

China-Taiwan Relations:  
**The Shadow of SARS**

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Throughout this quarter, Beijing and Taipei struggled to contain the spread of severe acute respiratory syndrome (SARS). SARS dramatically reduced cross-Strait travel; its effects on cross-Strait economic ties appear less severe but remain to be fully assessed. SARS intensified the battle over Taiwan's request for observer status at the World Health Organization (WHO). Although the World Health Assembly (WHA) again rejected Taiwan, the real problems of a global health emergency led to the first contacts between the WHO and Taiwan. Beijing's handling of SARS embittered the atmosphere of cross-Strait relations and created a political issue in Taiwan that President Chen Shui-bian is moving to exploit in next year's elections.

**SARS**

The SARS health emergency dominated cross-Strait developments during this quarter. With the dramatic removal of its health minister and the mayor of Beijing in mid-April, Beijing was forced to admit that it was confronting a health emergency with serious domestic and international implications. For about a month thereafter, Taiwan was proud of its success in controlling SARS. Then its first SARS death and SARS outbreaks in several hospitals led to first Taipei and then all Taiwan being added to the WHO travel advisory list. The PRC and Taiwan each in its own way mobilized resources and launched mass campaigns to control the spread of SARS. By late June, these efforts had achieved considerable success and the WHO travel advisories for both, as well as for Hong Kong, had been lifted.

The most immediate and dramatic impact of SARS was on cross-Strait travel. Before the outbreak, travel from Taiwan to the mainland was running at over a quarter of a million trips a month and about 12,000 PRC citizens were visiting Taiwan monthly. As the SARS outbreak developed in late March, conferences and meetings were cancelled. By mid-April, travel had slowed to a trickle. Taipei imposed a ban on visitors from SARS affected areas and required residents returning from those areas to undergo 10-day home quarantines. The PRC did not adopt such stringent measures but travel plunged nevertheless. From mid-May until mid-June scheduled transport between Taiwan's offshore islands and adjacent mainland ports was suspended. As most cross-Strait travel

is via Hong Kong, the decline of traffic on Dragonair, which carries passengers from Hong Kong to mainland cities, from 10,000 passengers daily to about 700 daily in late April reflected the dramatic decline in cross-Strait travel. Arrivals/departures at Taipei's international airport declined from 45,000 daily to about 7,000 in May. By late June after WHO travel advisories had been lifted, travel at the main airports involved in cross-Strait travel was recovering to levels about one-half of those before the crisis.

The impact of SARS on the crucial cross-Strait economic relationship appears from initial reports to be less dramatic. At the height of the crisis, forecasters in Taipei and Beijing were predicting that a short outbreak would result in modest reductions in projected GDP growth. Initial statistics that record reduced but still strong growth for global exports from the PRC and from Taiwan in May are reliable indications that cross-Strait trade has not been severely affected by SARS. Statistics on cross-Strait trade during the SARS period will not be available for several weeks. Beijing has also reported that foreign direct investment in China continued to expand during this period. Taipei's Investment Commission, whose statistics are indicative of trends, reported that approvals for Taiwanese investments in China during May grew only 1 percent, down from strong double-digit growth rates earlier in the year, but nevertheless remained positive. So it appears now that, although SARS created monumental challenges for individual firms, the underlying economic forces driving cross-Strait trade and investment have not been significantly affected by SARS.

### **Embittered Attitudes**

In the asymmetrical cross-Strait relationship, China looms large in the Taiwan consciousness. Beijing's handling of SARS has engendered waves of criticism from across the political spectrum in Taiwan. How deeply the anger and bitterness of the moment in Taipei will affect long-term attitudes remains unclear.

In March, Taiwan was critical of China's initial efforts to disguise and deny the origins of SARS in China last fall, actions that had laid the ground for SARS' spread beyond China. As the crisis unfolded, Beijing's initial reluctance to allow WHO officials access in China and PRC efforts to control WHO communication with and reporting on Taiwan were further sources of criticism. Comments from Beijing officials expressing concern for the health of people on Taiwan were greeted with derision on Taiwan. President Chen called Beijing's claims that it had helped Taiwan a lie. For its part, Taiwan played the SARS card actively in its annual campaign to obtain observer status with the WHO. Beijing's opposition to Taiwan participation in the WHO was seen as an indication of Beijing's heartless hostility toward Taiwan. Commentators across the political spectrum in Taiwan pointed out that Beijing's clear assertion in dealing with the WHO that Taiwan was a province of the PRC betrayed the duplicity behind the ambiguous language that former Vice Premier Qian Qichen had developed in contacts with Taiwan to the effect that "Taiwan and the mainland were both part of China."

The WHA again routinely turned down Taiwan's application for observer status in May. Joseph Wu in Chen's Presidential Office lashed out at Beijing, vaguely threatening that its opposition would lead to a reevaluation of Taipei's cross-Strait policies. Taiwan's minister of health went to Geneva at the time of the WHA meeting in hopes of presenting Taiwan's experience in dealing with SARS at a planned panel discussion of the emergency. When he was not permitted to make a presentation, Taipei commentators blamed Beijing. Later when Taipei was working hard to persuade the WHO to lift its travel advisory, the *Taipei Times* reported that a WHO official acknowledged that Beijing had urged the WHO not to lift the advisory on Taiwan until the similar advisory on cities in China was lifted. Whether true or not, the story was symptomatic of the suspicions and bitterness on Taiwan. Subsequently, the WHO lifted the travel advisory for Taiwan shortly before lifting the advisory for Beijing.

By mid-May, Beijing recognized that its handling of SARS with respect to Taiwan was being criticized internationally as well as in Taiwan. Beijing began to defend its position and propagandize steps it had taken to assist Taiwan with SARS. It was able to identify a visit Taiwan medical personnel made to China in April and the participation of Beijing medical personnel in video conferences on SARS initiated by individuals on Taiwan. In addition, Beijing took the significant step of having its quasi-official Association for Relations Across the Taiwan Strait (ARATS) make the first substantive communication in nearly seven years with its counterpart in Taipei, the Strait Exchange Foundation (SEF). On May 23, ARATS sent SEF a message offering specific assistance in dealing with SARS. After two days of consideration, SEF replied to ARATS in a tone of sarcasm that it did not need the assistance and that the proffered aid could be better spent controlling SARS in China.

### **Taiwan and the WHO**

Although Taiwan lost the observership battle again, SARS has brought some practical changes in its dealings with the WHO. When the first cases appeared in Taiwan in March, the WHO, rather than dealing directly with Taiwan, had asked the U.S. Center for Disease Control and Prevention (CDC) to send personnel to assist Taiwan. Over the spring, the CDC sent about 20 experts to Taiwan, for which Taiwan has been deeply grateful. In May when SARS began to spread rapidly in Taiwan, the WHO decided for the first time to send two of its own personnel to Taiwan. On the eve of their arrival, Beijing's Foreign Ministry, making a virtue of necessity, stated that it had agreed to their dispatch. Whether the WHO in fact did consult or just inform Beijing of its plan remains unclear. Later in May, two additional WHO personnel were dispatched.

At the WHA meeting, SARS brought about some changes in the way the WHO deals with infectious diseases. One change adopted at the WHA authorizes the WHO to act on the basis of information not just from national governments but also from other sources. This has been interpreted in Washington and Taipei as providing a basis for the WHO to respond directly to requests for assistance from Taiwan. In a separate resolution on SARS, the WHA specifically authorized assistance to all affected areas, which was understood to include Taiwan.

In June, the WHO convened a conference on SARS in Kuala Lumpur and, for the first time, extended invitations to participants from Taiwan. Again Beijing's Foreign Ministry stated that it had shown flexibility by agreeing to Taiwan's participation. However, the spokesman for the WHO said that the invitations had been extended without reference to Beijing. At this conference, Taiwan's senior representative Su Ih-jen was permitted to make a panel presentation.

These new contacts respond partially to Taiwan's (and the international community's) interest in the practical benefits of direct dealings with the WHO. However, they do not provide the recognition that Taiwan craves and deserves from participation in such technical agencies. In the sparring over terminology that inevitably occurs, the Chen administration was pleased that Dr. Su's name badge in Kuala Lumpur identified him as "Director, CDC, Taiwan," without mention of China or the PRC.

### **Domestic Politics**

The changes in Chinese policy – from Beijing's standard opposition to Taiwan in international organizations to the surprise ARATS offer of assistance on SARS – leave the impression that there was considerable debate behind the curtain of Chinese policy making. Who is setting policy at the leadership level is not clear. The experienced hand of former Vice Premier Qian Qichen was not visible. The relative roles of the Foreign Ministry and Taiwan Affairs Office at different points in the evolution of policy are uncertain. While President Hu Jintao and Premier Wen Jiabao appear to have strengthened their position by their handling of the SARS domestic emergency, it is not clear whether the handling of the Taiwan aspects will redound to one or another leader's credit or detriment.

In Taipei, SARS has benefited Beijing's critics and put those who support closer ties with China in an awkward position. President Chen, Presidential Office officials, and the Mainland Affairs Council (MAC) have been among the most vocal in criticizing Beijing. MAC officials have cited SARS as yet another reason why Taiwan investors should not become overly dependent on China. One presidential advisor went so far as advocating cutting all ties with China.

President Chen is seeking to exploit the bitterness in Taiwan to his advantage in next March's presidential election. The day after Taiwan's observer application was again rejected, Chen called for a national referendum on Taiwan in the WHO before next year's WHO meeting. The Executive Yuan has drafted legislation that would authorize referendums on nuclear power and on WHO participation. Both proposals are popular with Democratic Progressive Party (DPP) supporters, and the DPP believes it will be harder for the opposition to oppose such referendums in the current anti-China climate. Beijing has attacked the referendum proposal as "creeping independence" because it could become a precedent for future referendums on Taiwan's sovereignty.

A referendum is not needed to show that the people of Taiwan support efforts for Taiwan's participation in the WHO. What a referendum will do is keep the current feelings about a hostile unreasonable Beijing alive in the runup to the election, particularly so if the referendum coincides with the presidential balloting. The image of a hostile Beijing should play to Chen's advantage.

The opposition pan-blue camp has been less vocal. The awkwardness of their position is highlighted by an episode at the WHO conference in Kuala Lumpur. In addition to the delegates from Taiwan who were invited by the WHO on the recommendation of Taipei, the WHO invited one doctor from Taiwan whom Beijing had recommended as part of its delegation. The doctor was Kao Ming-Chien, the person who had taken the initiative to arrange two cross-Strait video conferences on SARS that Beijing had cited as examples of its support for Taiwan. Kao is also a member of James Soong's People's First Party. As Kao's decision to accept the invitation was widely criticized in Taiwan, Soong appealed to Kao to leave the conference so that his participation could not be misused by Beijing.

### **Passports and Cargo Charter Flights**

In June, Chen took the initiative to break the logjam that had been delaying a decision on the nomenclature to be used on new Taiwan passports. A consensus had been reached within the government last fall to drop the original idea of adding the words "issued in Taiwan" in favor of just adding the word "Taiwan" on the cover of future passports. In the current atmosphere, the opposition has found it difficult to voice their opposition to such a change.

Amid the concern about how SARS might affect cross-Strait economic relations, KMT Legislator Chang Hsiao-yan proposed that procedures for cross-Strait charter cargo flights be arranged to facilitate trade. The business community applauded. In May, the MAC and President Chen endorsed the idea. And in late May, a spokesman for Beijing's Taiwan Affairs Office (TAO) said the idea could be considered. KMT Vice Chairman Vincent Siew, who has been recruited by President Chen to chair a panel advising the government on steps to revive the economy, said in late June that the government was developing concrete proposals to implement the idea.

### **Policy Implications**

SARS has been one of the most widespread and profound events Chinese have experienced in recent memory, particularly for Taiwan and Hong Kong that suffered relatively high mortality rates. Absent a reemergence of the disease, which some experts predict, the short-term cross-Strait travel disruptions should continue to subside. As economic relations do not appear to have been severely affected, the economic underpinning for cross-Strait relations should remain in place. Political appeals for Taiwan investors to pull out of China are likely to have little effect. In the short term, SARS has embittered attitudes on Taiwan toward Beijing, but it is uncertain how long the effect will persist or affect the presidential election next spring.

## **Chronology of China-Taiwan Relations April-June 2003**

**April 1, 2003:** China repatriates major Sun Union Gang leader to Taiwan.

**April 9, 2003:** Taiwan CDC says three doctors will travel to PRC to consult on SARS; Beijing subsequently confirms 10-day visit.

**April 14, 2003:** Taiwan health minister sends report to WHO on SARS in Taiwan.

**April 22, 2003:** MAC advocates reduction in cross-Strait exchanges due to SARS.

**April 24, 2003:** Taiwan bars visitors from SARS affected areas, including China.

**April 29, 2003:** Neither ARATS' Wang or SEF's Koo attend Singapore University conference on 10<sup>th</sup> anniversary of Koo-Wang talks.

**May 2, 2003:** PRC states it has concurred in sending WHO personnel to Taiwan.

**May 3, 2003:** Two WHO health officers arrive in Taiwan to assist with SARS.

**May 5, 2003:** KMT Legislator Chang calls for cross-Strait cargo charter flights.

**May 6, 2003:** PRC Health Minister Wu Yi says no change in PRC policy on Taiwan in WHO.

**May 9, 2003:** President Chen makes Taiwan's case for joining WHO in *Washington Post* commentary.

**May 9, 2003:** Cross-Strait video-conference on SARS held.

**May 9, 2003:** Taiwan press reports U.S. military team leaves after Hanguang military exercise.

**May 17, 2003:** WHO official says lack of membership has not hurt WHO aid to Taiwan.

**May 19, 2003:** WHA General Committee rejects placing Taiwan issue on WHA agenda.

**May 20, 2003:** President Chen calls for referendum on WHO participation.

**May 20, 2003:** PRC blocks Taiwan health minister's participation in WHA panel on SARS.

**May 21, 2003:** HHS Secretary Tommy Thompson expresses U.S. support for Taiwan at WHA.

**May 23, 2003:** President Chen calls for early cross-Strait cargo charter flights.

**May 23, 2003:** ARATS sends SEF message offering aid in SARS fight.

**May 24, 2003:** PRC blocks Taiwan representative from briefing UN press corps on SARS.

**May 24, 2003:** Executive Yuan endorses idea of referendums on nuclear power and WHO.

**May 25, 2003:** SEF rejects ARATS offer of SARS assistance.

**May 25, 2003:** Two additional WHO health officers arrive in Taiwan.

**May 27, 2003:** Taipei opposes China's effort to change the name of Taipei's WTO office in Geneva.

**May 27, 2003:** *Peoples Daily* details Beijing's efforts to help Taiwan with SARS.

**May 28, 2003:** WHA SARS resolution provides basis for WHO contacts with Taiwan.

**May 29, 2003:** Taiwan Affairs Office says Beijing willing to consider cross-Strait cargo charter flights.

**May 31, 2003:** President Bush signs new legislation about Taiwan in WHO.

**June 1, 2003:** Bush meets Hu at G-8 and reiterates non-support for Taiwan independence.

**June 4, 2003:** TSMC announces delay in building chip plant in Shanghai.

**June 5, 2003:** 200 illegal immigrants repatriated to China via Matsu.

**June 7, 2003:** Taiwan Legislative session ends without passage of amendments to cross-Strait regulations.

**June 7, 2003:** Taiwan Vice Minister of Defense Lin begins 10-day U.S. tour.

**June 10, 2003:** Press reports three Taiwanese to attend U.S. military academies.

**June 12, 2003:** Taiwan Foreign Ministry announces future passports will include word "Taiwan" on cover.

**June 17, 2003:** WHO lifts SARS travel advisory for Taiwan.

**June 18, 2003:** Taiwan CDC director addresses panel at WHO conference on SARS.

**June 19, 2003:** MAC announces direct transport from Kinmen/Matsu to mainland to be resumed.

**June 20, 2003:** Taiwan Investment Commission reports investment in PRC up 1 percent in May.

**June 22, 2003:** Taiwan Foreign Minister Chien meets Vice President Cheney at AEI forum in U.S.

**June 24, 2003:** WHO lifts SARS travel advisory for Beijing.

**June 25, 2003:** KMT Vice Chairman Vincent Siew says Taipei working on plan for cross-Strait cargo charter flights.

**June 26, 2003:** Beijing TAO spokesman condemns Taipei's plans for referendums as "creeping independence."

**June 26, 2003:** Taiwan legislators visiting Washington tell press submarine sale is being postponed.