



National Committee on American Foreign Policy

Where Leaders Meet

Northeast Asia Projects

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

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The January 2000 Roundtable on U.S.-China Policy and Cross-Strait Relations was the sixth and the most productive of a series of meetings sponsored by the National Committee (NCAFP) during the past two years. The meeting was attended by scholars from the United States, the People's Republic of China (PRC), and Taiwan. During the two-day session, the participants entered into candid talks about Cross-Strait issues. A summary of those discussions follows, according to the topics listed below:

- A. [Bottom Line](#)
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- C. [Democratic Progressive Party \(DPP\) Perspectives on Cross-Strait Relations](#)
- D. [People's Republic of China \(PRC\) Perspectives on Cross-Strait Relations](#)
- E. [U.S. Perspectives on Cross-Strait Relations](#)
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A. Bottom Line

Although economic and cultural relations between the People's Republic of China and Taiwan are growing and are significant, the political impasse has hardened. The basic trend in Taiwan is in the direction of President Lee Teng Hui's "two-states" theory, and the Kuomintang party (KMT) has moved closer to the position of the DPP on this issue. This reflects the fact that the overwhelming majority of Taiwanese people want *de facto* statehood and any politician who violates this principle will not go very far.

In the PRC, however, the willingness to wait for unification has decreased. President Jiang Zemin has said that the PRC cannot wait indefinitely. The PRC has increased the number of missiles targeting Taiwan.

The situation is not one of total gloom, however. First, Taiwan is unlikely to declare formal *de jure* independence. Taiwan is aware that none of the great powers, including the United States, will recognize such a declaration and that it would almost certainly provoke an unwanted crisis with the



PRC. Second, the PRC's primary goal for the foreseeable future is economic development, and it does not want to create a new crisis in the Taiwan Strait that would interrupt this development. Also, the PRC has been developing good relations with all its neighbors, and a crisis with Taiwan would disrupt those relations. Therefore, the PRC is highly unlikely to make a conscious commitment to initiate a conflict with Taiwan, although threats will continue.

Third, there is likely to be a "window of opportunity" for improving relations between Beijing and Taipei in the period after the March presidential elections. Both the KMT and the DPP presidential candidates have stated that they intend to reach a peace agreement and to normalize relations with China. Both also have suggested that consideration be given to confidence-building measures that would prevent or defuse misunderstandings. The independent candidate, James Soong, has gone even farther in stating that he would seek to negotiate a "30-year mutual nonaggression pact" with China.

A fourth factor leading to cautious optimism is the conclusion that the impending accession of both the PRC and Taiwan to the World Trade Organization (WTO) will further the integration of these two economies into the global economy, will be a vital step in the PRC's efforts to reform its domestic economy, and will expand substantially Taiwan's international role. Moreover, negotiations between Beijing and Taipei may be required to make their bilateral trading arrangements compatible with WTO requirements. The result could be a substantial change in Lee Teng-hui's "no haste, be patient" policy toward Cross-Strait trade and investment.

B. Taiwan's Perspectives on Current Cross-Strait Relations

1. Diplomatic isolation and the growing threat from China are the most important factors that have led to President Lee Teng-hui's remarks on the "special state-to-state relationship" between Taiwan and China. It can be argued that Taipei's policy is a defensive response to the U.S. "three-no's" policy and to U.S. pressure on Taiwan for a Cross-Strait "interim agreement" as well as to the PRC's insistence on treating Taiwan as a local Chinese authority.
2. The "special state-to-state relationship" formula does not rule out Taiwan's future unification with China. Instead, this formula strengthens the hands of both the KMT and the DPP, justifying their policies of not declaring *de jure* Taiwan independence or conducting a plebiscite on the future status of Taiwan.
3. Taipei believes that the two sides of the Taiwan Strait are divided politically and legally; each possesses an independent and separate jurisdiction. But it is willing to pursue a unified China through negotiations on the basis of parity. Some in Taipei have begun to suggest that leaders on both sides of the Taiwan Strait should consider the arrangement of a commonwealth as a step toward unification and as a way to reflect the theory and practice of a "special state-to-state relationship."
4. It is unlikely that Taipei will retract its position on the special state-to-state relationship even after President Lee Teng-hui steps down. Both the DPP and the KMT presidential candidates, Chen Shui-bian and Lien Chan, have endorsed the idea. James Soong, the independent presidential candidate, has been inconsistent. When he described the Cross-Strait relationship as "special relations, with neither side subordinate to the other," he was challenged for dropping the "state-to-state" wording. Later Soong described Cross-Strait ties as being a "quasi-international relationship based on the concept of relative sovereignty."



5. All three presidential candidates have made statements indicating that they intend to reach a peace agreement with China and to normalize relations with China. Both KMT Vice President Lien Chan and DPP candidate Chen Shui-bian have indicated their willingness to visit mainland China if they are elected, and they also suggested various confidence-building measures to defuse misunderstandings. Soong has gone even further by stating that he will seek to sign "a 30-year mutual nonaggression pact" with China that would "include the cooperation of witnesses like the United States, Japan, and the ASEAN (Association of Southeast Asian Nations) countries," followed by a 20-year European Union-style integration.
6. Moreover, the entry of both Beijing and Taipei to the World Trade Organization might become a natural bridge for the two sides to improve their thorny relationship. DPP Chairman Lin Yi-hsiung has proposed a customs union, a free trade zone, or even a Cross-Strait common market. Chen Shui-bian has suggested that Taiwan carriers fly direct routes across the Strait, and even President Lee has said that Taiwan "is willing to review the current Cross-Strait trade policy within the framework of the World Trade Organization." Lee has softened his previous "go slow" policy on Cross-Strait economic interactions, and Lien Chan can be expected to follow in this direction. Soong has long challenged Taipei's "go slow" policy toward China and has suggested that if Taiwan wants to become an Asian Regional Operations Center, Taipei needs to have free access to the mainland.
7. Cooperation between Taiwan and China might become possible, but it will be under the shadow of China's growing military might. The PRC has increased its M-9 and M-11 missiles targeting Taiwan. In response, DPP candidate Chen Shui-bian has proposed that Taiwan develop intermediate-range surface-to-surface missiles, and KMT candidate Lien Chan has followed suit by declaring that Taiwan needs to acquire a "second-strike capability," including a long-range surface-to-surface missile. Both Chen and Lien also are inclined to upgrade Taiwan's antimissile defense capability. Soong had been more skeptical of "theater missile defense" (TMD), but he later modified his position by saying that he would "support any measures conducive to the increase of the Republic of China's defense force, including the TMD."

C. DPP Perspectives on Cross-Strait Relations

1. The new key concept of the DPP's China policy is normalization, which highlights equality, peace, and prosperity as three major goals. To achieve these goals, the DPP advocates three policies: forging a consensus on Taiwan's sovereignty; establishing stable mechanisms for Cross-Strait interaction; and developing cooperative economic relations with China.
2. On the sovereignty issue, the DPP has reiterated its concept of "*de facto* sovereignty," meaning that Taiwan is already independent and sovereign. Viewed in this light, Taiwan need not declare formal independence in order to be a sovereign nation. The DPP emphasizes five points: Taiwan is already sovereign; Taiwan is not a part of the PRC; Taiwan and the PRC are two independent states; owing to cultural and blood ties, Taiwan should develop more special and closer relations with the PRC; any reorientation of the relationship between Taiwan and the PRC and any change in Taiwan's political status should be decided democratically by the Taiwanese people.
3. Regarding Cross-Strait dialogue and negotiation, the DPP favors promoting dialogue both through formal negotiation between governments and through strengthening track II channels.



4. Regarding economic interaction, the DPP recognizes that after both China and Taiwan join the WTO, Taiwan will need to be more open to Chinese products, investments, communications, and personnel. It will, therefore, be difficult to maintain current "go slow" policies in several areas. First, the current requirement that China's products enter Taiwan via a third place is against an MFN clause. Second, it will be difficult to maintain the current policy of limiting China's imports. Third, it will be difficult to maintain the current limits on Chinese foreign direct investment in Taiwan. Finally, the issue of the "three links" will become more urgent.
5. The DPP believes that it is possible to discuss some forms of political integration between Taiwan and China such as a Chinese commonwealth or a Chinese confederation. It also believes that both Taiwan and China can learn a lot from the relationship between Finland and the former Soviet Union and from that between the Republic of Ireland and the United Kingdom. Both are cases of an international special relationship in which each side respects the sovereignty of the other while seeking to secure common ground through all kinds of bilateral agreements. The forthcoming membership of both Taiwan and China in the WTO might offer an unprecedented opportunity for political defrosting.

D. PRC Perspectives on Cross-Strait Relations

1. The PRC considers that there are potential dangers in the scheduled "presidential" elections in March in Taiwan. The most important concern is whether there will be a smooth transition of power after Lee Teng-hui steps down in May. Several possible developments may disturb a smooth transition. First, Mr. Lee may try to extend his term of office. Second, if James Soong wins the election, some kind of emergency situation might deliberately be created to prolong Lee's presidency. Third, if Chen Shui-bian wins the election and advocates a revision of the constitution in order to make Taiwan a "*de jure* independent state," the PRC will regard it as an open declaration of independence, and "the consequences would be disastrous."
2. The mainland position regarding the elections in Taiwan is that all elections in Taiwan are local ones in the Taiwan region. They will not change the fact that Taiwan is part of China.
3. The mainland is closely watching the March election in Taiwan. It sincerely hopes that the change of leadership in Taiwan will bring about a new perspective on Cross-Strait relations.
4. PRC President Jiang Zemin has recently reiterated the eight-point proposal put forward five years ago. He expressed the willingness to resume Cross-Strait dialogue under the principle of "one China." He said that the Taiwan issue would be settled under the principle of "one country two systems" but with "more comfortable terms" for Taiwan than for Hong Kong and Macao. This means that China will take into consideration the different characteristics of Hong Kong, Macao, and Taiwan and that Taiwan will be given "plenty of flexibility" to realize the peaceful reunification of China under the "one-country" premise.
5. The PRC considers the United States the most important external factor affecting Cross-Strait relations, and the Chinese government strongly urges the United States to keep to the "three communiqués and the "one-China" policy. There are some positive signs. President Clinton, while in New Zealand, said that Taiwan's "two-states" idea had really troubled both China and the United States. The Clinton administration has openly opposed the Taiwan Security Enhancement Act. For the first time this year, the U.S. representative to the UN openly opposed Taiwan's attempt to return to the United Nations.



6. The two sides should be more creative and constructive in their mutual relationship. As some American officials and scholars point out, the best way to maintain security and peace is not an arms race but mutual engagement across the Strait. To start with, a mutual agreement to end hostilities is a worthy suggestion for serious consideration. The two sides should also continue to work hard to realize Wang Daohan's visit to Taiwan. The mainland has put forward two preconditions for Wang's trip. Of these two conditions, one will be automatically realized after Mr. Lee leaves office. The second condition is also flexible. If the new leaders in Taiwan do not "reiterate" Mr. Lee's "two-states" theory, this would constitute an opportunity for reconciliation.
7. The stated conditions for Wang's visit are not the main issue; the main concern is that Wang's trip deal with substantial issues.

E. U.S. Perspectives on Cross-Strait Relations

1. Ever since February 1987, when former Secretary of State George Shultz outlined the U.S. strategy for fostering a peaceful resolution of Cross-Strait issues, U.S. policy has been guided by a number of general principles. First, the United States continues to adhere to the "three communiqués and the "one-China" policy contained in those communiqués. The "one-China" principle remains the cornerstone of U.S. policy, which reflects the judgment that defining and realizing "one China" should be left to the two parties themselves. Second, the United States supports a peaceful resolution of Cross-Strait issues. Third, there will be continued arms sales to Taiwan in accordance with the Taiwan Relations Act (TRA). Fourth, the two sides can resolve their dispute through dialogue without U.S. government mediation. Fifth, any arrangement achieved on a mutually acceptable basis between the PRC and Taiwan is acceptable to the United States. Sixth, any such arrangement must also be acceptable to the Taiwanese public because Taiwan is a democracy.
2. Regarding the current election campaign in Taiwan, none of the presidential candidates can depart from an islandwide consensus on several points. First, the governing authority on the island possesses sovereignty within the context of "one China." Second, Taiwan, therefore, deserves a greater international role. Third, the Taiwanese public does not accept the PRC formula of "one China, two systems" as the way to resolve the current impasse. Fourth, there is general agreement in Taiwan that the Cross-Strait dispute should be resolved without the use of force and that there is a need for some assurances that will safeguard Taiwanese security.

F. The U.S. Role

1. There was a lively discussion among the participants about whether the United States should play a greater and more proactive role in Cross-Strait diplomacy. There was a general agreement that although the United States should not try to mediate the Cross-Strait dispute--a role that it has explicitly ruled out in the past--it should become more active in trying to shape a more positive environment for reducing tensions. This could best be done through a variety of track II and other quasi-official initiatives.
2. There was also general agreement that an essential prerequisite for a more active and credible U.S. role is a much greater degree of cooperation on China policy between the executive and legislative branches of government than exists today. The next president needs to attach a much higher priority to articulating U.S. security and political interests with China, including issues concerning North Korea and weapons of mass destruction, however difficult and



complex such a discussion may be. It would require working together with China on some issues, chief among them being keeping peace in the Taiwan Strait and developing an intensive dialogue on how best to achieve this goal. It is particularly important to develop a broad center within the United States on China policy so that this policy does not become hostage to either the left or right extremes in American politics.

3. If the next president and the next Congress are able to come to at least some modest consensus on China policy and Cross-Strait issues, a dialogue with both the PRC and Taiwan could then be productive. To repeat what one American participant said he would say to Taiwan: "You have a right to feel safe and secure, and you should play a larger role in international organizations, but every major country accepts the 'one- China' policy, and this policy is at the heart of your peace and prosperity." Also, he would say to the PRC: "Over the next 10 years or more, you need to focus on your economy. You don't want to antagonize the United States and create an arms race." Another American participant said that the U.S. role should be "messages, not mediation." He said he would say to Taiwan: "Dont push *de jure* independence or be provocative, and don't try to end-run the administration through Congress." He would say to the PRC: "It is in your interest to give Taiwan more international space within the context of "one China"; offer Taiwan more carrots and fewer sticks;" and make your political system more open.

G. An Interim Agreement That Defers the Sovereignty Issue

1. According to one American participant, there is the possibility that an "interim agreement" acceptable to both sides can be negotiated but only if they agree to defer the most intractable issue--sovereignty--to some future time, while in the meantime spelling out matters on which the two sides agree and establishing a framework for continuing negotiations on issues on which agreement seems feasible.
2. The climate in which to conduct negotiations on an interim agreement is improving because of (1) the increasing recognition in Beijing and Taipei of the need for Cross-Strait cooperation to satisfy the growing demands of the information age; (2) the need for negotiations to meet the requirement of membership in the WTO; and (3) the evident recognition by the presidential candidates in Taiwan that proposals for improved Cross-Strait relations are welcomed by the electorate.
3. Taiwan and the PRC could seek negotiations in which the two sides would endeavor to agree in general terms on the common interests that make their relationship a "special one" without attempting to define the nature of their relationship in terms of international law. An agreement on common interests might include these five points.
 1. shared ethnic, language, and cultural origins;
 2. rapidly growing economic interdependence and individual and institutional Cross-Strait exchanges;
 3. a desire for peace and stability in the Taiwan Strait;
 4. a shared goal of modernizing and globalizing their societies;
 5. a common will to pursue a unified China in the future.



These five points, which make the relationship between Taiwan and mainland China a very special one, could form the basis for an interim agreement or agreements. In his statement of July 30, 1999, Koo Chenfu, chairman of Taiwan's Straits Exchange Foundation (SEF), made points 1, 2, and 5. Point 5 should be especially appealing to the PRC, for it would commit the new president of Taiwan to pursue some form of unification.

4. Participants from both Taiwan and China spoke favorably of an interim agreement of this kind. Taiwan's participants wanted an official U.S. endorsement or guarantee of such an agreement to enhance Taiwan's security, but an American participant expressed doubt about such a guarantee.
5. Membership in the WTO will provide the two sides with a new format for negotiations. As WTO members, they would be negotiating on the basis of equality, a long-standing demand of Taipei. But negotiations would not be in the form rejected by Beijing--"special state-to-state relations"--since statehood is not required for WTO membership and Taipei will enter the organization as an autonomous customs territory.

H. Ways of Dealing with the Sovereignty Issue

The single most difficult issue separating the PRC and Taiwan is the sovereignty issue--more precisely, how to define the status of Taiwan. According to the PRC, there is only "one China," that China is the PRC, and Taiwan is a province of China. According to all the major presidential candidates in Taiwan and the overwhelming majority of the Taiwanese people, Taiwan has *de facto* sovereignty even though it is unlikely, at least in the foreseeable future, to declare *de jure* independence.

Over the course of the NCAFP Roundtables held during the past two years, a number of possible scenarios for dealing with the sovereignty issue have been identified.

1. The intractable differences over sovereignty could be deferred to some future time, while in the meantime the two sides could establish a framework for continuing negotiations on issues on which agreement seems feasible. This is the position recommended by one U.S. participant in his paper "Negotiating an Interim Agreement Between Taiwan and the PRC" presented to the Sixth Roundtable in January 2000.
2. Taipei and Beijing could agree to return to the position they agreed to in 1992: agreement on "one China," and each side would be free to define "one China" in its own way.
3. The two sides could come to some agreement along the lines outlined by the PRC's Wang Daohan who, in earlier statements, suggested that the "one China" that Beijing had in mind did not now exist but could be achieved sometime in the future through negotiations between Beijing and Taipei.
4. Beijing and Taipei could seek to agree on a commonwealth or confederation--an idea that many in Taiwan have often discussed.
5. Taiwan could be "Finlandized"--that is, it could negotiate with Beijing for a status comparable to the relationship negotiated between tiny Finland and its giant neighbor, the Soviet Union, in the treaties of 1947 and 1948. Those treaties granted the Soviet Union a naval base on Finnish territory, limited the size of the Finnish armed forces, banned anti-Soviet organizations in Finland, legalized the Communist party there, and bound Finland to



cooperate with the Soviet Union in the event of an attack by Germany. The treaties did not, however, end Finland's status as an independent state, and they did not deny Finland the right to belong to international organizations that required statehood for membership or to have diplomatic relations with foreign powers.

6. Beijing could agree to Taipei presidential candidate James Soong's formula that the relationship between the two is a "quasi-international relationship based on the concept of relative sovereignty," a concept whose principal function appears to be to legitimize the idea of separate jurisdictions in which neither side would be subordinate to the other pending future negotiations on unification.
7. Beijing could come up with a new formula that would be different from and much more flexible than its "one-country, two-systems" approach that would legitimize the idea of separate jurisdictions pending the outcome of future negotiations between Beijing and Taipei on a unified China. This would be similar to scenarios 3 and 6.

I. Cross-Strait Economic Relations

1. The economic interdependence of the two societies on either side of the Taiwan Strait has increased rapidly since 1987, proceeding from the complementarity of the two economies. Interdependence will inevitably grow as the two economies continue to be caught up in the wave of globalization that is sweeping the world. In the years ahead the most successful economies will be those that process information most speedily and effectively.
2. As the third largest producer of information industry hardware (after the United States and Japan), Taiwan occupies a key global position in the emerging information age. To maintain this position, it relies heavily on mainland China where almost one third of the computer hardware sold by Taiwanese firms is manufactured. As Stan Shih, chairman of Taiwan's largest computer company, Acer, has said, by working together Taiwan and mainland China can gain a growing share of the world market in these products.
3. In order to prosper in the global electronic arena and avoid being squeezed off the product ladder, Taiwan needs to move in two directions. One would involve moving up the product ladder by mobilizing huge domestic research and development (R&D) and marketing investments; the other concerns further reductions in the transaction costs of mainland investment. Since the first requires Taiwan to attract highly mobile capital and business and scientific talent and the second requires expanded transport and communication ties with the mainland, both will require Taiwan to maintain stable political relations with Beijing.
4. The PRC has recognized the importance of its linkage with Taiwan in promoting advances in high technology. The PRC has sent high technology exhibits, scientific delegations, its minister of science and technology, and the chairman of its largest computer company to Taiwan and says that it intends to draw on the experience of the "United States, Singapore, and Taiwan in running high-tech parks."
5. The impending accession of both the PRC and Taiwan to the World Trade Organization will further the integration of these two economies into the global economy. Taiwan's accession will enhance its status in the global economy, expanding substantially the international role it has already achieved through membership in the Asian Development Bank and the Asian Pacific Economic Cooperation group (APEC). Taiwan's WTO membership will also increase pressures to provide it with some form of participation in the World Bank and the IMF. A



possible bargain might be Taiwan's abandonment of its campaign for UN membership in exchange for a role in these two financial institutions. Negotiations between Beijing and Taipei may also be required to make their bilateral trading arrangements compatible with WTO requirements.

6. According to one Taiwanese participant, the PRC and Taiwan should go beyond simply applying the MFN required by the WTO and negotiate a free trade agreement, the goal of which would be to eliminate tariff and other trade barriers imposed on products of the other side in which they have comparative advantages.

J. The Military Situation

1. According to one American participant, there are some worrisome trends in the military situation. The People's Liberation Army (PLA) is thinking and writing more about its war plans for dealing with a "renegade province." The writings are blatant about targets, the importance of surprise, the use of missiles, and ways to counteract any large power that might support the renegades. Air activity over the Strait and associated naval activity continue. The PLA also argues for more resources. In Taiwan the military is increasingly dissatisfied with the senior political elite. In the United States some important groups are questioning the "one-China" policy and calling for closer relations with Taiwan. Some in Congress are sponsoring the Taiwan Security Enhancement Act, which would bring the United States closer to a military alliance with Taiwan and would surely open an arms race.
2. Regardless of any PRC-Taiwan agreements, the PLA will continue to modernize, which will cause insecurity in Taiwan. The only way to deal with this "security dilemma" is to create a more favorable political environment.
3. A Chinese participant was more positive. He said that it would not be so difficult to stabilize the situation. Americans should not overreact to Chinese military writing about information warfare. China is far behind the United States militarily. "Chinese are always good at talking." China's main task is economic reconstruction. It wants unification but only in "due time." It knows that coercion will not bring unification closer and that unification has "to be accepted on both sides of the Strait."
4. After eleven years of observing Lee Teng-hui, the PRC has come to the conclusion that he does not want to do anything positive. If both sides could get to the conference table, it would not be difficult to have contacts between the two militaries in order to stop the arms race.

K. The Formation of Subcommittees

The participants agreed to set up small subcommittees comprised of members from all sides to report back to the next Roundtable on a number of issues. There was no objection from any side to this important step forward.

