (4) crossing the boundaries of region, sector or school in exchange activities is prohibited; (5) the publicizing of activities by posting "wall newspapers," printing and distributing documents, or using various communications means is prohibited; and (6) awareness of attempts by hostile ele-

ments, both foreign and domestic, to use this opportunity to cause political disturbances and general unrest is necessary.

- (12) *Wen Hui Bao* [Hong Kong], September 30, 1996.
- (13) *Sankei Shimbun* [evening edition], October 1, 1996.
- (14) *Yomiuri Shimbun*, October 7, 1996. The content of the document follows: (1) agreement with Xinhua reports by media reports on the Senkaku Islands issue; (2) clarification of the central leadership's stance regarding the Senkaku Islands; (3) prevention of certain people in Hong Kong from intensifying criticism that would harm the relationship between China and Japan; (4) no permits for private (domestic) protest activities at the Japanese embassy in Beijing; (5) prioritizing economic development; and (6) the return of Hong Kong in 1997 as the focal point for the authorities.
- (15) Thomas Chan, "Post-1997 Relationship between China and Hong Kong — Seeking the Resolution of Unease and Doubt," *Trends*, July Issue.
- (16) *Nihon Keizai Shimbun*, March 28 and 31, 1996.
- (17) *Sankei Shimbun*, July 2, 1996.
- (18) *Asahi Shimbun*, April 17, 1996. *Nihon Keizai Shimbun*, April 5, 1996.
- (19) *South China Morning Post*, June 24, 1996.
- (20) *Asahi Shimbun*, January 20, 1996. *Sankei Shimbun*, January 20, 1996.
- (21) Edward Chen, "Three Reasons for Believing in Prosperity Following 1997," *Trends*, July Issue.
- (22) See (15).
- (23) *Nihon Keizai Shimbun*, July 1, 1996.
- (24) *People's Daily*, March 24, 1996.
- (25) *People's Daily*, April 28, 1996.
- (26) *People's Daily*, April 30, 1996.
- (27) *People's Daily*, January 31, 1995.
- (28) *Wen Hui Bao* [Hong Kong], May 1, 1996.
- (29) *Wen Hui Bao* [Hong Kong], May 2, 1996. An editorial from Xinhua News Agency entitled "Firm Stance on the 'One China' Principle, Watching Actual Behaviour" appeared on May 12 in the *People's Daily*, which seems to be a message from China to Li Teng-hui prior to his inaugural address.
- (30) *Sankai Shimbun*, May 17, 1996. *Nihon Keizai Shimbun*, May 18, 1996.
- (31) *Mainichi Shimbun*, May 5, 1996.
- (32) *China Statistical Yearbook*, 1996, China Statistical Publishing House, 1996.
- (33) The Taiwanese Strait Exchange Foundation sent letters to the mainland's Association for Relation Across the Taiwan Straits on April 29 and July 3.
- (34) *People's Daily*, August 29, 1996. *Tokyo Shimbun*, August 29, 1996.
- (35) *People's Daily*, August 29 and 30, 1996. *Tokyo Shimbun*, August 29, 1996.