

## **Interaction Between Taipei and Beijing Toward China's Reunification: A Regime Change Perspective**

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### **I. Introduction**

Ever since Premier Lien Chan sworn in on February 27, 1993, the mainland policy of the Republic of China on Taiwan (ROC or Taiwan) has presented a new (or surprising) trend. On March 27, Straits Exchange Foundation (SEF) and Beijing's Association for Relations Across the Taiwan Strait (ARATS) finally reached an initial agreement on conditions governing the verification of documents and compensation for lost registered mail. (China News, March 28, 1993) The present round of talks was the third of its kind. The first round was in March last year but was called off when controversy erupted over the "One China" issue. The second round was in last October in Hong Kong. But it was called off because of technical problems. Both sides agreed not to mention the "One China" issue at this round of talks. Why did they

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conclude the "Agreement on Consultations Regarding Cross-strait Verification of Documents" so soon?

As a matter of fact, this negotiation is only the start of the high-level contacts between two sides. According to the plan, this round of negotiations would be followed with a separate preparatory meeting between SEF Secretary General Cheyne Chiu and his mainland counterpart ARATS Vice Chairman Tang Shubei.

Their meeting, in turn, led to the high-level talks between SEF Chairman C. F. Koo and his mainland counterpart, ARATS Chairman Wang Daohan. The meeting is important because it is the highest level of talks yet between officials from the ROC and the PRC. (China News, March 25, 1993) Then, it is obvious that both sides would like to speed their negotiation on documentary verification so as to create favorable and friendly condition and atmosphere for the Koo-Wang meeting. It is true that both sides made some compromises and, as a result, quickly reached an agreement. A well-informed sources indicated that the mainland delegation had displayed "goodwill" to the Taiwan delegation yesterday, when they were revising some conditions in the agreement. (China News, March 28, 1993)

What is the political meanings of the so-called "Koo-Wang talks" in cross-strait relations? In this essay, I am going to discuss the current interactions between two sides of the Taiwan



Straits from the perspective regime change.

## II. What Is Regime Change?

In order to investigate the current Taiwan-mainland China interactions, I am going to use the economic process model of international regime change as the analysis framework. (Keohane and Nye, 1989)

Three premises are mentioned by the model. The first premise of an economic process model of regime change is that technologic change and increases in economic interdependence will make existing regime obsolete. The second premise is that governments will be highly responsive to domestic political demands for a rising standard of living. National economic welfare will usually be the dominant political goal, and a rising gross national product will be a critical political indicator. The third premise of this model is that the great aggregate economic benefits provided by international movements of capital, goods, and in some cases labor will give governments strong incentives to modify or reconstruct regimes to restore their effectiveness. (Keohane and Nye, 1989)

Governments will argue over the distribution of gains and complain about the loss of autonomy entailed in rising economic interdependence (vulnerability as well as sensitivity); but they

will generally find that, when there are domestic political demands for greater economic welfare, the welfare costs of disrupting international economic relations, or allowing them to become chaotic, are greater than the autonomy benefits. Reluctantly, they will permit economic interdependence to grow, and even more reluctantly, but inexorably, they will be drawn into cooperating in the construction of new regimes by creating integrated policy responses. Thus, regime change will be a gradually adapting process. Governments will resist the temptation to disrupt or break regimes, because of the high costs to economic growth.

The conflicts generated by increased interdependence have contributed to controversy over regime change. (Keohane and Nye, 1989) Rapidly rising economic interdependence can create fear and insecurity among politically important groups. Labor unions and local community leaders may fear that a corporate decision to shift production abroad or trends toward greater imports could cause severe unemployment and social distress. Even when a country is not threatened by increased vulnerability, the sensitivity of its interest groups can stimulate it to adopt policies that restrict international transactions.

On the basis of an economic process model, one should therefore expect regimes to be undermined from time to time by economic and technological change; but they will not disinte-



grate entirely, at least not for long. They will quickly be reconstructed to adapt to economic and technological conditions.

### **III. Pre-Conditions For Regime Change:**

#### **Growth And Interdependence**

The collapse of communist systems in both East Europe and Soviet Union has facilitated the dramatic expansion of the world capitalist system, which has brought about a strengthened economic interdependence. With such a strong global current, the economic relationship between Republic of China on Taiwan (ROC or Taiwan) and People's Republic of China (PRC or mainland China) has been changed and grown by leaps and bounds. Indirect cross-strait trade increased rapidly in the 1980s and the early 1990s. During this period, PRC emerged as ROC's fifth largest trading partner with total sum of trade US\$ 5.8 billion in 1991. Besides, ROC investments in PRC in the first three months of 1992 amounted to US\$ 320 million, making ROC the fourth largest investor in the mainland China behind Hong Kong, Japan, and the U.S. Moreover, almost all of the 10 largest conglomerates, including Linyuan Group, formosa Plastics Group, Ya Tung Group, Yueloong Group, President Group, Hualon Group, in Taiwan have made substantial investment in mainland China and others have already taken positive steps to gather

necessary market information for future investments. Whatever, the increasing economic interdependence between ROC and PRC has resulted in heat debate about its effects on cross-strait relations among officials, experts and scholars in Taiwan.

Two important questions should be addressed in this essay: (1) what kind of interdependence exists between two sides of the Taiwan Straits? (2) will this economic interdependence affect their political relationship, interaction regime change in particular?

Simply and broadly speaking, "interdependence" means mutual and reciprocal effects among countries or among actors in different countries in an increasing number of different issue areas (Wagner, 1988; East, 1981; Richardson and Kegley, Jr., 1980; Tetreault, 1980; Keohane and Nye, 1989). Keohane and Nye (1989) caution us not to define interdependence entirely in terms of situations of evenly balanced mutual dependence.

Prior to discussing how the economic interdependence between two sides, it is necessary for us to identify major characteristics of interdependence. In the first place, multiple channels exist and connect nations, including informal ties between governmental elites as well as formal foreign office arrangements; informal ties among nongovernmental elites; and transnational organizations (Keohane and Nye, 1989). Bureaucrats, nongovern-



mental elites, and multinational corporations are important actors not only because of their activities in pursuit of their own interest, but also because they act as communication bridge, making government policies in different countries more sensitive to one another. The major feature of some newly-forming international economic organizations (e.g. Pacific Basin Economic Council, Pacific Economic Cooperation Conference, Asia-Pacific Economic Conference) is the crucial role played by the non-governmental elites (Shen, 1991). In the first two organizations, national delegation includes representatives from business and academic.

The second character is increased number and variety of issues. The rising of mutual dependence among nations has resulted in the expansion of foreign policy agendas in both number and variety of issues. Issues like environmental protection, energy, natural resources, food, population, the uses of space and the seas are given higher priority and ranked equally with national security issues (East, 1981). Thus, foreign policy agenda, which formerly confined to national security issues, is now open to an almost unlimited number and variety of potential issues. United Nations Conference on Environment and Development (or so-called Earth Summit) held in Rio De Janeiro of Brazil is the most illuminative and latest event, revealing changes in issues on foreign policy agenda. This twoweek summit produced five prin-

cipal documents: (1) Biodiversity Convention; (2) Global Warming Convention; (3) Rio Declaration on Environment and Development; (4) Agenda 21; (5) Statement on Forest Principles. It is noteworthy that 153 countries signed the Biodiversity Convention and Global Warming Convention on the spot and more than 116 heads of state (including U. S. President George Bush) attended this summit. All in all, the problem of environment has ranked one of the most important factors in the process of decision making. Furthermore, the distinction between domestic and foreign issues has been blurred. Different issues generate different coalitions, both within governments and across them, and involve different degrees of conflict. politics does not stop at the water's (Keohane and Nye, 1989).

A third character is increasing dominance of economic issues. It goes without saying that interdependence is economic relations in nature (Yokoi, 1990; Spero, 1990; Gilpin, 1987; Blake and Walters, 1987; East, 1981; Keohane and Nye, 1989). The expansion of World Capitalist System has made possible a dramatic increase in international economic transactions. As a result, national economies become increasingly interdependent, increasingly sensitive to economic policy and events outside the national economy (Spero, 1990). The second explanation for this dominance is that the use of military forces to achieve national



goals is less useful and less proper in an era of interdependence (East, 1981; Keohane and Nye, 1989). Thirdly, governments have enlarged their involvement in and responsibility for domestic, economic well-being to the extent that the sensitivity and vulnerability of "low politics" issues to external events have become matters of highest concern (East, 1981).

The fourth one is the minor role of military force. Realism assumes that the international system is characterized by anarchy and the states are unitary actors seeking to survive in this anarchic system. While facing threats from aggressive competitors, states might form balancing and military alliance to survive (Goldgeier and McFaul, 1992). Thus, the use of military forces is inevitable. However, in the era of interdependence, coercive power is no longer an appropriate means of achieving goals other than national security — those goals are becoming more important. In addition, economic interdependence and political democracy make the use of military force less likely. As the major powers come to share norms about economics and politics, the rationale for participating arms race and seeking allies among these major powers is severely weakened and the cost of arms building and alliance seeking is increased greatly (Goldgeier and McFaul, 1992). For the developing countries, the possibility of military conflicts and war will be decreased in those regions which enjoy both greater

economic interdependence and more political democracy. The desire of many poorer states to approach the major powers in order to obtain the economic advantages may induce cooperation instead of conflicts (Goldgeier and McFaul, 1992).

However, military force can still be used for the political purpose, especially for the developing countries. For states whose relations approximate complex interdependence, two conditions may force them to appeal force: "(1) drastic social and political change could cause force again to become an important direct instrument of policy; and (2) even when elites' interests are complementary, a country that uses military force to protect another may have significant political influence over the other country." (Keohane and Nye, 1989)

#### IV. ROC VS. PRC—Asymmetric Interdependence

Both Taiwan and mainland China have presented good performances in terms of socio-economic development in the last five years or so (see Table 1). But, in the provision of basic human needs and in the creation of national wealth, Taiwan's performance is far ahead of PRC's. With respect to medical and health service, Taiwan is leading in terms of number of bed in hospital as well number of medical personnel. In 1990, the number of bed in hospital per ten thousand is 43.7 in Taiwan; 23.0 in mainland



China. In the same period, the number of medical personnel per ten thousand for Taiwan is 44.8; 34.1 for mainland China. With regard to GNP per capita, PRC lags behind ROC with US\$ 320 versus US\$ 7997 in 1990. It is estimated that PRC must take twenty years or so to catch up with ROC (Kao, 1992). Based on the preceding analysis, it seems that Taiwan holds a dominant position and superior to mainland China. However, it goes without saying that PRC is much stronger than ROC in terms of total industrial outputs, military strength, natural resources, area and population. More important, PRC's dominance over ROC has something to do with the recognition by most of nations in the international society. The dynamic of economic liberalism did reach its peak in the 14th congress of the Chinese Communist Party in last fall, when the Communist Party passed a resolution to establish a socialist market system. It is widely believed that the only way for PRC's economic development is to adhere market system. Economic liberalism, of course, contributes to the ease of social and political life, if not for a western type democracy. With regard to Taiwan, liberalization and internationalization in economy and democratization in politics is at full steams and does stimulate many changes.

An observation of economic transactions between ROC and PRC should reveal some critical facts and further our understand-

ing. In the first place, indirect trade between ROC and PRC (1979-1991) is targeted (see Table 2). Since mainland China adopted the policies of "reform and open-door" in late 1978, cross-strait economic relations have been improved greatly. From 1979 to 1991, Taiwan's export to mainland China has been increased from 21.47 million U.S. dollar to 4667.15 million U.S. dollar; its degree of dependence (i.e. the ratio of Taiwan-PRC transaction value to Taiwan-all states transaction value) from 0.13 in 1979 to 6.12 in 1991. Taiwan's export to mainland China expanded 216-fold during 1979-1991 period at an average annual growth rate of 55.26. With regard to Taiwan's import from mainland China, its value has been enlarged from 56.29 million U.S. dollar in 1979 to 1125.95 million U.S. dollar in 1991. The degree of dependence of Taiwan's import from PRC jumped from 0.38 in 1979 to 1.79 in 1991. In sum, trade between PRC and PRC increased 73-fold during 1979-1991 period with an average annual growth rate of 61.03. Taiwan's trade dependence on mainland China (i.e. ratio of Taiwan-mainland China trade value to total Taiwan trade value) has been increased from 0.25 in 1979 to 4.16 in 1991. As Table 2 shows, Taiwan's exports to mainland China have been rising greatly since 1984 and Taiwan's imports demonstrated a vigorous increase only after 1987. As a result, it can be concluded that cross-strait trade became significant for Taiwan's politico-eco-



conomic environment only seven years ago (Chand and Chang, 1989).

According to statistics released by the Mainland Affairs Council, Taiwan is becoming more dependent on trade with mainland China while mainland becomes less so. The numbers also indicated that the mainland's foreign trade surplus and total export value exceeded Taiwan's trade volume for the first time in 1992. Besides, trade with mainland accounts for 4.83 percent of Taiwan's total trade volume, up from 4.2 percent in 1991 and 3.3 percent in 1990. The figure for the mainland's trade with Taiwan is 4.47 percent. The mainland's total trade figure stood at US\$165.63 billion, with a surplus of US\$4.37 billion. Taiwan's trade value was US\$153.48, US\$9.48 billion of which was surplus. Trade via Hong Kong was US\$7.41 billion in 1992, which was 27.86 percent more than the previous year. The figure was expected to top US\$10 billion this year. (China News, March 19, 1993) Taiwan-China trade through Hong Kong is expected to surge 35 percent at a record US \$10 billion this year. (China News, March 20, 1993)

In addition, Taiwan's investment illustrates another facet of economic interdependence. Mainland China is now the main location for Taiwan's overseas investment, luring capital away from other areas such as the United States and southeast Asia. According to Bureau of Accounting, Budget and Statistics study,

seventy-two percent of 247 Taiwanese companies planning to invest abroad will put some of their money into China. Of 207 companies which invested abroad during the past three years, only 39 percent did so on the mainland. Taiwanese investment in mainland has been rising sharply since the late 1980s as political tensions have eased and Beijing has implemented economic reforms. New Taiwanese investment in foreign countries excluding mainland China plunged by 46 percent to US\$887 million last year. Accurate figures for investment in mainland China are not available. Private economists estimate Taiwanese investment there now totals well over US\$5 billion. (China News, March 9, 1993)

In reality, Taiwanese investment on the mainland China focuses on the coastal areas (mainly at Guangdong province, Fujian province, Shanghai city, and Zhejiang province). Originally, the investment made by Taiwanese businesses was mainly in labor-intensive and export-processing industries, including electronics, hardware, footwear, chemicals, toys, umbrellas, machinery, building materials, and eel farming. In the first wave of mainland investment fever, the leading forces were mainly small-medium businesses. However, situation has been changed greatly. Not only small-medium businesses but also big corporations are seriously infected with "mainland China Fever" (i.e. eagerness to



set up foothold in mainland China), either making investment or gathering information. According to a Ministry of Economics Affairs report, technological and capital intensive industries made up a large proportion of Taiwanese investment in mainland China in 1992, the report also noted that Taiwanese companies investing in the mainland during the past year are no longer limited to small and medium-sized businesses. Many huge companies, including Wei Chuan corp and President enterprises corp, have invested in the mainland. (China News, January 3, 1993)

In addition to the dominance of economic issues, channels, which connecting peoples across the Taiwan Straits, have been multiplied. The ROC government did take several critical steps to deregulate limits on the free flow of the people in the first place. (1) Taiwan residents were first allowed to visit relatives in mainland China on November 1, 1987. From November 2, 1987 to February 29, 1992, more than half million Taiwan residents visited mainland China. (2) Mainland China residents were given approval for attending family funerals and visiting sick relatives in Taiwan on September 10, 1988. From November 9, 1990 to February 29, 1992, more than 12 thousand mainland China residents visited Taiwan (Ma, 1992). (3) Distinguished mainland China residents and scholars (including those who doing research or studying abroad, were permitted to visit Taiwan on November

19, 1988. From December 1, 1988 to February 29, 1992, 385 this kind of people visited Taiwan (Ma, 1992). According to another statistics, more than 2.5 million Taiwan and mainland China residents has visited the other side of the Taiwan Straits (Ms, 1992).

Secondly, international organizations have played an important roles as "low political" and direct exchanges between elites of two sides. In November 1988, the ROC government gave green light to members of non-governmental organizations to participate in international conferences, sports competitions held in mainland China by international organizations. Later on, the ROC government extended this permission to non-governmental organizations on May 23, 1989.

Thirdly, both ROC and PRC set up non-governmental intermediary organizations as representatives of the government to foster exchanges and handle issues and conflicts between two sides of the Taiwan Straits. In February 1991, Straits Exchange Foundation was formally operated as an intermediary organization. on December 16 of the same year, PRC set up the Association for Relations Across the Taiwan Straits as the counterpart institution. By means of these two intermediary organizations, both sides can have an institutionalized channel of quasiofficial communication so as to deal with problems as a result of increased



contacts between Taiwan residents and mainland residents.

Statistics on postal correspondence service and telegraph and telephone service do provide concrete evidences of people-to-people contacts. From March 1988 to February 1992, the volume of cross-strait postal correspondence service amounted 46,547,509 pieces in total. In the same period, telegraph service amounted 129,395 messages and telephone service amounted 294,762 minutes (Ma, 1992).

Mainland China plans to use the common customs and beliefs shared by the peoples of Taiwan and Fujian as a tool for reunification. Drawing on these common beliefs, Beijing has put forth a detailed plan for improving cultural ties with an eye on economic development. Plans include explaining the bonds between both Fujian and Taiwanese people, with emphasis to be placed on promoting not only national patriotism but also pride of their place of birth. (China News, February 19, 1993) On the other hand, the ROC government will set up a NT\$2.5 billion (US\$96 million) fund to finance cultural and educational exchanges with the PRC. Interests earned from the fund will be used to invite Chinese artists to visit the island and finance publication by Chinese scholars. Taiwanese officials have said that such exchanges would improve understanding and reduce hostility between the two sides. (China News, March, 22, 1993)

After having discussed economic interactions, the free flow of people, and people-to-people contacts, it is necessary for us to investigate into the role of military forces in cross-strait relations. In early 1979, the Standing Committee of the PRC's National People's Congress issued the "Message to Compatriots in Taiwan", which officially announced the cessation of the propaganda shelling of the offshore islands and called for negotiations to end military confrontation (Huang et al., 1992) In addition, PRC leaders have reiterated their intentions to limit the use of military forces to liberate Taiwan. To reduce high tension in the Taiwan Straits, ROC government also take potisive response by scrapping the statutes, which encouraging the defection of mainland China's military personnel with handsome rewards. More important, ROC President Lee Teng-hui ended the Period of National Mobilization for Suppression of the Communist Rebellion, paving the way for a new relationship with mainland China. As a result, coercive power is no longer an appropriate means to achieve low political goals in cross-strait relations.

From the preceding analysis of economic interactions, the free flow of people, people-to-people exchanges, and the role of military forces, a tentative conclusion can be drawn that a complex interdependence does exist between ROC and PRC. As Table 2 shows, the economic interrelations between Taiwan and mainland



China have been enlarged greatly. Whether it is two-way trade, or imports, or exports, Taiwan and mainland China rely on each other. In comparison, Taiwan's degree of dependence is higher than mainland China's. Even with a higher degree of dependence, Taiwan's dependence on mainland China does not pose any serious threat to its existence. In other words, if mainland China cut off its trade or economic relations with Taiwan, Taiwan could overcome the hurdle, especially after policy adjustment. Therefore, Taiwan's dependence is classified, at best, as sensitivity dependence.

### **V. ROC-PRC Interaction Regime Change**

In the past, both sides have taken firm stands on negotiation (see Table 3). On the one hand, the ROC government insists non-official contact and opposes any political contacts. The most important function of SEF is to handle administrative and technic matters. It is argued that President Lee Teng-hui and his supporters take a middle position with regard mainland policy. What President Lee and his men really concern about is the advocacy of the business community about promoting economic interactions between two sides of Taiwan Straits. In this regard, ROC government plays an active role. Former Economic Affairs Minister Vincent Siew expressed that the ROC government would

give priority to the following three tasks in 1992 to advancing cross-strait commercial ties: (1) strengthening counseling services for Taiwan manufacturers intending to undertake cross-strait ventures; (2) urging mainland China to fairly protect the interests and investments of Taiwan Businesses; (3) organizing Taiwan businessmen with interests and investment in mainland China to help one another in dealing with local authority.

On the other hand, the PRC government's policy is to establish official contacts or to create favorable conditions for party-to-party contacts at least. Under Teng's reform and open-door policy, PRC has been devoted into economic reforms, including encouragement of foreign investment and decentralization of power which delegated local decision-makers, factory managers, and trade agents greater power and greater flexibility to manage trade affairs. However, the rhythm of economic reform has been inconsistent and faster intermittently between 1979 and 1991, reflecting the ups or downs of the economy (Chang and Chang, 1989). Concerning its trade policy toward Taiwan, mainland China offers some preferential treatments to so-called "Taiwan Compatriots." For example, PRC promulgated "Regulations for Encouraging Investment by Taiwan Compatriots" in July 1987. According to the "Regulations", Taiwanese businessmen enjoy equal treatments as foreign businessmen except in several areas.



Compared with foreign businessmen, Taiwanese investors have fewer limits on investment targets, location, capital transfer and inheritance, tax holiday, and operation period. (Chang and Chang, 1989) All these incentives are very attractive to Taiwanese businessmen. Of course, it is said that the PRC intends to use Taiwanese businessmen as push forces for political contacts between two sides.

However, the emergence of Lee-Lien leadership (in other words, the fall of Lee-Hau leadership) represents the turning point of the mainland policy as well as ROC-PRC interaction regime change. In the first place, it is the changing attitude of the opposition party Democratic Progress Party (DPP). Most important factor, it is widely circulated, is so-called "President Lee Complex". For example, the DPP only symbolically oppose President Lee Tang-hui's nomination of Taiwan Governor Lien Chan as Premier — even though the DPP favored him for the post — in order to fulfill its duty as an opposition party. DPP chairman Hsu Hsin-liang openly admitted. (China News, February 22, 1993) Furthermore, DPP claimed that its voting strategy at confirmation poll for Premier Lien Chan was successful. The DPP Central Standing committee stated that the DPP had managed to show its opposition to Lien as premier while preventing non-mainstreamers in the KMT from using the occasion for boost their influence. The

DPP caucus decided to allow only 34 of its 51 legislators to vote against Lien's confirmation while the remaining 17 were to take a wait-and-see attitude in order to prevent non-mainstream KMT legislators from withdrawing their support for Lien in the last minute. (China News, February 25, 1993)

With regard to mainland policy, DPP even takes a very positive step, especially after its super performance in last December legislator election. For example, it strongly argued the importance of participating and observing the cross-strait talks between SEF Chairman Koo chen-fu and his mainland counterpart, Wang Daohan. The DPP wants first-hand information on the talks so that DPP may provide authorities with timely and necessary suggestions and to ensure that the Koo-Wang talks focus on administrative and technical issues. (China News, March 19, 1993)

In addition, in a news conference DPP legislative caucus deputy convener Chang Chun-hung, who went to Shenzhen on March 13 for talks with some PRC officials, said the DPP should change its policy of no contact with the mainland. DPP National Assembly members, who have been observing plans to improve relations across the Taiwan Strait, called for cross-strait relations to be normalized as quickly as possible. (China News, March 22, 1993)

DPP party chairman Hsu Hsin-liang also expressed that DPP was seeking to join the Mainland Affairs Council and the SEF in an



effort to assume a more "governmental" role in politics and the most important thing is that the DPP be given a voice on such issues. (China News, March 23, 1993) As a matter of fact, four DPP members formally joined the consulting committee of the Mainland Affairs Council, which is composed of 23 scholars and professionals. DPP members told reporters prior to the first meeting that the party would become more active in formulating mainland policies. (China News, September 19, 1993)

According to former research, President Lee Teng-hui and his supporters are inclined to stress the differences between Taiwan and the mainland, and to take a more or less cautious approach in dealing with the mainland. Although many of them have good connections with the business community, and are somewhat sympathetic to the business needs, they are concerned about the security of Taiwan as well. However, President Lee's stand met strong challenges of the conservatives within the ruling KMT party. Ex-Premier Hau-Pei-tsun is the leader of the conservative wing. Hau and those conservatives would like to give a higher priority to the unification issue. They are very Chinese, so to speak. The President's position does prevail in the game not just because he is the President or the chairman of the KMT, but — probably more importantly — because his ideal point is the medium voter position. Accordingly, we can expect that the ROC

on Taiwan would opt for opening up to the mainland, but only at a slow pace as shown by the President's position. As long as the situation does not change greatly, and the relative positions of the various players remain more or less the same, we can expect that the pace at which the current policy has been moving will continue. That is to say, the ROC government will insist upon a cautious approach to handle the matters related to the mainland. (Hsieh, 1992)

On January 30, 1993, Hau Pei-tsun formerly announced his resignation, representing the end of a fierce struggle between "mainstreamers" and "non-mainstreamers" factions in the ruling Kuomintang. The KMT has been split over the issue of Hau's resignation since its setback in the legislative elections of December 19 last year. Some observers, however, said that this issue was only a red herring. The real reason behind the clamor for Hau's resignation was because Hau was a mainlander and was seen as a key member of the non-mainstreamers faction within the KMT. (China News, February 24, 1993) Some argues that it has something to do with the relative position in the issue of China reunification.

Having established the Lee-Lien leadership Lee is expected to step up implementation of his pragmatic policies by the appointment of officials close to him to key posts related to cross-



strait ties. Apart from Mainland Affairs Council chairman Huang Kun-hui, former deputy secretary-general to the President, Cheyne J. Y. Chiu and Chief of the Secretariat Chiao Jen-ho have been appointed secretary-general of the Straits Exchange Foundation and vice chairman of the Mainland Affairs Council, respectively. Lee intends to support peaceful development of cross-strait relations and then push for concrete high-level talks between the two sides of the Taiwan Straits. With regard to this intention, Cheyne Chiu's talks with reporters are the best illustration. He said that he was confident mainland authorities would understand the reasons behind the recent reshuffle of the ROC's mainland affairs branches and he would act as President Lee Teng-hui's personal messenger on cross-strait affairs when he takes over the posts of SEF secretary-general and vice-chairman. (China News, March 11, 1993) During the legislative confirmation hearings, Premier Lien Chan declared that he firmly supported for the ruling Kuomintang's goal of reunification with mainland China. (China News, March 20, 1993)

In a series of statements, the Three Nos policy — the rationale of Guidelines for National Unification — has been challenged. The so-called Lee-Lien leadership finally started to take a new direction in its mainland policy. Answering the question in Legislative Yuan, Premier Lien expressed that top government

officials in charge of mainland affairs may visit the PRC for international meetings and related activities. His statement was the first time the ROC has allowed high-ranking government officials to visit the mainland in their official capacity. (China News, March 17, 1993) In a hearing on cross-strait relations at the Legislative Yuan, Cheyne Chiu hinted that Taiwan might lift its Three Nos policy — “No Contact, No Negotiation and No Compromise” — when dealing with the mainland China. Moreover, Cheyne Chiu said: “The Three Nos policy used to be our most effective weapon against the mainland ... but in my view, the Three Nos policy has completed its historic mission.” Chiu said the Three Nos should now be treated separately and to be reviewed, especially the principle on “No Contact.” (China News, March 20, 1993) On March 23, 1993, Premier Lien Chan openly expressed that Taiwan was aiming to establish direct contacts between mainland China and the ROC through Koo-wang consultations in Singapore.

In the meantime, Mainland Affairs Council chairman Huang Kun-hui admitted that the Koo-Wang talks might not only solve some technical problems in civilian exchanges, but could boost the confidence of authorities on both sides of the Taiwan Strait to upgrade the level of contact. (China News, March 24, 1993) From the preceding analysis, it is reasonable to make such an inference



that the Three Nos policy, in fact, should be rectify.

It is obvious that PRC tends to use its economic policies to extract political concessions and benefits from Taiwan. In an official document of May 1985, United Front Work Department stressed that the major purpose of its trade policy toward Taiwan is "to make Taiwan more and more dependent on mainland China... so as to manipulate Taiwan's economy and to accelerate the unification of the motherland." (Mainland Affairs Committee, 1989) As a matter of fact, mainland China's Ministry of Economic Relations and Trade, which is in charge of trade with Taiwan, set a "Bureau of Economic Relations with Taiwan" to devise export, import, investment, and other economic affairs toward Taiwan. All in all, mainland China has made every efforts to deepen Taiwan's economic dependence on PRC and to use this dependence as leverage for political purposes — especially the realization of PRC's version of China reunification.

## **VI. Koo-Wang Talks Afterwards**

On April 30, 1993, C. F. Koo of SEF and Wang Daohan of ARATS finally resolved a dispute over an investment guarantee agreement and signed four historical agreements — representing a milestone between two sides of the Taiwan Straits. These agreements include Agreement for Cross-Strait Government

Document Verification; Agreement for Compensation for Lost Registered Mail; Agreement on Institutionalized Communication Channels and Meetings between the SEF and ARATS; and Koo-Wang Negotiation Communique. In Koo-Wang Negotiation Communique, there are four important items: (1) five major issues for the upcoming negotiations between two sides in this year; (2) economic exchanges; (3) energy resources exploitation and exchanges; (4) cultural, educational, and technological exchanges. (United Daily News, April 30, 1993) Furthermore, according to Agreement on Institutionalized Communication Channels and Meetings between the Two Organizations, chairmen and secretaries-general will hold semi-annual meetings and vice secretaries-general and department chiefs will hold meetings every three months and two organizations will establish hot line with designated vice secretaries-general as liaison representatives. Whatsoever, the Koo-Wang Talk was described as a ground-breaking talks on improving links long fraught the Cold War suspicions and better memories of China's civil war in the late 1940s.

But, the political factor has hampered the favorable atmosphere created by the Koo-Wang Talk. For unknown reason, the ROC government took very active action to participate the UN. In August, seven Central American countries co-signed a letter to UN Secretary-General Boutros-Ghali. The letter asked the UN



General Assembly to include an item, titled "Review of the exceptional situation of the ROC on Taiwan in the international context with the established pattern of parallel representation by divided countries in the United Nations," in the agenda of the Assembly's session in September. They also requested that a UN ad hoc committee be set up to study and analyze the ROC's situation before presenting its recommendations to be discussed at the Assembly's regular session next year. (United Daily News, August 9, 1993)

Afterwards, several teams of legislators, scholars, party officials, and governmental officials had already left for New York to lobby support for the bid to participate the UN. A task force which organized by the newly established Nationwide Action Committee for a United Nations Seat with Legislative Yuan Speaker Liu Sung-Pan as chairman, and whose main aim is to coordinate civil organizations to promote the ROC's bid to participate in the United Nations, had traveled to New York to lobby for the bid.

With regard to the PRC, it also took strong action to handle so-called "Taiwan question" for unknown reasons. In the first place, the SEF reluctantly ended talks with ARATS, because the two sides could not agree on agenda topics. Originally, the talks were held to discuss the repatriation of illegal Chinese immigrants, cooperation on combatting crime in the Taiwan Strait,

resolution of fishing disputes, patent and copyright protection, and cooperation on resolving legal disputes in accordance with the Koo-Wang Negotiation Communique. (China News, September 3, 1993) Secondly, on August 31, Mainland China released a 'white paper', entitled "The Taiwan Question and China's Reunification", on its Taiwan policy that reiterates the mainland's claim to sovereignty over the island and says the UN should not accept the ROC as a member. (China News, September 1, 1993)

In a response to mainland China's white paper, the Mainland Affairs Council issued a statement, entitled "there exists only a China question, no Taiwan question." The major arguments of the statement include as follows: 1. There is no such thing as a Taiwan question, only a China question. 2. Mainland China is not equal to China. 3. ROC on Taiwan is one member of the international society, and mainland China cannot represent the 21 million people in Taiwan. 4. Mainland China's "one nation, two systems" is the major obstacle to the China reunification. 5. Both sides of the Taiwan Strait ought to use peaceful means to achieve China's reunification. 6. We can completely solve China question only through the establishment of a system of democracy, freedom, and equality. (United Daily News, September 17, 1993)

However, both sides have already made attempts to cool down the chain reactions resulted from UN event and white paper



event. During an interpellation session called by KMT Legislator Chu Feng-chih, Lien said Taiwan's entry into the United Nations would facilitate direct talks between the two sides. He stressed, however, that the prerequisite for such talks was for the mainland to renounce its use of force against Taiwan. (China News, October 2, 1993)

National Assembly member Shao, Tsung-hai, who recently met with top mainland officials in charge of Taiwan policy, said that Beijing is willing to negotiate with Taipei on the termination of mutual hostility. More interesting, the vice chairman of ARATS, Tang shubei, will visit Taiwan and meet with officials of SEF. Besides, the Mainland officials did tune down the wording in the white paper. For instance, mainland officials expressed their surprise at Taipei's reactions and criticizes toward the white paper Beijing issued recently. Compared with its previous publications on the Taiwan issue, Beijing considered the recent white paper "very soft." (China News, October 1, 1993)

## **VII. Conclusion**

Ever since 1979, the economic relations between ROC and PRC have been enlarged dramatically in terms of two-way trade and Taiwan's investment in mainland China. Total value of two-way trade was increased from 77.76 million U. S. dollar of 1979

to 7.41 billion U.S. dollar of 1992. Moreover, one ROC government survey of nearly 3500 enterprises showed that more than one-sixth of them have already invested outside Taiwan, with the largest single investment destination — attracting 23.6 percent of the firms — being mainland China. In a word, the economic relationship between two sides is interdependent and mutual complement in nature. This kind of relationship has created good conditions for interaction regime change.

The ROC government has continually enacted some related measures that have contributed to favorable conditions and atmosphere for normal interaction between the two sides of the Taiwan Strait. These measures includes: (1) establishing agencies and announcing regulations to govern exchanges with the mainland; (2) publishing the “Guidelines for National Unification” as the basis of the ROC’s mainland policy; (3) President Lee Teng-hui proclaiming the end of both the “Period of National Mobilization for Suppression of the Communist Rebellion” and the “Temporary Provisions Effective During the Communist Rebellion”; and (4) the subsequent decisions by the Legislative Yuan and the Ministry of Justice rescinding the “statute for Punishment of Rebellion” and the sedition stipulations in Article 100 of the “Criminal Law” respectively. The abrogation of the Temporary Provisions signifies that the Chinese Communist regime is no longer regarded as



a rebellious group under ROC law. Moreover, it implies that the ROC government will not use force to achieve national unification. (An-chia Wu, 1992)

Up to now, one important question remains unanswered: under what conditions can interdependent relationship be used by one state (either ROC or PRC) to achieve political influence over target state? Asymmetrical interdependence is regarded as sources of power among states and provides the opportunity of influence (Richardson & Kegley, Jr., 1980; Keohane and Nye, 1989). To understand the role of power in interdependence, Keohane and Nye (1989) make a distinction between sensitivity and vulnerability. In terms of the costs of dependence, sensitivity means liability to costly effects imposed from outside before policies are changed to try to reverse the situation. Vulnerability is defined as an actors' liability to suffer costs imposed by external events even after policies have been changed (Keohane and Nye, 1989). In other words, sensitivity dependence summarizes the costs that actor A could suffer at actor B's hands before actor A makes compensatory adjustments; vulnerability dependence refers to the long run costs that actor A would experience even after it had adjusted its policies as best it could do the changes brought forth by actor B (Richardson and Kegley, 1980). It is clear that vulnerability dependence is much more important than sensitivity

dependence, because vulnerability includes strategical dimension and denotes more enduring and cumulatively greater costs (Richardson and Kegley, 1980; Keohane and Nye, 1989). Moon (1985, 1983) utilizes "bargaining model" to elaborate the correlations between interdependence relationship and foreign policy agreements. He argues that "powerful nations secure the cooperation of weaker states chiefly through the use of reward and punishment behavior." (Moon, 1983) This model specifies the nature of external influence to involve a deviation from the dependent state's preference which is presumably a product of internal forces, especially those involving the characteristics of the individual decision-makers. As a result, foreign behavior of the dependent state is adaptable in short term and adaptive to the reward behavior of a dominant state. In his analysis, Moon (1985, 1983) regards trade and investment as important instrument for compliance behavior. Wagner (1988) further points out that "if political concessions are expected as a result of a threat to interrupt an existing economic relationship (trade and aid), this must be because there is unexploited bargaining power in the existing relationship," and the use of economic interdependence for political influence requires that the exchange of economic resources for political concessions makes both parties to a relationship better off than they would be if they bargained over the distribution of the



gains from the economic relationship alone (Wagner, 1988).

Owing to the suspicion of mainland China's intention, some expert and scholars have argued that the ROC government should take cautious steps in the regime transition period and not move too fast. (China News, March 29, 1993) It is noteworthy that in his discussion with DPP members, Natale Bellocchi, chairman of the America Institute in Taiwan, allegedly indicated that ruling KMT mainland policy has been "too optimistic." (China News, March 25, 1993)

The economic interdependence between two sides of the Taiwan Straits do affect their interaction regime to a certain extent and result in some changes. The establishment of and the following meetings between SEF and ARATS do reflect the changes in interaction regime between two sides. The historic Koo-Wang Talk also re-affirm these changes. However, the political relations between two sides of the Taiwan Straits is in stalemate, i.e. "one nation, two states" of ROC versus "one nation, two systems" of PRC. Although PRC really started to pay much attention to and accepted ROC's presence in the international society (especially in economic organizations) and ROC also took more cautious way in the diplomatic front in the last two years — a sharp contrast to its diplomatic offenses in 1989 and 1990, mutual trust and issue of sovereignty remain obstacles for the

further development of their objective — China re-unification. Therefore, a lot of efforts must be made to conciliate their differences.

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Table 1. Socio-Economic Development Between ROC &amp; PRC

A Comparison of Socio-Economic Development between ROC & PRC						
	ROC			PRC		
	'88	'89	'90	'88	'89	'90
National Income						
GNP						
(100 million U.S. dollar)	1253	1503	1617	3765	4165	3638
GNP per capita						
(U.S. dollar)	6333	7512	7997	346	394	320
Saving & Consumption						
Annual Consumption						
Per Capita (U.S. dollar)	3118	3919	4236	172	191	—
Annual Savings Per						
Capita (U.S. dollar)	2216	2333	2353	93	123	129
Daily Calorie consumption						
per capita	3017	2993	—	2485	—	—
Daily Protein Consumption						
Per Capita	89.5	89.8	—	69	—	—
Transportation & Communication						
Number of Telephone Per						
Per Hundred	35.9	38.9	41.3	0.86	—	—
Number of Automobile Per						
Hundred	10.7	12.9	14.8	0.48	—	—
Number of Television Set						
Per Hundred	25.7	26.5	—	13.2	—	—
Number of Daily News Per						
Hundred	15.7	16.7	—	5.2	3.9	3.8
Education						
Total Enrolled Students						
(Per 10,000)	2604	2586	2688	1758	1813	1905
Enrolled College &						
University student (Per 10,000)	249	266	283	19	20	18
Enrolled Secondary School						
Student (Per 10,000)	837	877	891	437	462	457
Enrolled Primary School						
Student (Per 10,000)	1206	1183	1154	1152	1113	1078
Medical & Health Service						
Number of Bed in Hospital						
(Per 10,000)	44.5	43.1	43.7	23.0	23.1	23.0
Number of Medical Personnel						
(Per 10,000)	41.7	42.6	44.8	34.0	34.3	34.1



Table 2. Indirect Trade Between Taiwan and Mainland China (1979-1991)

Year	Cross-Strait Trade Via Hong Kong										Trade Balance	
	Export of Taiwan to Mainland					Import of Taiwan from Mainland						
	Value	Growth Rate	Degree of Dependence	Value	Growth Rate	Degree of Dependence	Value	Growth Rate	Degree of Dependence	Value		Growth Rate
1979	77.76		0.25	21.47		0.13	56.9		0.38		0.38	-34.82
1980	311.18	300.18	0.79	234.97	994.41	1.19	76.21	35.39	0.39		35.39	158.76
1981	459.33	47.61	1.05	384.15	63.49	1.70	75.18	-1.35	0.35		-1.35	308.97
1982	278.47	-39.37	0.68	194.45	-49.38	0.88	84.02	11.76	0.44		11.76	110.43
1983	247.69	-11.05	0.55	157.84	-18.83	0.63	89.85	6.94	0.44		6.94	67.99
1984	553.20	23.34	1.06	425.45	169.55	1.40	127.75	42.18	0.58		42.18	297.70
1985	1102.73	99.34	2.017	986.83	131.95	2.04	115.90	-9.28	0.58		-9.28	870.93
1986	955.55	-13.35	1.49	811.33	-17.78	2.29	144.22	24.43	0.60		24.43	667.11
1987	1515.47	58.60	1.38	1226.53	51.18	3.70	288.94	100.35	0.83		100.35	937.59
1988	2720.91	79.54	2.47	2242.22	82.81	4.38	478.69	65.67	0.96		65.67	1763.53
1989	3483.39	28.02	2.94	2896.49	29.18	4.38	586.90	22.61	1.22		22.61	2309.59
1990	404.62	16.08	3.32	3278.26	13.18	4.88	765.36	30.41	1.40		30.41	2512.90
1991	5793.11	43.26	4.16	4667.15	42.36	6.12	1125.95	47.11	1.79		47.11	3541.20

Source: Kao, Koong-Lian, *Guidelines for National Unification and Cross-Strait Relationship*, p.38

Table 3. Negotiations Between ROC &amp; PRC

Time	Issue or Focus	Representative	Location
May, 1986	the returning of defecting civil airplane	ROC: China Airline PRC: China Civil	Hong Kong
March, 1989	official titles used by ROC in sports exchanges between two sides	ROC: Chinese Taipei Olympic Committee PRC: China Olympic Committee	Hong Kong
September, 1990	repatriation of criminals, illegal enterants	ROC: Secretart-General, Red Cross Society PRC: Secretary-General, Red Cross Society	Kinmen (Quemoy)
November, 1991	prevention of crime	ROC: Straits Exchange Foudation PRC: Taiwan Affairs Office, State Council	Beijing
March, 1992	verification of documents; the compension for lost registered mail (first round)	ROC: Department Head of SEF PRC: Department Chief of ARATS	Beijing
October, 1992	verification of documents; the compension for lost registered mail (second round)	ROC: Department Head of SEF PRC: Department Chief of ARATS	Hong-Kong
March, 1993	Verification of documents; the compension for lost registered mail (third round)	ROC: secretary-general of SEF PRC: vice chairman of ARATS	Beijing
April, 1993	1. signature of the two agreements initiated in March 2. reaching agreements facilitating future exchanges	ROC: chairman of SEF PRC: chairman of ARATS	Singapore



## **Chronology—Milestones of Cross-Strait Relationship**

**1987**

November 1 — Taiwan residents begin filing applications for visiting their relatives in mainland China.

**1988**

April 18 — The ROC Red Cross Society begins forwarding mail from Taiwan residents to the mainland.

August 5 — Restrictions are lifted on the indirect import of fifty categories of agricultural and industrial raw materials from the mainland.

August 18 — The Mainland Affairs Task Force is formally established by the Executive Yuan, with vice premier Shih Chi-yand as convener and Ma Ying-jeou as executive secretary.

September 10 — Mainland residents are allowed to attend family funerals and visit sick relatives in Taiwan.

November 19 — Members of non-governmental organizations are allowed to participate in international conferences, sports competitions, and cultural activities held in mainland China by international organizations.

— Limited numbers of distinguished mainland residents and overseas mainland scholars and students are allowed to visit Taiwan.

**1989**

March 27 — Native Taiwanese soldiers of the Nationalist Army stranded on the mainland and their dependents are given approval for resettling in Taiwan.

April 7 — The Chinese Taipei Olympic Committee announces that ROC athletic teams and organizations will participate under the title "Chinese Taipei" in international sports events held on the mainland.

April 10 — The ROC government approves the Regulations governing Goods from the Mainland Area and establishes a system for indirect imports of mainland goods.

April 17 — Permission is granted for news reporting and film-making on the mainland China.

May 23 — Permission is granted to non-governmental organizations to attend international conferences or related activities held on mainland China by international organizations of which they are members.

June 7 — Indirect telecommunication links across the Straits begins, and simplified mailing procedures are adopted for correspondence destined for the mainland.

### 1990

March 19 — Businessmen are allowed to explore trade opportunities and to attend trade fairs on the mainland.

— Permission is granted on a case-by-case basis for government employees to attend international conferences in the mainland China.

June 25 — Government officials are allowed to visit sick relatives or attend funerals on the mainland.

September 24 — ROC's Ministry of Economic Affairs approves indirect Taiwan exports to the mainland.

October 6 — ROC's Ministry of Economic Affairs issues Measures for Controlling Investment and Technical cooperation with the mainland area.

October 7 — The National Unification Council is established by the President Office. The council is headed by President Lee Teng-hui.

### 1991

January 28 — The Mainland Affairs Council is officially set up by the Executive Yuan.

February — Straits Exchange Foundation was formally operated to handle affairs and disputes arising as a result of increased contacts.

March 14 — The ROC government formally issued a document "Guidelines for National Unification", outlining its short-term, intermediate, and long-term policy toward China's reunification.

April 30 — President Lee Teng-hui announces that the Period of National Mobilization for Suppression of the Communist Rebellion will be ended on May 1.



December 16 — Mainland China sets up the Association for Relations Across the Taiwan Straits, the counterpart institution of Taiwan's Straits Exchange Foundation.

1992

July 16 — Statutes on Relations between the People Across the Taiwan Straits is enacted. This Statutes opens up a new and normal exchanges between two sides.