



# National Committee on American Foreign Policy

Where Leaders Meet

## Northeast Asia Projects

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

by Donald S. Zagoria

June 8-9, 2000

The June 2000 Roundtable on U.S.-China Policy and Cross-Strait Relations was the seventh in a series of meetings held during the past three years and sponsored by the National Committee on American Foreign Policy (NCAFP). Unlike previous Roundtables, this one included Americans only. It included government officials, former officials, businessmen, and a number of scholars. A summary of those discussions follows, according to the topics listed below.

- A. [The Current Setting: Dangers and Opportunities](#)
  - B. [Dangers](#)
  - C. [Opportunities](#)
  - D. [The Potential for Interim Agreements](#)
  - E. [The U. S. Role](#)
- 

### A. The Current Setting: Dangers and Opportunities

The inauguration of Democratic Progressive Party (DPP) leader Chen Shui-bian as the Republic of China's new president on May 20, 2000, has accelerated a process of political change in Taiwan that will lead to important changes in U.S.-PRC, Taiwan-PRC, and U.S.-Taiwan relations.

These changes could heighten tensions across the Taiwan Strait, and in U.S.-PRC relations, and accelerate the remilitarization of the Taiwan Strait area. Or they could lead to a process of cross-strait accommodation. It is still too early to say which of these possibilities is the most likely. Both pessimistic and relatively optimistic views were voiced during the course of the two-day meeting.

Currently the main problem is the existence of a political impasse with no sign of compromise. China insists that Taiwan authorities must accept the principle of "one China" before official talks can be resumed. Taiwan, now led by Chen Shui-bian, asserts that while "one China" can be on the agenda for discussion, no prior conditions for dialogue should be set.

A compromise on this central issue is in sight. If both sides could accept the concept of "one China, with no further definition," that is, if they could agree not to attempt to define the concept, discussions might be possible. This was essentially the formula on which they agreed in Singapore in 1992, and on the basis of which a series of official talks followed. But for the moment, at least, the absence of mutual trust seems to be standing in the way of such a compromise. The absence of trust may be the most critical issue. While Beijing's leaders assert that they are prepared to listen to Chen's words and watch his actions, they have very little confidence either in Chen or in the



Democratic Progressive Party which he heads. The DPP's past history as an independence party is well known in the PRC, and despite recent shifts away from earlier policies calling for independence, these shifts are viewed by Beijing as tactical, not fundamental. The recent fierce attacks on Vice President Annette Lu for her public statements implying Taiwan nationhood are indicative of Beijing's doubts. Similarly, Taiwan's new leaders, despite their soft and conciliatory language, have not altered their suspicions concerning basic PRC policies.

The more serious risks are probably not in the short-term. Both sides must make substantial efforts to bring about a peaceful settlement if they hope to gain some international understanding and support. Moreover, both sides have daunting domestic challenges and conflict or serious tension would have a highly detrimental effect on their capacity to deal with these challenges. Also, Beijing is unlikely to abandon its "wait and see" policy in favor of more militant steps until after the gathering of Party leaders at Beidahe in August.

But if the impasse drags on, Beijing's threat to act if Taiwan rejects its overtures "indefinitely" will put pressure on the PRC to take more militant steps. Chinese nationalism, now substituting for Marxism-Leninism as the main force used to seek loyalty and support for the state, will underwrite the demand for "unification of the motherland."

Moreover, unless some way is found to stop the cross-strait arms race, that arms race will continue to fuel tensions across the strait and in U.S.-PRC relations. Currently that arms race is being fueled by those in China who view military force as the only means to bring about reunification and those on the other side of the strait (and in the United States) who declare that more weapons are urgently needed to defend Taiwan against PRC attack. The PRC increases its military budget, buys more arms from Russia, and targets more missiles on Taiwan. The Taiwan military seeks more advanced weapons from the United States while the U.S. Congress considers the Taiwan Security Enhancement Act to improve Taiwan's military defense and the capability of the U.S. military to cooperate in the defense of Taiwan.

Currently, a vicious circle is developing. Hard-liners in the PRC contend that military threat is the only effective counter to Taiwan's perceived drift toward independence, thus strengthening hard-liners in Taiwan and the United States who see military strength as the only response to Beijing's threats. The end result of this vicious circle could be a war in which all three parties would be heavy losers.

## **B. Dangers**

The principal danger of the next several months is that the best opportunity for resuming dialogue in several years will be missed. Beijing insists that before a dialogue can be resumed, Taiwan must accept the "one China" principle by rejecting the "two states" formula put forward earlier by former President Lee Teng-hui and by returning to the 1992 Singapore concept of "one China without further definition." In Taiwan, on the other hand, there is much frustration with the PRC because of the perception that Chen Shui-bian has been conciliatory and moderate so far, but China has not reciprocated Taiwan's good will. There is also the feeling underneath the surface that Taiwan has already made enough concessions to the PRC, e.g., by agreeing to discuss the "one China principle," and that it should not make any further concessions just to get a resumption of the dialogue. There is also a debate going on within the DPP between those who want negotiations with China as soon as possible, and especially before the Legislative elections next year, and others who want to maintain a



strong bargaining position, and to hold the line on the grounds that they can eventually get more favorable terms.

Domestic politics in Taiwan have also become a critical factor in cross-strait interaction. The political shakeout in Taiwan following the humiliating defeat of the Kuomintang (KMT) by the DPP continues. The KMT is shell-shocked. The new party of James Soong, the People's First Party, seems stalled. Much political maneuvering lies ahead and the result of this maneuvering will have important consequences for cross-strait dialogue. Will James Soong and his People's First party--who are more accommodative in terms of the PRC than Chen Shui-bian--cooperate with Chen, or will they seek to establish a broad coalition, which might include the KMT, that could check or eventually replace Chen? And how will Beijing play the James Soong "card"? Will Beijing be tempted to try to undermine Chen by strengthening the position of Soong? If Beijing does decide on this strategy, the prospects for an early resumption of dialogue will be diminished.

Leadership politics in Beijing are also an important factor. The Taiwan issue is highly emotional for all PRC leaders. They see it in the context of 150 years of Chinese humiliation by imperialist powers. Now that Hong Kong and Macao have been returned to them, they insist that Taiwan should also return to the fold. Moreover, this issue has now become involved in succession politics. Jiang Zemin may seek another term as General Secretary in 2002 and he cannot appear too soft on the Taiwan issue or be perceived as the leader who "lost" Taiwan to the "separatists." This gives him little room for maneuver. Also the Chinese domestic scene is volatile and fragile with considerable social unrest due to unemployment, corruption, the Falun Gong, labor demonstrations, and various forms of dissent. Chinese leaders are prompted to use nationalism, including the Taiwan issue, to distract the people from such issues.

In sum, the principal danger in the short run is that if the current political impasse over "one China" cannot be broken soon, there is the likelihood that positions on both sides may harden and that a good opportunity to resume dialogue will be lost.

The pessimists in the meeting argued that the current political impasse is merely a symptom of more fundamental differences between the two sides that are unlikely to be overcome. They assert, therefore, that there is a high probability of tensions and even crises in the Taiwan Strait during Chen Shui-bian's four-year term.

### **C. Opportunities**

Optimists at the meeting focused on several factors. First, there remains the possibility that the official dialogue will be resumed on the basis of the 1992 agreements in which the two sides agreed, in effect, to accept the "one China" concept, but without attempting to define it. Beijing seems willing to resume the dialogue on this basis and in Taiwan there are at least some in the DPP who are inclined to do the same.

Second, there is at least the potential for China to change its tactics toward Taiwan and to become more flexible and less threatening. Some Chinese are critical of past PRC policy on Taiwan as having been counterproductive. They are calling for a change--toward providing more incentives to Taiwan. Moreover, during the past five years, Chinese policy on Taiwan has been driven to a considerable extent by the policies and actions of Lee Teng-hui: his visit to Cornell in 1995 and his "state to state" theory enunciated in 1999. Once it becomes clear that Chen Shui-bian is not another Lee Teng-hui, and is serious about not declaring independence or revising the Constitution, the PRC may well become more flexible.



Third, once both the PRC and Taiwan enter the World Trade Organization, there will be a permanent forum for communication between the two sides. Within the WTO, China and Taiwan will deal as equals. Moreover, many of Taiwan's current restrictions on trade will be difficult to reconcile with WTO rules. Thus, as Chen Shui-bian has acknowledged, the island's restrictions on commerce would be substantially liberalized by WTO membership and this would move Taiwan's policy in the direction that China has urged. Already the economic ties between Taiwan and China are considerable. According to the PRC, Taiwan is China's fifth largest trading partner. And Taiwan's figures also make China one of its largest trading partners. In 1998, almost 20% of Taiwan's exports have been to China. And trade across the Taiwan Strait continues to expand, growing at a better than 7% annual clip in 1999. With regard to investment, the Chinese count a total actual Taiwanese investment of some \$40 billion. And according to Taiwanese figures, more than 40% of Taiwan's total external investment is directed to China. It is likely that despite their political differences, both sides understand that some accommodation between the two would enhance their economic ties even more and, therefore, be extremely beneficial.

Fourth, there is some possibility that Chen Shui-bian will turn out to be not another Lee Teng-hui, but another Richard Nixon. Unlike Lee who was very ideological in his approach to the mainland, Chen is a pragmatist. Also unlike Lee, who sought to put pressure on the Clinton Administration by cultivating relations with the Congress, Chen has chosen to develop a cooperative relationship with the Executive Branch. The parallel with Nixon lies in the fact that just as Nixon--a staunch anti-communist--could make a breakthrough with Mao's China without having to fear that hard liners in his own party would accuse him of being soft on China, so Chen--an indigenous Taiwanese and a stalwart defender of Taiwan's security--can make a deal with China without having to fear that DPP hard liners could accuse him of sacrificing Taiwanese security. This was always the danger if the KMT had cut such a deal.

Chen Shui-bian may seek an accommodation with China for several reasons. First, he wants two terms in office and an accommodation with China would greatly increase his political stature. That is why some among his entourage are already encouraging Chen to resume the dialogue sooner rather than later in order to exploit this development for the elections to the Legislative Yuan in 2001. Second, Chen wants to concentrate on his domestic agenda--economic and political reform. He cannot do that effectively without a more peaceful relationship with China. Third, Chen is working closely with the U.S. administration and although the United States will, in all likelihood, continue to avoid playing a high profile role in cross-strait relations, preferring that the two sides themselves work out their differences, the clear U.S. preference is for a resumption of the dialogue and a move away from confrontation and militarization that could eventually involve the United States itself in an unwanted conflict with China.

Finally, U.S.-China relations have been improving for the past six months and it is possible to imagine continued improvement over the next several years if Congress grants China Permanent Normal Trading Relations (PNTR), and China is admitted into the WTO. The next U.S. president, whether he be George Bush or Al Gore, is likely to want to work more closely with Congress on developing a bipartisan China policy and to avoid an unnecessary and costly conflict in the Taiwan Strait. A stable and relatively smooth U.S.-PRC relationship would provide the environment for an increase in PRC-Taiwan exchanges.

#### **D. The Potential for Interim Arrangements**



The most plausible way forward over the middle range is a two track program--a political track for the most difficult issue "one China" and the future status of Taiwan and, simultaneously, a functional or practical track which would include trade, exchanges, confidence building measures, etc. If the "one China" issue can be finessed on the basis of the 1992 precedent, the PRC White Paper envisages lengthy talks, perhaps several years, on the political track.

But if Taiwan does agree to enter into political talks, even lengthy political talks, it still needs to have some idea of the end game. The elements of the final settlement must be understood even if it is not wise to go into too much detail at early stages of what is bound to be a long and difficult negotiation.

Several points can be made about the general principles that might be involved in such a settlement. First, the PRC's "one China, two Systems" is a non-starter for Taiwan. About 80% of Taiwan's population is opposed to this idea which essentially calls for home rule for Taiwan, but no sovereignty. Second, Taiwan will not renounce its sovereignty. Sovereignty has two aspects: one internal and one external. The internal aspect means, essentially, the right of Taiwan to govern itself without any outside interference. The external aspect means the right of Taiwan to have a legitimate role in the international system. Third, if China's bottom line is "unification," and Taiwan's bottom line is "sovereignty," then some formula needs to be found which will meet both bottom lines. The way to do this is to establish a Commonwealth or a Chinese Confederation, with the issue of sovereignty set aside for the present, or for a stipulated period of time.

Such ideas are being discussed in Taiwan, but there is no indication as yet that Beijing is prepared to consider them.

### **E. U. S. Role\***

Few international problems pose a greater dilemma for the United States, given the history of U.S. involvement in cross-strait issues over the past fifty years and the divisions within American society over our respective relations with the PRC and Taiwan.

The Korean War caused the first reversal in U.S. policy with the shift from abandoning the Nationalists on Taiwan to a decision to patrol the Straits and assist Taiwan as a part of the on-going conflict with China.

Another shift was initiated at the beginning of the 1970s when mutual concern about the Soviet Union brought Washington and Beijing into rapprochement and, step by step, led to diplomatic relations and a severance of official ties with the ROC. Yet there were strong elements of ambivalence, from the Shanghai Communique to the events of 1979. In the former, the United States "acknowledged" the Chinese position on Taiwan, but did not necessarily accept it. And the Taiwan Relations Act of 1979 stipulated that the United States would continue to furnish military supplies to Taiwan pending a peaceful settlement of the dispute.

In the 1982 communique, the Reagan Administration indicated that it would reduce arms sales as events warranted. Sales, however, continued. The Clinton Administration has seemed to go further toward recognizing the PRC position with the President's Three No's statement in Shanghai in 1998: no independent Taiwan; no two Chinas or one Taiwan-one China; and no membership for Taiwan in any organization for which statehood is required.

Like previous administrations, Clinton's has emphasized the importance of a relationship with China



that on balance has been positive, given its impact on all Asia-Pacific issues and on domestic factors as well. Yet Clinton has continued arms sales to Taiwan and visits of officials. The effort has been to balance Taiwan desires and Congressional sentiment with China's deep resentment of military sales, keeping those sales within moderate bounds. Moreover, Taiwan has not been included in the TMD and NMD programs.

The House of Representatives has been prepared to go much further with respect to military support for Taiwan, in 1999, passing by an overwhelming majority an enhanced Taiwan security act.

China, meanwhile, continuously denounces U.S. policy with respect to Taiwan, asserting that it represents interference in China's internal affairs and evidence of American hegemonism. What are the possibilities with respect to U.S. policy regarding Taiwan given that a new administration will take office in 2001? One route would be the continuation of the current policy. This policy has various aspects:

- 1) as is being done currently, promoting a peaceful resolution of the China-Taiwan relationship by urging both parties to reopen a dialogue, but not attempting to give advice to either party on how to resolve the differences or offering to serve as a mediator;
- 2) emphasizing U.S. interests in maintaining a relationship with the PRC that is positive, but continuing unofficial ties with Taiwan, including medium-level visits, as well as promoting economic and cultural relations;
- 3) making clear U.S. opposition to any declaration of independence on Taiwan's part, but also indicating a deep concern should the PRC elect to use force in any form as long as Taiwan refrains from an independence declaration;
- 4) continuing to furnish defensive military equipment to Taiwan in accordance with the needs determined while keeping such assistance within bounds, and not involving Taiwan directly in missile defense programs;
- 5) pursuing a policy of "conscious ambiguity" with respect to U.S. action should the PRC use force against Taiwan under present circumstances, refusing to state what the United States would do while voicing "grave concern" should the peaceful route be abandoned.

One alternative would be to modify the above policy by making clearer what U.S. actions would be taken in the event that the PRC were to decide to use force after declaring Taiwan unwilling to negotiate on its terms. The United States would state that it would provide assistance to Taiwan should it come under military attack, assuming it had not sought to declare independence, without stipulating the extent or nature of that assistance.

Another change would be to actively promote a compromise that would enable the two parties to reopen a political dialogue, e.g., by suggesting that the two sides should agree to reopen dialogue on the basis of the "one China without further definition" formula. Another idea would be to promote a long term settlement in the form of a Commonwealth or Confederation. Yet another idea would be to urge the PRC to advance a "one China-three systems" formula that would have greater flexibility for Taiwan than the present "one China-two systems" formula.

It has also been argued that the United States should retreat somewhat from the Clinton "Three No's" Shanghai statement, and assert that the United States has no position with respect to the future of Taiwan since this is a matter to be determined by the two parties directly concerned, but that it must



be a decision reached without coercion and in a manner acceptable to the people of Taiwan.

In reality, there can be no U.S. policy that would not be without problems and uncertainties. For decades, the United States has been seeking to advance simultaneously along two somewhat incongruous paths. On the one hand, it has sought to improve its relations with the PRC by combining a policy of balance of power with that of a concert of powers, working with China on a widening ranges of issues from Korea to containment of weapons of mass destruction. On the other hand, it has accepted Taiwan as a de facto state, advancing both economically and politically, and warranting support up to a point, with the hope that the further evolution of the PRC will make some form of union increasingly possible.

There is a general consensus among the majority of American specialists that while the United States should seek to advance relations with the PRC for reasons outlined above, it must also continue to interact with Taiwan while continuously urging Taiwan authorities to pursue policies of moderation, in words and deeds, seeking some rapprochement with the Mainland, and warning against words or actions that would create adverse international reactions. Similar advice should be given privately to Beijing.

A clearer statement of U.S. intent should the PRC elect to use force against Taiwan after some deadline has been imposed might be considered, but several risks exist: first, that such a pledge would encourage hard-liners on both sides to experiment with tougher policies; second, that it would exacerbate divisions at home. Perhaps even more important, it is impossible to make precise promises with respect to U.S. actions when the full circumstances cannot be known in advance.

American specialists also agree that the United States should not be an active mediator in the cross-strait issue. The two sides have to work out their future by themselves. But the United States can and should seek to foster an environment in which the two sides increase their interchange across the strait.

Presently the U.S. objective should be to move cross-strait relations away from the current drift toward militarization and in the direction of a long term political process of dialogue, practical confidence-building measures, and eventual accommodation. In support of this objective, we should:

- encourage Taipei and Beijing to revive the political dialogue they began in 1993; o facilitate practical confidence-building measures, including dual membership in the WTO, development of direct postal, shipping, and air links, and resolution of such practical issues as illegal immigration, smuggling, etc.;
- encourage Track Two contacts across the strait to reinforce or substitute for Track One dialogue;
- encourage a period of restraint by all sides on military actions and acquisitions or deployments in order to give a political process between Taipei and Beijing time to take hold. If it fails to do so, U.S. options regarding Taiwan's defense remain open.

\* This section draws on the paper written for the Roundtable by Robert A. Scalapino, "Cross-Strait Relations and the United States" and on the discussion at the Roundtable.

