Two Chinas

The problem of the two separate Chinas interacting is by no means new and generally it pertains to issues with Taiwan, i.e. defining the relationship between Beijing and Taipei in the new bipolar world of the second half of the 20th century. The USSR and the USA were the two opposing poles. After the Soviet Union fell and China’s geopolitical influence rose, this relationship has changed. But in order to understand the current situation and possible avenues for resolving the problems at hand it makes sense to gain an insider’s perspective. The dilemma isn’t so much a question of whether the Chinese should opt for capitalism or communism. The problem boils down to the standoff between two large groups of Chinese elite.

For simplicity’s sake one can essentially equate the first group of elite heading up the People’s Republic of China with the Communist Party of China. Naturally various clans and factions within the party fight for power, but in general the communist party makes up a relatively unified and integrated force. Now this force has no rivals in mainland China. The second group is more heterogeneous. Taiwanese elite and various organizations form its nucleus which unites Chinese diasporas from around the world. Despite the fact that the second China possesses dramatically less resources and manpower, it has an extensive network of contacts (both between Chinese people and people of other nationalities) connecting them with the outside world. In terms of its capabilities and quality this group of Chinese elite can go toe-to-toe with the Communist Party of China.

In 1949, when the government of the Republic of China fled to Taiwan, the whole network of organizations (including secret ones) created in various areas around the world for putting up resistance against the Manchurian Qin dynasty wound up being cut off from mainland China. The Kuomintang (Chinese Nationalist Party), which established its home base in Taiwan, had close ties with Chinese diasporas from the day it was founded. In 1894 Sun Yat-sen founded the Revive China society in Honolulu which became the first Chinese revolutionary organization. A branch of the Revive China society, called the Chinese Alliance, was formed in Japan in 1905, while in 1912 the Kuomintang came into being due to the Chinese Alliance teaming up with other political organizations. It should come as no surprise that the party managed to maintain constant contact with Chinese people living abroad who eventually wound up facilitating trade with the People’s Republic of China, as well as helping Taiwan become one of Asia’s tigers.

Thus, in 1949 the Middle Kingdom split in half (de-facto) kicking off the first stage of the relationship between Beijing and Taipei. This stage, which lasted until 1978, was primarily characterized by mutual rejection and sharp confrontation as well as the elite practically isolating themselves from each other. Each country decided to go its own way, while formally declaring that one unified state existed.

During this period, Taiwan, using all of its connections, as well as the geopolitical confrontation between these two major world hegemonies, managed to industrialize and bring its economy to a new level, passing many of its neighbors in terms of development. Meanwhile, as a result of the Great Leap Forward and the Cultural Revolution China was on the brink of disaster. Deng Xiaoping’s economic reforms, which envisaged opening up part of mainland China for joint use, enabled China to avoid collapse. So-called special economic zones, capitalist enclaves controlled by the communist party of China, were established in coastal provinces. The laws of the market economy were in place, which allowed China to attract foreign investment (primarily capital from ‘overseas’ Chinese). From this point
on the elite of the People’s Republic of China begin to convert their economy into state capitalism with a leading role being given to the Communist Party of China. For mainland China the invaluable experience accrued by the Taiwanese and Huaqiao on conducting international business, as well as their communication channels around the world to create their own corporations, was particularly important.

So, after proclaiming the policy of reform and openness a new page was written in their relationship (between the two groups of Chinese elite). Beijing and Taipei gradually built a political dialogue while establishing and expanding economic ties. It should be noted that the actual share of Taiwanese investment in mainland China is not great, but official statistics on China-Taiwan economic and trade relations are unlikely to reflect the real situation. The problem is that capital is often invested in mainland special economic zones through third countries, primarily through the Virgin Islands, Singapore and especially Hong Kong, which plays a unique role in the economic relations between China and Taiwan. Also, many companies involved in trade are based in Taiwan and other Southeast Asian countries, therefore in the official records their investment funds appear to be Huaqiao.

While mainland China received investments and access to technology, while also using Taiwanese know-how, Taiwan built up its own export-oriented economy by moving powerful heavy machinery onto the continent and switching over to high-tech products. In fact, the People’s Republic of China directly contributed to the development and modernization of the island’s economy. The “foreign” Chinese elite was able to gain a foothold on the mainland and renew lost ties with the coastal provinces, where many clans of that group came from.

Now it is appropriate to mention another aspect of separation between the Chinese elites. Civilization differences. There is a theory developed by Japanese scientists, according to which China in terms of its worldview is divided into two civilizations: an active, oceanic one capable of creation and change and a conservative and stagnant one, the continental part. Geographically, the continental civilization includes central and western provinces of China, in turn, the oceanic one takes up almost all the maritime coastal provinces of China and Taiwan. Of course, the Japanese use this framework for their own interest, emphasizing the similarities of Japanese and Chinese oceanic civilization, thus justifying the need for increased co-operation in this part of China. But in general, this theory seems quite reasonable and helps to explain the many historical and cultural contradictions of the Chinese people.

According to this approach, the communist party of China more so embodies continental Chinese civilization, while "overseas" and Taiwanese elites are oceanic. In terms of territory this is all the east coast of mainland China which is now a shared zone between the two Chinas. This explains the great interest the "ocean" elite has in spreading its influence in the region.

To date, a substantial portion of the clans in both groups of Chinese elite are in favor of uniting both Chinas, but each of the groups is hoping to take control politically of the new Great China. And each side has quite legitimate grounds for making such a claim. But the fear of losing existing power makes the elite take great caution in this matter. For example, a reunion may have irreparable consequences for the communist party of China. It’s very risky business to join the fight for power with such an experienced opponent like the Taiwanese elite especially when the struggle between existing clans in the communist party of China is heated. It looks like this is well understood in the Communist Party itself, so China is trying to impose the same model for Taiwan that has been set up for Hong Kong and Macao—one country, two systems. While the local rulers are afforded unique privileges and they are able to use their resources, Beijing has full control of their involvement in the government. Of course, this subservient option does not suit the Taiwanese elite, as they will be politically isolated and not get any real power. However, as an intermediate step on the way to recreating Great China, such developments are quite possible.

In Taiwan itself the issue at hand is the elite’s obvious split into two camps. While the blue coalition led by the Kuomintang seeks to reunite China, the green coalition led by the Democratic Progressive Party (DPP) is in favor of a formal declaration of independence of the island. Kuomintang, which under the one-party system once single-handedly ruled the island and is an implacable enemy of the communist party of China, in recent decades has done much for rapprochement between Beijing and Taipei. This is the part of the Taiwanese elite that is ready to fight for power throughout the Middle Kingdom as it has historical justification for doing so. But judging by recent events in Taiwan, where the DPP could bring more than 100,000 people to the streets of the capital to protest against the ratification of the economic agreement with mainland China and block the work of parliament, this group is capable and determined.

One should note that foreign forces interested in containing the communist party of China also oppose the unification of China. The fact of the matter is that Great China with its enormous resources and human capital on the one hand and extensive connections worldwide on the other is a much more serious geopolitical opponent. It’s highly
unlikely that the USA would like this, as it claims to be the world’s sole leader.

If one analyzes the situation as a whole, we can say that the two Chinas, albeit slowly, are constantly moving towards each other. Sooner or later they will have to become united, but at the moment it is not completely clear on what foundation this process will occur. In the spirit of the Chinese, as they are born merchants, the Taiwanese model with its market economy is more familiar (this is more for the residents of the coastal provinces most of whom belong to the oceanic civilization, which today drives China’s economy), but a strong, centralized state with a united and strong government is essential to preserving the unity of China. You have to understand that Western-style democracy for China means almost one hundred percent death by disintegration of the state. Historically, only monolithic authoritarian leadership managed to unite and keep the country intact after a long string of civil wars and internecine.

Today, only the communist party of China can assume such leadership, even given all its internal troubles. For reunification of Great China and keeping it from decay the "continental" elite has to decide a daunting task: it has to successfully perform liberal reforms in favor of trade (domestic and foreign), while preventing the collapse of the state and remaining in power without losing to its opponents, who are now non-existent, but who will appear as "ocean" elites when combining China.

Time will tell how attainable this is, and whether it’s worth the hassle.

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