



# National Committee on American Foreign Policy

Where Leaders Meet

## Northeast Asia Projects

### Summary of the Eighth Roundtable on U.S.-China Policy and Cross-Strait Relations

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August 13-15, 2000

The August 2000 Roundtable on U.S.-China Policy and Cross-Strait Relations was the eighth in a series of meetings held since 1997 and sponsored by the National Committee on American Foreign Policy (NCAFP).

The Roundtables include policy analysts, academics, and former government officials from the United States, the People's Republic of China (PRC), and Taiwan. This was the first Roundtable to meet since the inauguration of Democratic Progressive Party (DPP) candidate Chen Shui-bian as president of Taiwan in May 2000, which created the first break in the 50-year Kuomintang Party (KMT) rule of the island. It was also the first Roundtable to include representatives from all three of the major political parties in Taiwan, the Democratic Progressive Party, the Kuomintang, and the People First Party (FPF).

A summary of these discussions follows, according to the topics listed below.

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### A. Bottom Line

Relations between the PRC and Taiwan remain structurally unstable and potentially explosive. A major political obstacle to the resumption of dialogue still exists. The PRC government insists that Taiwan must recognize the "one China" principle before any dialogue can take place while the newly-elected Chen government in Taipei says that it is willing to resume dialogue and to talk about "one China," but is unwilling to accept the "one China" principle as a precondition for talks.

The PRC leadership is concerned about the growth of separatism in Taiwan and it wants a clear assurance that Taiwan is committed to some form of reunification with the mainland. On the Taiwan side, public opinion polls show that most people, along with most political leaders, want a continuation of the status quo, which is de facto independence.

At the Roundtable, various views were expressed about the long- and medium-term prospects for



unification. In Taiwan some believe that if the PRC becomes more democratic and economically open, reunification in some form will become possible. Others in Taiwan are unwilling to make any commitment to reunification. These divisions underline the difficulties involved in reaching any early agreement.

There was a good deal of discussion about whether it would be possible to reach agreement on the concept of "one China." But there was no consensus. Some, but not all, Taiwanese participants were willing to accept the 1992 "consensus"--i.e., to accept "one China" with both sides free to adopt their own interpretations. And one Taiwanese participant said that public opinion polls in Taiwan showed that 63 percent of the Taiwanese public would accept this position. But other Taiwanese participants argued that it is unreasonable to expect Taiwan to accept as a precondition for dialogue a principle whose meaning and implications are unclear.

Overall there were three different approaches to the question of how to deal with the impasse over "one China". The first approach was to set aside the need for an immediate agreement and to work for greater economic, cultural, and nonofficial political contacts, such as those taking place in groups such as this. Also efforts should be made to raise the level of contacts at the official level and to discuss the problems in a quasi-private forum.

According to this view, the combination of all this would increase mutual understanding and trust and there would be no need to reach a formal agreement at this time.

A second view was that it is desirable--and some thought it urgent--to reach some kind of agreement on "one China." The differences in this group were between those--mostly from the PRC--who argued that the definition of "one China" should be as vague as possible and those--mostly from Taiwan--who argued that clarity on this issue would be demanded, especially by the Taiwanese public and leaders.

A third view was that it would be possible to develop a formula for a future "one China," depending on developments, and that in the meantime the PRC should abandon the use of force and Taiwan should make clear that it has no intention of declaring formal, de jure independence. This arrangement could then be reconsidered in ten years.

A number of Taiwanese participants urged the PRC to understand that it would be premature to expect newly-elected President Chen to embrace reunification at this point. He has already moved a long way away from his previous independence position by embracing the "Five No's": no declaration of independence, no change of national title, no inclusion of the "two-state theory" into the Constitution, no holding of a referendum on reunification or independence, and no abolition of the National Unification Guidelines and the National Unification Council. It is unrealistic to expect him to take the additional step of moving towards reunification. Moreover, as several Taiwanese participants argued, if Chen were to move towards reunification at some point in the future, he would need clear incentives from the mainland in the form of security guarantees and international space for Taiwan.

There were also fundamental differences between those arguing for patience and those arguing for more creative efforts to break the deadlock. The argument for patience is that it will allow the development of a long-term process of interaction. The argument against it is that patience creates hazards so long as both sides worry that time is not on their side. The PRC worries that the increasing process of Taiwanization moves Taiwan towards separatism while Taiwan worries that the growing military power of China creates a security threat to the island. Thus, excessive patience might be counterproductive.



## B. PRC Perspectives

1. One PRC analyst said that despite the fact that the PRC was unprepared for the election of Chen Shui-bian on March 18, 2000, and that it was the last thing it had hoped for, the mainland understands the need to live with reality. Moreover, the PRC wanted "stability" over everything else and this means stable relations across the Taiwan Strait. Also, he continued, Chen Shui-bian deserves credit for stating the "Five No's". If Chen had stated five yes's, the situation would be explosive. In sum, by moving away from Taiwan independence, Chen has taken a "half step" closer to what the PRC hoped for. Now Chen needs to take the other half step by accepting the principle of "one China." He can do this simply by returning to the 1992 "consensus" that both sides accept the principle of "one China" while reserving the right to have differing interpretations of that principle.

2. The same analyst went on to say that he believed that PRC policy towards Taiwan would be a two-track policy of "sticks" and "carrots." On the one hand, the PRC is determined to safeguard the territorial integrity of China "at any cost." Therefore the military factor will remain. On the other hand, he saw some encouraging developments. The PRC is now offering Taiwan a more flexible definition of "one China." The Chinese Vice Premier Qian Qichen told visiting Taiwanese journalists that "one China" is not a "either-or" choice--either the PRC or the ROC --so long as both adhere to "one China." This suggests, he said, that the PRC has a broad and "generous" definition of "one China." Also, in July, the Mayor of Xiaman, a city on the mainland, invited the mayor of Kao-hsiung in southern Taiwan to visit Xiaman. Although this visit did not materialize, it indicates that the mainland is now prepared for mayoral visits. Also, there have been visits to the mainland by KMT and New Party delegations from Taiwan. These represent the first party-to-party visits since 1949. Finally, there has been a reshuffling of the Taiwan office in the PRC State Council. In sum, although it is still too early to predict a fundamental change in China's policy towards Taiwan, "there is already evidence indicating some significant review and modifications." The PRC would adhere to the "one China" principle while "showing flexibility to reach compromises." And, in the meantime, the PRC would step up its diplomatic activities with the United States and other countries to ensure the continued support of the international community for the "one China" policy.

3. The same PRC analyst suggested that the PRC is developing a longer run strategy for dealing with Chen Shui-bian. He said that Chen's first term can be divided roughly into two phases. The first phase runs through to the parliamentary elections in December 2001. The second phase covers the last two years of Chen's term in office. The PRC analyst said that in the first phase, Chen and his administration would focus on consolidating power. In the second phase, they would prepare for re-election. The suggestion was that Chen would not wish to rock the boat during his first four-year term in office. But, continued the PRC analyst, "it is generally believed on the mainland that if and when he is reelected in 2004, Chen Shui-bian will gear up to make more drastic moves away from the one China idea." The implication seemed clear that the PRC is not anxious to see Chen's administration have a second term.

4. Another PRC participant said that the cross-Strait issue is not a dispute over sovereignty but over the "integrity of sovereignty." He said the key to resuming the dialogue is to return to the 1992 compromise which can "still serve as a basis for breaking the deadlock." In 1992, Taiwan's Straits Exchange Foundation (SEF) and the PRC's Association for Relations Across the Taiwan Straits (ARATS) agreed that the two sides would "orally express their respective positions on the one China principle." And on November 3, 1992, Taiwan's SEF distributed a press release which said: "This foundation,



with the consensus of the institution in charge, can accept respective expressions of the "one China" principle through making oral statements. As to the concrete contents of the oral statement, our side's statement will be based on the National Unification Guidelines and the resolution adopted by the National Unification Council on August 1, 1992."

The PRC participant then cited the relevant parts of Taiwan's National Unification Guidelines with regard to the "one China" principle. Those Guidelines say:

The mainland and Taiwan are both Chinese territories and the promotion of national unification should be the common responsibility of the Chinese. (Part 2: Principles, Article I)

The PRC participant also cited the relevant parts of the August 1, 1992, resolution of the National Unification Council which said:

The two sides across the Strait both insist on the 'one China' principle. But the meanings accorded to it by the two sides are different. . . . Since 1949, China has been in a state of temporary division with two political entities governing the two sides across the Strait respectively. This is an objective fact and any proposition seeking unification should not neglect the existence of this fact. (Article 2)

The PRC participant then went on to say that the 1992 record demonstrates that the two sides agreed on the "one China" principle but disagreed on the political meaning of "one China". And this is still the basis for a new agreement between the two sides. The mainland is prepared to agree to a very broad and ambiguous definition of "one China" that is "not in the past, in the present, or in the future tense." It can be just two words in Chinese as in English--"one China." And the political meaning of that term can be "left to the future." Finally, the PRC participant said, the concept of "one China" has been part of the framework of cross-Strait relations for the past forty years and this is still the framework accepted by the majority of Taiwanese people.

Two PRC participants offered examples of "out of the box" thinking. One suggested a "grand bargain" with Taiwan accepting the "one China" principle and eventual unification, the PRC giving up the use of force, and the United States giving up the sale of weapons to Taiwan. Another suggested that in exchange for Chen's acceptance of the "one China" principle, he would be invited to the Asia Pacific Economic Cooperation (APEC) summit meeting in Shanghai in November 2001. A PRC participant rejected the idea, however, on the ground that it would be an unacceptable change in the structure of APEC. An American participant commented that this novel idea would give Chen an incentive to accept the "one China" principle by offering a substantial increase in Taiwan's international space and in Chen's personal stature.

5. Another PRC participant warned that the present stalemate on cross-Strait issues cannot last indefinitely. Taiwan is somewhere between de facto and de jure independence. Taiwan has departed from the "one China" principle, but has not yet quite announced that it is an independent state. This situation cannot last. Domestic pressures on the mainland are building up. For the PRC, this participant said, reunification with Taiwan is a matter of leadership legitimacy, regime legitimacy, and national unity. Because of the depth of Chinese nationalism, no PRC leadership can afford to allow Taiwan to become independent and still remain in power. And because China has lost so much territory since 1840 and endured 150 years of national humiliation, no leadership can continue in power without making the territorial integrity of China a fundamental issue. Finally, Taiwan presents difficulties for national unity because if Taiwan were allowed to leave China, other minority groups such as Tibetans and Muslims in Central Asia would also want to leave. Under these circumstances, he concluded, China cannot afford to lose Taiwan. If Taiwan becomes independent and the PRC



leadership were to do nothing, the regime would collapse. Therefore any PRC regime will be compelled at some point to use force.

### C. Taiwan Perspectives

1. Although there were a number of differences among the participants from Taiwan, there was a general agreement on the following points. First, the PRC needs to recognize that the majority of the people on Taiwan do not want to move to reunification now but do want to maintain the status quo. Second, President Chen's "Five No's" indicate that he has moved a considerable distance away from his earlier position supporting independence. Third, unification should be one option for the Taiwanese people, but it should not be the only option. Fourth, for President Chen to move further in the direction of the "one China" principle, he would need some incentives from the PRC, particularly on the questions of international space and security for Taiwan. Fifth, a cross-Strait agreement would be more likely if the PRC would officially endorse the more flexible definitions of "one China" stated privately to Taiwan visitors by Qian Qichen and Wang Daohan. On the specific issues, however, there were important differences among the participants from Taiwan that will be outlined in the following paragraphs.

2. A Taiwan participant from the DPP argued that the DPP has long challenged the "one China" principle for two reasons. First, the DPP had nothing to do with the Chinese civil war between the KMT and the Chinese Communist Party (CCP) and therefore, it rejects the legacy of "one China". The DPP "seeks to redefine Taiwan's political identity away from China." Second, "based on a new conception of Taiwan's identity," the DPP is eager to "break away from the 1972 Shanghai Communiqué orthodoxy where the United States and the PRC contend that Taiwan is a part of China." The DPP is in fact "strongly against" the principle of "one China", at least "one China" in the present tense.

The same participant said that the DPP understands that its long held position of Taiwan independence will inevitably trigger suspicion and distrust from the PRC and that it wants to avoid cross-Strait confrontation. This is why President Chen has advanced the "Five No's" and tried in many ways to soften the DPP's independence position since his presidential victory, while seeking to open new ways for building mutual trust. However, he went on, the PRC has remained "rigid" in its "one China orthodoxy" and failed to adjust itself to the new political situation in Taiwan.

The participant from the DPP went on to say that there is a trend on Taiwan "toward greater de facto independence." Moreover, Taiwan insists upon an "open ended" future which can only be decided by the Taiwanese people. This is why President Chen rejects the "one China" principle as a precondition for resuming cross-Strait talks. Instead, President Chen views the idea of "one China" as an issue for further discussion.

The same DPP participant also observed that although President Chen is ready to resume bilateral talks via formal channels as soon as possible, the PRC is deliberately bypassing the Chen administration and "beginning to develop an anti-Chen united front" through contacts with Taiwan's opposition parties, pro-unification forces, business groups, and even some of the DPP's own elites. It is not surprising that this "intrusive maneuver" by Beijing is drawing criticism from President Chen and the Mainland Affairs Council in Taiwan.

In concluding, the DPP participant said that the "unsolvable sovereignty debate" should be bypassed and both sides should take "the joining of the [World Trade Organization] WTO as a window of opportunity for rebuilding common ground." The WTO can be used as a ready-made framework to start cross-Strait normalization by opening the "Three Links" and moving towards economic



normalization. Unfortunately, however, the PRC government has remained silent about President Chen's suggestion for using the WTO as a way to find common ground.

Finally, he observed, the PRC's "relentless dogmatism" on the "one China myth" remains the most difficult barrier for cross-Strait normalization.

3. Another participant from the DPP argued that there is a consensus in Taiwan among all the major political parties on three points regarding cross-Strait relations. First, Taiwan needs more international space. Second Taiwan needs security guarantees. Third, Taiwan needs to be able to continue its way of life, to have a free choice about its future, and, in particular, it needs the right to "say no to unification" if that is the choice of the people.

According to this participant, the PRC needs to be much more flexible in allowing Taiwan to join certain international organizations such as the World Health Organization. It also needs to reassure Taiwan about the issue of force. And it should respond positively to President Chen's "Five No's".

With regard to the so-called 1992 consensus, this DPP participant said that it would be difficult for President Chen to take a large step forward on the core issue of "one China given the political circumstances in Taiwan." Moreover, it would be very difficult to agree to a "vague" and ambiguous formula on "one China" because the Taiwanese people demand more clarity. Does "one China" mean the PRC? Does "one China" mean a future "one China" or an existing "one China"?

The only way to clear these matters up, said the DPP participant, is through dialogue. But the PRC has a precondition for dialogue that is unacceptable to the Taiwan government.

The same DPP participant said that President Chen's policies on cross-Strait relations has a 70 percent favorable poll rating in Taiwan.

Finally, the DPP participant said that the basic issue is not one of "one China", but rather of mutual trust. And no matter what President Chen says or does, the PRC will not trust him.

4. In contrast to the DPP participants, the participant from the KMT urged a return to the 1992 consensus on "one China" with respective interpretations and he said it was important to do this before the end of the year. He suggested that President Chen's "Five No's" would be a good starting point for mutual pledges by Taiwan and the PRC. Taiwan should pledge that as long as the PRC does not use force, it will maintain the "Five No's". The PRC should pledge that as long as Taiwan continues the "Five No's", it will not use force.

The same participant also urged the PRC to be more generous to Taiwan on the question of international space. Taiwan is now barred from many important international organizations such as the World Health Organization and other specialized agencies of the United Nations from which it had been expelled when Taiwan was expelled from the UN. Taiwan should now be brought back into those specialized agencies in a format to be discussed with the PRC.

The KMT participant also suggested that the PRC should make a symbolic gesture towards Taiwan by allowing Taiwan to enter the WTO first. Since both the PRC and Taiwan would be admitted at the same time, the PRC had nothing to lose. But allowing Taiwan to enter first would be an important symbolic gesture.

As to the mainland's fear that Taiwan under President Chen Shui-bian is moving towards separatism and two states, the KMT participant said that it was constitutionally impossible for any leader in



Taiwan to do this because the ROC Constitution is a "one China Constitution." Even today the ROC Constitution covers the mainland. Thus no matter which party is in power in Taiwan, it would have to respect the status quo on "one China".

5. A participant from the PFP urged Taipei and Beijing to bypass the controversial question of whether or not there was a 1992 consensus on "one China" by agreeing to return to the "spirit of the 1992 consultation" and to resume cross-Strait dialogue thereafter. He then went on to propose that Taiwan and the mainland agree that the two "are equal, autonomous, but distinct parts of a complete China." But the "complete China" today is neither the PRC nor the ROC, but historical and cultural China. "Realities today" dictate that Taiwan and the PRC are "political entities" with "jurisdiction over distinct and mutually exclusive parts of a complete China." How and when these two constituent parts of a complete China will evolve--they could possibly turn into a single, unified country or stay separated--needs to be determined by future generations on both sides of the Taiwan Strait. The "one China" principle, therefore, should refer to the possibility of a complete China "in the future", not at the present time or in the immediate horizon.

The same participant also urged the PRC to reconsider its "one country, two systems" formula, which, in the eyes of most Taiwanese, is insensitive to Taiwan's history. In its place, he proposed a formula of "one union, multiple systems."

#### **D. U.S. Perspectives**

1. An American participant stressed that there is an opportunity to break the stalemate in cross-Strait relations now, but that time is running out unless both Taipei and Beijing seize the opportunity. There are many difficult substantive issues, such as the issue of "one China," Taiwan's international role, the sovereignty question, and the issue of security. There is also a great deal of mutual mistrust. And there are domestic political constraints on each side. Finally, the leadership in Taiwan is being asked to bargain over the long run future of Taiwan.

On the other hand, he said, there are some important common interests, including a huge economic interdependence, and the two sides need to start talking so that "each could understand what the other side needs." It is important, he said, to start dialogue sooner rather than later. Since there are upcoming legislative elections in Taiwan in 2001 and an upcoming Party Congress in the PRC in 2002, there is at best a one-year window of opportunity for restarting the dialogue before cross-Strait issues get caught up in domestic politics on both sides.

2. Another American participant addressed the question of whether there is an American consensus on cross-Strait issues. He said the answer is both yes and no. There is a consensus on many issues and there is also some disagreement.

The consensus consists of the following. (The participant also indicated where there are disagreements in his view.) First, few Americans want either to side with China at the expense of Taiwan or to side with Taiwan "at all costs." Through six American administrations, there has been an effort to improve relations with China while maintaining friendly and faithful relations with Taiwan.

Second, there is agreement that the United States should maintain a strong military presence in East Asia, carefully tend its alliances, and maintain its forward military deployments in order to continue its role as a major power in the region.



Third, there is agreement that the United States should adhere to the Three Communiqués with the PRC and to the Taiwan Relations Act passed by Congress, while recognizing the tension that exists between them. The Taiwan Security Enhancement Act, which was watered down by the House of Representatives and has not yet been passed by the Senate, should not be passed now, but should be used as a "sword of Damocles" to deter China from any aggressive military action towards Taiwan.

Fourth, there is agreement that the new element in President Clinton's rhetoric about cross-Strait relations, i.e., that any solution to the issue must involve the assent of the people of Taiwan, is positive.

Fifth, there is agreement that arms sales to Taiwan should be "defensive" and continue without any Chinese veto.

Sixth, there is a consensus that no decision should be taken by the Clinton Administration on National Missile Defense or Theater Missile Defense (TMD), that we should discuss these issues with the PRC, and that the most provocative kind of missile defense would be one that is an integrated system which included Taiwan. These decisions should be left to the next Administration.

Seventh, there is a consensus that Taiwan should be included in all international organizations that do not require statehood and that China needs to demonstrate greater flexibility on this issue. There is also agreement that both China and Taiwan should enter the WTO as soon as possible without any complications and that other forms of economic and functional interaction, e.g., the "Three Links" should be pursued.

Eighth, there is a consensus that the overall policy towards the PRC should be a "clear-eyed engagement" which rules out either "containment" or a kind of "feckless friendship." China is neither an ally nor an enemy of the United States. China should be integrated into the international community. And there are a number of areas for U.S.-PRC cooperation, including the Korean peninsula, South Asia, the environment, terrorism, drugs, and strategic dialogue.

Ninth, there is a consensus that the United States should maintain its past commitments, including its commitment to "one China", although the definition of that concept should be kept vague. And there is agreement that the United States should not support either Taiwan independence or any use of force by Beijing to resolve the issue.

Tenth, there is consensus that the United States should impress upon China that Taiwan is a democracy and that China needs to offer Taiwan more incentives and fewer threats.

Eleventh, with regard to Taiwan, there is a consensus that the United States should maintain strong unofficial relations with Taiwan, maintain the Taiwan Relations Act, continue to deter any use of force against Taiwan from the mainland, and urge the new president of Taiwan, Chen Shui-bian, to continue a conciliatory course towards the mainland.

Twelfth, there is a consensus that the United States should try to be a balancer and a facilitator but neither a mediator or negotiator on cross-Strait issues. The two sides should be encouraged to resume their dialogue. In addition, unofficial Track Two efforts are also helpful. As to the outcome of the cross-Strait dialogue, it is up to the two sides to determine the outcome. The United States will agree to any outcome that the two sides can agree to peacefully. Some degree of U.S. commitment is, however, likely once a final deal is made.

Thirteenth, the cross-Strait issue is so important and so complex that it demands Presidential



leadership. Early in the next Administration, the President should make a foreign policy speech on Asia in which U.S. relations with China should be prominent. That speech should lay out a broad approach to China. The President should also seek bipartisan agreement with Congress on China policy, the goal of which should be to move away from polarization and towards "hard-headed engagement."

## **E. Economic Relations**

1. According to one Taiwanese participant, in 1999, two-way trade between the PRC and Taiwan was estimated at \$25.8 billion. China has rapidly become Taiwan's second biggest export market, next only to the United States. Meanwhile, Taiwan is China's second biggest source of imports, next only to Japan. Two-way trade has grown five times within the past decade. Much of the growth in trade is attributable to the large and growing Taiwanese investments in China. Taiwan's investment on the mainland has reached \$14.5

billion according to Taiwan's official figures and \$43.7 billion according to the mainland's official figures. The actual figure is estimated at \$23.9 billion. Taiwan has become the second biggest investor in China, accounting for more than 8 percent of the total foreign direct investment in China. Most of the Taiwanese investments go to electronics and electric appliances. This represents 23 percent of the total Taiwanese investments in China. It is estimated that Taiwan-linked companies operating in China number 40,000 and that a total of 250,000 Taiwanese live and work on the mainland.

2. An American participant suggested that the two sides should begin now informal consultations on problems that are likely to arise after both join the WTO. He pointed out that the PRC and Taiwan may not wish to use the WTO dispute resolution procedures and might wish to consider special dispute resolution procedures such as those followed under the North American Free Trade Agreement (NAFTA) and by the European Community.

Since cross-Strait economic exchanges have flourished in spite of current restrictions on the "Three Links"--trade, communications, and transportation--there is a potential for an "explosive increase" of economic relations after both sides join the WTO. However, the PRC currently insists that Taiwan must accept its "one China" principle before negotiations on removing the "Three Links" can begin.

## **F. Conclusion**

The present situation in the Taiwan Strait is structurally unstable and potentially explosive. However, there are three possible ways to break the current deadlock over "one China". First, there is the possibility of setting aside the "one China" principle for the time being while increasing economic, cultural, and non-official political contacts. Second, there is the possibility of coming to some kind of agreement on "one China" with each side free to advance its own interpretation of "one China". Third, there is the possibility of coming to an agreement on a future "one China". In the meantime, the PRC should make clear that it has no intention of using force and Taiwan should make clear that it has no intention of declaring formal, de jure independence. This arrangement could then be reconsidered in ten years.

There is some urgency in resuming the official dialogue. There are upcoming legislative elections in Taiwan in 2001 and an upcoming Party Congress in the PRC in 2002. Thus there is at best a year long window of opportunity for restarting the dialogue before cross-Strait issues get caught up in domestic politics on both sides.

So long as both sides fear that time is not on their side, any delay in entering into negotiations is



potentially dangerous. The PRC worries that the increasing process of Taiwanization of Taiwan moves Taiwan towards separatism while Taiwan worries that the growing military power of China creates a growing security threat to the island. Meanwhile the arms race between the two sides continues and may even accelerate.

