

Chapter 2: The Origins of Taiwan's Economic Diplomacy towards EEC

Considered from whatever perspective – cultural, linguistic, demographic, economic or political – the European continent is far from being a homogeneous entity. From the end of the Second World War until quite recently, a dichotomous identity –Eastern and Western Europe– reflected a political and military duality, mirrored in most European countries' membership of either the Warsaw Pact or the North Atlantic Treaty Organization (NATO).⁸ The existence of these organizations was reflected in most European countries' strong political orientation towards either the Soviet Union or the United States. These political ties begat parallel economic orientations. Whether to a greater or lesser extent, the economic organizational framework and policy thrust of West European countries were heavily influenced by the capitalist ideology of the USA.⁹ By contrast, their East European counterparts were locked into economic dependence upon the USSR, both in terms of the economic systems (based on the Soviet central planning model) which most of them were forced to adopt, and the policy goals to whose fulfilment those systems were directed.¹⁰

⁸ The North Atlantic Treaty, signed in 1949, was designed as a military alliance between the USA and its European wartime allies. NATO originally comprised 11 members, although to these were added, during the Cold War period, Greece and Turkey (1952), West Germany (1955) and Spain (1982). The Warsaw Pact (formally, Warsaw Treaty of Friendship, Co-operation and Mutual Assistance) was established as a military alliance in 1955, and comprised the former USSR and its European satellites (Albania, which, however, withdrew in 1962), Bulgaria, Czechoslovakia, East Germany (withdrew in 1990), Hungary, Poland and Romania. Austria, Finland, Sweden and Switzerland have never joined NATO. Albania (1962) and East Germany (1990) withdrew from the Warsaw Pact, while Yugoslavia was never a member of it.

Source: The Encyclopedia Americana, <http://go.grolier.com/gol>.

⁹ The formal frameworks through these orientations manifested themselves were various. Their origins lie in the US-sponsored European Recovery Programme (April 1948-December 1951), designed to rehabilitate the economies of 16 West European nations (Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, the United Kingdom and West Germany) and thereby create stable conditions in which democratic institutions could survive. In order to co-ordinate European participation, these countries, led by France and the UK, later established the Committee of European Economic Co-operation – a body itself superseded by the Organization for European Economic Co-operation (OEEC). In 1957, the European Economic Community (EEC – later translated into the European Community (EC) and the European Union (EU)) was established, since when it has been the major institutional framework in which European economic integration has proceeded.

Source: The Encyclopedia Americana, <http://go.grolier.com/gol>.

¹⁰ As early as January 1949, the Council for Mutual Economic Assistance (CMEA, but more often referred to as COMECON) was established in order to facilitate and co-ordinate economic development in East European countries belonging to the Soviet bloc. Initially, COMECON's most important activities were limited to the registration of bilateral trade and credit agreements among member countries, although after 1953 the focus shifted towards promoting industrial specialization in an attempt to avoid previous duplication in industrial production in East European countries. Following the establishment of the EEC, COMECON pursued more systematic efforts towards economic integration, albeit with little success.

Source: The Encyclopedia Americana, <http://go.grolier.com/gol>.

For two decades the Soviet bloc made a concerted effort to normalize relations with the People's Republic of China (PRC). Once this had been accomplished in 1989, the systemic changes in the Soviet bloc and the tragedy of 4 June diminished the ideological and geostrategic significance of friendship with the PRC. In this context Taiwan faced an unprecedented opportunity to present itself to the states in transition not only as a democratic and economically developed alternative to China but also as a significant source of investment and an attractive trade partner. Was Taiwanese diplomacy flexible enough to recognize this opportunity and exploit it to enlarge Taipei's international space? This chapter will search for the answer to the above question by focusing on Taiwanese economic diplomacy towards EEC. The analysis will commence in 1988, when ROC traders – grouped in the Import-Export Association of Taiwan (IEAT, 台灣省進出口公會, Taiwanshen Jinchukou Gonghui) toured Moscow,¹¹ and end in late 1991, when the Commonwealth of Independent States (CIS) emerged from the Soviet ruins and Taipei conclusively abandoned its anti-communist phobias when interacting with the former communist states.

2.1. The Beginning of Economic Offensive

Regardless of the reforms pursued by Gorbachev and the resumption of economic ties with communist East Europe, Taipei continued a policy of anti-Sovietism. When in early 1988 the Executive Yuan allowed direct trade with the Soviet allies, it emphasised that the ROC's 'present indirect policy with the Soviet Union remains unchanged'.¹² Following the pattern of 'trade leading politics', the demand for new thinking on relations with Moscow originated from within business circles. Anxious about lagging behind South Korea and Japan in Soviet trade and shrinking exports to the West, ROC traders - grouped in the IEAT - demanded direct access to the potentially lucrative Soviet market. Taipei at first rejected the IEAT's demands and opposed its plans to organise a trade tour to the USSR. Eventually,

¹¹ Czeslaw Tubilewicz, "The Little Dragon and the Bear: Russian-Taiwanese Relations in the Post-Cold War Period." *Russian Review* 61, 2 (April 2002): 276-297.

¹² *Republic of China Yearbook 1989*. Taipei: Kwang Hua Publishing Co. (1989): 239.

however, it not only consented to the 'private' visit but also approved the participation of two civil servants (from the Ministry of Economic Affairs (MOEA) and Board of Foreign Trade (BOFT)). In October 1988 the IEAT toured Moscow, Leningrad, Kiev and Minsk, calling for direct trade. Soviet officials - anxious not to upset Beijing - did not see any need for direct trade. In any case, Taiwanese - Soviet trade statistics (in 1987 a meagre US\$7.5 million) were not too encouraging. While failing to break into the Soviet market, the IEAT's Soviet tour generated considerable resonance in Taiwan. Amounting to a de facto reversal of Taipei's traditional anti-Soviet policy, it drew stern criticism from the old guard of the anti-communist foreign policy. Following stormy disputes (and the resignation of the most vocal critic, President Lee's Chief of Staff, Shen Chang-huan), the KMT leadership endorsed the trade delegation as a private business initiative, but resolved to continue trading with Moscow indirectly.¹³ Taipei reaffirmed its opposition to any contacts with the USSR, be they cultural, academic or economic. In the meantime the MOEA made plans for a second visit, this time to explore trade prospects with Siberia.

Given the political changes affecting the Soviet bloc, the ROC's anti-Sovietism looked increasingly out of date. In 1989, while still considering the USSR hostile, the MOFA for the first time - but not without serious deliberations - granted visas to a handful of Soviet citizens: two beauty queens, who attended a world beauty contest in March, and two trade specialists, who attended the Pacific Basin Economic Council in May. Still, the MOFA felt obliged to adhere to Taipei's anti-Soviet foreign policy and the government's ban on direct trade with the Soviet Union. Towards the end of 1989, however, the government softened its visa policy in the context of its reinvigorated 'flexible diplomacy' and no longer vetoed applications from Soviet officials. As a result, five Soviet journalists and a Soviet medical delegation were allowed to visit the ROC.

¹³ Jae Hoon Shim, "The Old Guard Retreat." *Far Eastern Economic Review* 3 (November 1988): 35.

By early 1990 calls for a reversal of the government's trade ban on the Soviet Union grew louder. Taiwanese traders pointed to Gorbachev's economic and political reforms, the peaceful collapse of communism in EEC and the sizeable Soviet GDP per capita (calculated by the ROC media to exceed US\$8,000 p.a.). Ignoring the ban on direct Soviet trade, ROC businessmen went ahead with their plans for trade exhibitions in the Soviet Union and the establishment of a Sino-Soviet Economic Development Association (中蘇經濟發展協會, Zhongsu Jingji Fazhan Xiehui). The MOEA seconded the calls for relaxation of Soviet trade restrictions, identifying the Soviet Union and its former allies as potential new export markets for Taiwan. In January 1990 the Eastern Cosmetic Corporation signed a letter of intent to form the first Taiwanese-Soviet joint venture (valued at US\$10 million) in Georgia, working through a French firm in which Eastern had a stake.

On 14 February 1990 the ROC government gave in to mounting pressure and allowed direct trade with the Soviet Union, as well as Taiwanese investment in the USSR.¹⁴ Soviet firms were allowed to bid for contracts with Taiwanese state-owned companies. At the same time, Taipei relaxed visa regulations for Soviet visitors and opened direct dialling with the USSR. Amid reports of Soviet food shortages, Taiwan set up a cabinet-level task force to consider food aid to its former Cold War enemy. When Soviet troops intervened in the Baltic republics, however, plans to send rice were put on hold. But Soviet domestic instability did not discourage Taiwanese traders. In early 1990 the first high-level official delegation (although Moscow never recognised its official status), including legislators and executives from the BOFT and the semi-official trade promotion body China External Trade Development Council (CETRA, 中華民國對外貿易發展協會, Zhonghua Mingguo Duiwai Maoyi Fazhan Xiehui), toured the Soviet Union, where, in Moscow, the

¹⁴ Sergey Vradiy, "Russian's Unofficial Relations with Taiwan." Slavic Research Center (SRC). Sapporo, Japan (June 2007): 223.

Taiwanese set up a temporary exhibition centre to display products from some 300 Taiwanese companies.¹⁵

The Kremlin appeared moderately interested in tapping into Taiwan's investment and trade potential. In March 1988 the representative of the economic section of the TASS News Agency office in New York, Anatolii Belousov, claimed that Moscow was ready to establish commercial ties with Taipei.¹⁶ Numerous Soviet academics, including A. Yakovlev of the Institute of Far Eastern Studies and Mikhail L. Titarenko, Director of that Institute, agreed that Gorbachev's perestroika effectively separated politics from economics and created conditions for the development of Taiwanese-Soviet commercial relations. Soviet diplomats also looked favourably on Taiwan. The Soviet embassy in Bangkok not only assisted the IEAT in organising trade delegations to the Soviet Union but also took the initiative in September 1989 to foster a Taiwanese-Soviet-Thai joint venture in foreign trade, which could sidestep the ban on Taiwanese-Soviet direct trade.¹⁷ The Soviet Foreign Ministry spokesman, Gennadii Gerasimov, in an interview with *Zhongguo Shibao*, expressed his personal view that he had no objections to the Taipei trade office in Moscow, since trade relations were separate from political ties.¹⁸ The Soviet Red Cross and the Soviet embassy in Bangkok sent public notes expressing gratitude for the Taiwanese donations for the Armenian earthquake victims. In January 1991 the newly appointed Soviet prime-minister, Valentin Pavlov, hoped for the development of economic relations with Taiwan, though he noted 'political obstacles'. At the same time the Soviet press began publishing articles presenting Taiwan in a favourable light as a democratic and wealthy territory.¹⁹

And yet, when it came to concrete policies, Moscow stood firmly by the narrowly understood 'one China' principle and rejected calls for official contacts and

¹⁵ Czeslaw Tubilewicz, "The Little Dragon and the Bear: Russian-Taiwanese Relations in the Post-Cold War Period." *Russian Review* 61, 2 (April 2002): 276-297.

¹⁶ Czeslaw Tubilewicz, "Breaking the ice: the origins of Taiwan's economic diplomacy towards the Soviet Union and its European allies." *Europe-Asia Studies* 56, 6 (September 2004): 891-906.

¹⁷ *Zhongguo Shibao (China Times)*, 14 May 1989, p. 2.

¹⁸ Aleksandr Chudodeev, "Shvatka dvuh tigrov." *Novoe Vremya* 46, (1990): 30-32.

¹⁹ Aleksandr Chudodeev, "Shvatka dvuh tigrov." *Novoe Vremya* 46, (1990): 30-32.

direct trading with Taipei. The joint communiqué issued after Gorbachev's visit to Beijing in May 1989 restated Soviet adherence to the 'one China' policy. Moscow forbade Soviet journalists to make what would have been the first ever Soviet media visit to the ROC. The chairman of the USSR Supreme Soviet Council on International Relations, Aleksandr Dzasokhov, declared that Taiwan visits by Soviet officials at ministerial level and members of the Supreme Soviet were illegal.²⁰ At the same time, the trade counsellor at the Soviet Embassy in Washington, Evgenii V. Afanasey, reminded Taipei that Soviet official policy on trade with Taiwan remained unchanged: Moscow opposed direct commercial relations with Taipei.²¹

Following the collapse of the one-party system in early 1990 the Kremlin was no longer able to veto visits to Taiwan. Thus by July 1990 Taiwan had played host to its first Soviet journalist, a Moscow Municipal Council member, its first delegation of Soviet bankers and a delegation from various Soviet republics, including the Russian minister of industry - the group purportedly on holiday. By mid-August the ROC office in Singapore revealed that since August 1989 more than 100 visas had been issued to Soviet citizens wishing to visit Taiwan. At the same time Taiwan studies in the USSR were revived, presenting the history and contemporary development of the ROC in a manner no longer affected by ideological bias.²² The most momentous visit at the time was the one led by Gavriil Popov, the democratically elected Mayor of Moscow, in October 1990. During his 'private' visit he met - among others - Foreign Minister Chien Fu (Qian Fu) and called for an exchange of offices between the two cities.²³ The following January nine members of the Moscow Municipal Council followed in Popov's footsteps. Whilst acknowledging Beijing's displeasure with the people-to-people exchanges between the USSR and Taiwan, they also averred that this should not arrest the development of unofficial communication between the two municipalities.²⁴

²⁰ Czeslaw Tubilewicz, "Breaking the ice: the origins of Taiwan's economic diplomacy towards the Soviet Union and its European allies." *Europe-Asia Studies* 56, 6, (September 2004): 891-906.

²¹ *Zili Zaobao*, 14 April 1990. - In November 1990 the Soviet minister of finance, Valentin Pavlov, confirmed that the Soviet Union traded with Taiwan indirectly and identified the political obstacles as hindering the development of commercial ties with Taiwan.

²² F. Toder, "Istoriya izucheniya Taivanya v Rossii." *Problemy Dal'nego Vostoka* 5 (1993): 55-65.

²³ *The Japan Times*, 28 October 1990, p. 2.

²⁴ *Zhongguo Shibao (China Times)*, 6 January 1991, p. 3.

Despite the ban on official visits to the ROC, a number of Soviet party and government officials also travelled to the island on ‘private holidays’. Some of these ‘holidaymakers’ sought to exploit the potential of Soviet-Taiwanese relations for their own benefit, the most active in this respect being Aleksandr Vladislavlev, a member of the USSR Supreme Soviet and one of the leaders of the Soviet Scientific-Industrial Union. He visited Taiwan in early January 1991 with the expressed goal of encouraging Taiwanese investment in the Soviet Union. According to Ivanov, Vladislavlev was the proxy of an influential group of party cadres associated with A. Vol’sky, a well-known Soviet Communist Party Central Committee activist. They supported Gorbachev’s economic reforms as long as these did not harm the interests of the large state-owned enterprises. When in Taipei, Vladislavlev - together with CETRA and the ROC Ministry of Economics - floated the idea of establishing a Sino-Soviet Foundation of Economic Exchanges (中蘇經濟交流基金會, Zhongsu Jingji Jiaoliu Jijinhui), intended to strengthen Taiwanese-Soviet economic co-operation by providing market information and facilitating contacts between Soviet and Taiwanese firms.²⁵ The Vol’sky group, enjoying an influential position in the Soviet hierarchy, allegedly hoped to monopolise Moscow’s relations with Taiwan, to the extent of gaining authority to process visas. The proposed foundation was the intended vehicle to carry out these ambitious plans and was subsequently established during Vladislavlev’s second trip to Taipei in July 1991.²⁶ Although the project received much media attention in Taiwan, CETRA chose not to be involved as it was not officially sanctioned by the Soviet authorities.

Given the Kremlin’s principled rejection of any government-to-government relations with Taipei, the Taiwanese authorities could not openly invite Soviet guests or visit the USSR. In lieu of this they took advantage of contacts established by Taiwanese commercial companies, non-official organisations, trade associations, municipal councils and civic and media groups. No longer blocking entry to Soviet

²⁵ *Lianhe Bao (United Daily News)*, 8 January 1991, p. 5.

²⁶ Peter M. Ivanov, “Russian–Taiwanese Relations: Current State, Problems, and Prospects of Development.” *Occasional Papers/Reprints Series in Contemporary Asian Studies 2*. (Baltimore: University of Maryland, 1996): 24.

visitors, ROC officials readily met them, irrespective of the stated purpose of their visits or their host organisations. Such unofficial diplomacy suited both sides: the Soviet Union could deny Chinese accusations of communicating with the ROC authorities, and the ROC leadership could play down its apparent eagerness to pursue contacts with the Soviet communists.

By early 1991 this largely uncoordinated communication no longer suited the Taiwanese government. In March the government created a 'Working Group on Relations with the Soviet Union'. Headed by vice foreign minister Chang Hsiao-yen, it was composed of officials from major government departments. The Working Group's main objective was to promote unofficial relations with the USSR, primarily in the area of economic co-operation.²⁷ There is no evidence that Taipei schemed to attain Soviet diplomatic recognition. Although in April 1990 foreign minister Lien did not rule out the possibility of diplomatic relations with the Soviet Union at some point in the future, he acknowledged that even the modest goal of establishing direct trade ties had not yet been achieved.²⁸ In November ROC Prime Minister Hau Pei-sun (Hao Pocun) publicly ruled out diplomatic relations with the Soviet Union, hinting that such a development would not conform to Taiwan's national interests. While launching an economic offensive in East Central Europe, where Taipei promised investment, financial assistance and greater trade in exchange for closer relations, the ROC government pursued an opposite policy towards the USSR. Until mid-1991 there were no public promises of aid to the Soviet Union. Even though, in mid-December 1990, the MOFA requested its representatives stationed abroad to study the Soviet grain situation to determine Soviet food needs, a year later foreign minister Chien disqualified the Soviet Union as a recipient of Taiwan's economic aid owing to insufficient progress in political and economic reforms in the Soviet Union.²⁹ Only in mid-1991, following the G7 decision to aid the Soviet economy, did the MOFA announce its readiness to consider providing loans and assistance to the USSR indirectly via the World Bank. Yet no concrete assistance followed.

²⁷ *Zhongguo Shibao (China Times)*, 8 January 1991, p. 2.

²⁸ *Lianhe Bao (United Daily News)*, 29 April 1990. - In January 1990 the MOFA officially lifted the prohibition on ROC diplomats' contacts with their Soviet counterparts when stationed abroad.

²⁹ *Lianhe Bao (United Daily News)*, 24 June 1991, p. 3.

While pursuing a calculated policy of restraint towards the Soviet Union, Taiwan was keener on establishing official contacts with Soviet republican governments, which were not sovereign states, lacked official ties with China and could afford more daring policies on Taiwan. By doing so, however, Taipei faced a serious dilemma: how to promote relations with the Soviet republics without creating an impression in Moscow of supporting separatist movements in the Soviet Union. Taiwanese efforts to befriend the Soviet republics met with relative success. The foreign minister of the Russian Federation, Andrei Kozyrev, noted that Russia's interest in commercial relations with Taiwan did not violate Soviet adherence to the 'one China' principle.³⁰ In February 1991 the President of the Russian Federation, Boris El'tsin, in an interview with the Taiwanese media, confirmed Russia's interest in expanding trade relations with Taiwan.³¹ The governor of Sakhalin Island, Valentin Fedorov, also jumped at the opportunity to develop ties with Taiwan. He visited Taipei in January 1991, where he signed agreements on investment guarantees and joint ventures with the owner of the Ta Ou Trading Company (大歐貿易公司, Daou Maoyi Gongsi), Hsieh Lai-fa (Xie Laifa), who was also an ROC legislator. The agreements, however, were not legally binding. Legislator Hsieh denied allegations that Ta Ou Company had offered Sakhalin a loan amounting to US\$500 million, but he confirmed a readiness to contribute to the Sakhalin Development Fund.³² Meanwhile, the Russians were expected to approve Taiwan's first trade office in Moscow, despite the Soviet Foreign Ministry's objection.

Taipei was even more successful in the Baltic republics. The first Baltic officials visited the island in early March 1991. Two Latvians, Maris Gailis, the general director of the Department of Foreign Economic Links, and Ojars Kehris, the chairman of the Economic Commission of the Supreme Council, allegedly proposed reciprocal establishment of trade offices and requested Taiwanese financial

³⁰ *Lianhe Bao (United Daily News)*, 10 November 1990, p. 4.

³¹ Peter M. Ivanov, "Russian-Taiwanese Relations: Current State, Problems, and Prospects of Development." *Occasional Papers/Reprints Series in Contemporary Asian Studies 2*. (Baltimore: University of Maryland 1996): 27.

³² *Ziyou Shibao*, 1 February 1991.

assistance. In return, vice foreign minister Chang declared the ROC's willingness to make substantial capital investments in Latvia, while dismissing criticism that promoting economic ties with Latvia would affect nascent co-operation between Taiwan and the USSR.

Belarus also followed the trend. Minsk's flirtation with Taiwanese business executives culminated in the summer of 1991, when vice prime minister Piljubo visited Taipei.³³ In July 1991 the Taiwanese company Xin Zhong Qiye Gongsi reportedly reached an agreement with Belarusian premier Vyacheslav Kebich securing exclusive rights to operate cargo and passenger air services between Taipei and Minsk, via Tokyo. Beijing suspected that Belarusian officials' intensive contacts with Taiwanese businessmen could potentially pave the way to diplomatic relations between Minsk and Taipei. Kebich admitted later that 'the Taiwan problem was a stumbling block during negotiations on the diplomatic recognition agreement with China'.³⁴

2.2. Situation after the August coup 1991

Gorbachev's ban on the Communist Party and his resignation from the party leadership, which followed the failed coup debate in August 1991, convinced the ROC government that the time was right to abandon its cautious policy towards the Soviet Union and exploit the rapid Soviet democratisation and need for economic assistance to foster a relationship going beyond economic co-operation. In early September the ROC press speculated that Taipei had its eyes set on diplomatic or, at worst, quasi-diplomatic relations with the Kremlin. The MOEA pledged that once the situation in the Soviet Union stabilised and economic reforms progressed, the OECD would consider granting developmental assistance.³⁵ In September 1991 CETRA established its first warehouse in Moscow, followed three months later by the Taipei World Trade Centre Moscow Branch Office. The first Taiwanese - Soviet

³³ *Lianhe Bao (United Daily News)*, 17 June 1996, p. 2.

³⁴ Peter M. Ivanov, "Russian-Taiwanese Relations: Current State, Problems, and Prospects of Development." *Occasional Papers/Reprints Series in Contemporary Asian Studies 2*. (Baltimore: University of Maryland, 1996): pp. 30-31.

³⁵ *Lianhe Bao (United Daily News)*, 23 and 28 August 1991. p. 2.

joint venture, Island Trading Inc., was established in late November 1991 to trade in textiles.³⁶ Taipei also initiated contacts with the Soviet Central Bank. Viktor Gerashenko, president of the USSR Central Bank, visited the island in mid-October. Considered the most senior Soviet official to visit Taiwan in over four decades, he confirmed Moscow's interest in expanding commercial ties with Taiwan on a 'semi-official basis' and did not exclude the possibility of Moscow accepting the ROC's economic assistance.³⁷ Gerashenko participated in a conference on Soviet finance and trade organised by the MOEA International Trade Bureau and attended by 300 local businessmen. At the seminar the ROC authorities asked Gerashenko to relay to the Kremlin four requests: the exchange of trade offices, establishment of direct sea and air links, creation of banking co-operation and adoption of preferential tariff treatment by Moscow.³⁸

Taipei set its eyes on developing closer ties with the Russian Federation, Ukraine and Belarus, primarily for their economic potential, as well as their membership of the United Nations Organisation. Thus China's veto in various inter-governmental organisations would not have affected their decision on relations with the ROC. Taipei placed particular hope on establishing diplomatic ties with Belarus and Ukraine, even though both indicated their unwillingness in this regard. A referendum in Ukraine on 1 December 1991, which resulted in a majority of over 90% in favour of a fully independent state, reignited Taiwanese debate on the possibility of making Kiev an ally. Despite calls from the ROC legislature to send officials to Ukraine to lobby for diplomatic ties, Taipei, fearing rejection, eventually opted against seeking Kiev's diplomatic recognition.

The ROC leadership was aware of the geo-political importance of China in Russia's diplomatic strategy and did not hope for a diplomatic breakthrough in relations with the Russian Federation. Nonetheless, Taipei intensified communication with Moscow. As the groundwork had been laid for contacts with

³⁶ The Taiwanese side of the venture, Geo-Fibre Company, arranged the numerous visits of Soviet light industry officials to Taiwan (including the Soviet minister of light industry, L. Davletova in October 1991).

³⁷ *Zhongguo Shibao (China Times)*, 15 October 1991, p. 5.

³⁸ *Zhongguo Shibao (China Times)*, 19 October 1991, p. 4.

Russian officials, post-coup Russia appeared friendly to Taiwan. The Foundation of Soviet–Far Eastern Exchanges planned to play a greater role in Taipei–Moscow communication once the Soviet Union was buried. Its leader, Lin Shou-shan, claimed to have signed a memorandum in Moscow according to which the Foundation, within three months, would be allowed to issue Soviet visas in Taiwan and be made responsible for all non-official cooperation between Russia and Taiwan. Lin and other members of the delegation, which visited the Russian Federation in late November–early December, were allegedly scheduled to meet El'tsin. Although the meeting did not take place (possibly due to Chinese protests), the delegation was received by the highly influential close associate of El'tsin Yurii V. Petrov, director of the Russian Federation Presidential Office.³⁹

Despite giving priority to relations with Russia, Ukraine and Belarus, the MOFA's greatest success occurred in the Baltic region. Shortly after the Baltic States proclaimed independence on 27 August 1991 the Taiwanese approached them, expressing readiness to recognise their sovereignty. Technically, the friendship treaties between the ROC and Latvia and Estonia - signed before World War II - continued as none of the signatories had renounced them. However, Taipei refrained from declaring formal recognition for fear of being spurned in favour of Beijing. China recognised the Baltic States in early September 1991. This setback notwithstanding, Foreign Minister Chien declared a proactive strategy towards the Baltic States, aimed at 'all-round diplomatic relations' (*quanmian waijiao guanxi*).⁴⁰ Among the three Baltic republics, Latvia emerged as the most keen to establish close relations with the ROC. Prior to its resumption of sovereignty in August 1991, Riga requested economic aid from Taipei amounting to US\$10 million. Taiwan pledged a grant of US\$60 million on the condition that the Latvians establish official ties with the ROC. Both sides reportedly waited until Latvia had joined the UN before initiating official relations.⁴¹ In December 1991 Latvian foreign minister Janis Jurkans - while visiting Taipei - lent credence to such reports, claiming that

³⁹ *Zhongguo Shibao (China Times)*, 27 December 1991, p. 3.

⁴⁰ *Zhongguo Shibao (China Times)*, 13 September 1991, p. 5.

⁴¹ *Zili Zaobao*, 22 March 1992, p. 4.

recognition of mainland China instead of Taiwan was an expedient move solely for the purpose of winning entry into the United Nations.⁴²

In early November 1991 vice foreign minister Chang officially visited the Baltic States. Armed with promises of aiding the Baltic economies via the OECD, he convinced his hosts of the advantages of establishing reciprocal trade representative offices. The Latvians and Estonians agreed that the Taiwanese office should bear the ROC's official name and signed memorandum on trade and economic cooperation with Taiwan (in which Latvia acknowledged the sovereignty of the ROC on Taiwan). Keen on attracting Taiwan's financial aid (including food and fuel), in late November Riga opened an 'export council office' in Taipei to issue visas and promote investment and tourism and sent foreign minister Jurkans to the ROC in mid-December 1991. Jurkans consented to Taipei's proposal to call the ROC office the 'Mission of the Republic of China' and invited President Lee to Latvia, provided that both sides established diplomatic relations. In return, Taipei allegedly promised substantial economic and technological assistance to Latvia.⁴³

Eventually Estonia and Lithuania chose to adhere to the 'one China' policy and Latvia remained the only Baltic state committed to relations with the ROC. Vice foreign minister Chang once again travelled to Riga, where on 29 January 1992 he signed an agreement on the exchange of consulates 'as soon as possible', in what appeared to be a prelude to full diplomatic relations. While enjoying official status, the Taiwanese consulate-general was not meant to have diplomatic status and was to bear the name Riga, rather than Latvia.⁴⁴ Owing to the lack of funds, the planned Latvian consulate in Taipei did not materialise, however.

Taiwan's hope of pulling diplomatic allies from the ruins of the USSR proved premature. In the Baltic region the PRC, as a permanent member of the UN Security Council with the right to veto the Baltic States' membership of the UN,

⁴² James L. Tyson, "Taiwan, Besting China, Sets up Ties to Baltics." *Christian Science Monitor*. 27 December 1991.

⁴³ *South China Morning Post*, 21 December 1991, p. 9.

⁴⁴ *South China Morning Post*, 1 February 1992, p. 8.

enjoyed a natural advantage over Taiwan. The Baltic States welcomed China's diplomatic recognition and pledged not to develop any official ties with Taiwan (the pledge subsequently qualified by Latvia). On 27 December 1991 China also formally recognised the Russian Federation and 11 other former republics of the USSR. Geo-strategic and economic realities meant that no former Soviet republic could seriously consider diplomatic ties with Taiwan and all confirmed their commitment to the 'one China' principle. Taipei responded that 'Recognising the Commonwealth of Independent States is not currently a top priority for the Ministry of Foreign Affairs. Instead, emphasis will be placed on pursuing substantive relations with individual republics such as Russia, Ukraine and Belarus.'⁴⁵

Foreign minister Chien noted that the immediate task was to establish direct communication channels with the leaderships of Belarus, Russia and Ukraine.⁴⁶ The Working Group on the Soviet Union resolved that grain aid could be utilised to establish such channels. If Moscow's immediate positive response to Taipei's offer of food aid was any indication, Taipei's expectation of establishing substantive or semi-official relations with the core member states of the CIS was based on realistic assessment rather than false hopes.

In January 1992 foreign minister Chien, in his report to the Legislative Yuan, officially formulated the ROC's 10-point diplomatic strategy towards the CIS. Russia, Ukraine and Belarus remained Taipei's primary targets for economic as well as semi-official relations. The ROC authorities sought the establishment of representative offices and exchanges of official visits with these republics and in return they pledged economic support for the three republics. Various government departments were obliged to seek accords with their CIS counterparts in such areas as direct air links and postal, telecommunications and banking services. The government was to further simplify visa procedures. The Ministry of Education was to provide 20 scholarships for students from the former Soviet Union and East Central Europe to Taiwan, while the MOFA was to coordinate the dispatch of

⁴⁵ *China Economic News Service archive*, 27 December 1991.

⁴⁶ *Zhongguo Shibao(China Times)*, 21 December 1991, p.4.

Taiwanese students to study Russian in the CIS. Finally, Taipei was to launch a propaganda campaign to publicise Taiwanese culture via exhibitions, publications and cultural centres. Foreign minister Chien realistically noted the difficulty of establishing diplomatic ties with any of the priority member states of the CIS. He expressed hope, however, that some CIS member states would either follow the ‘Latvian model’ and establish consular ties with the ROC or the ‘Lithuanian model’ and agree to the establishment of a trade office.⁴⁷

Coming up to summarizing, the end of the Cold War marked a real watershed in Europe’s post-war political and economic development. The disintegration of the former Soviet Union and the disbandment of the Warsaw Pact symbolized a major change in the political configuration of Europe. The accompanying *de facto* collapse of CMEA presented its own economic challenges and opportunities. In particular, East European countries that had previously been tied to the USSR were now free not only to initiate efficiency-enhancing, market-orientated reforms and privatization, but also to develop their own foreign trade in accordance with the principle of comparative advantage. The result was to generate new economic relationships, the final outcome of which will not emerge for many years.

So, in the immediate aftermath of the end of the Cold War new investment opportunities became available in the former Soviet Union and former East European socialist countries. Taiwan’s response to such opportunities was, however, quite modest.

⁴⁷ James L. Tyson, “Taiwan, Besting China, Sets up Ties to Baltics.” *Christian Science Monitor*. 27 December 1991.