



National Committee on American Foreign Policy

Where Leaders Meet

Northeast Asia Projects

Roundtable Summaries

NCAFP Roundtable, Co-sponsored with the Institute of Taiwan Studies, Chinese Academy of Social Sciences, Beijing, on U.S.-China Relations and the Taiwan Issue

New York, N. Y.

January 13-15, 2002

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A. Summary: The Cross-Strait Issue

1. There was general agreement on one point: Economic relations between China and Taiwan have increased dramatically in the recent past. Investment in China from Taiwan now totals some \$US 60 billion and some analysts regard the accurate figure as much larger. Approximately one-half of Taiwan's business establishments are now engaged in production in China. Cross-strait trade was nearly \$US 15 billion for the first six months of 2001 and represents a major factor in the Taiwan economy, since some 50 percent of Taiwan's GDP comes from exports. Taiwan has become the fifth largest trading partner for the mainland and the mainland has become the second largest export market for Taiwan.

It is, moreover, likely that cross-strait economic relations will continue to grow after both Beijing and Taipei adjust to their membership in the World Trade Organization. Business enterprises on both sides of the strait will find ways to expand economic relations, in anticipation of an upturn in the global economy in 2002.

Also, fundamental reasons are dictating the increase in cross-strait economic relations. Taiwan is in economic trouble. Taiwan's troubles are part of a broader picture in East Asia which sees a number of countries in difficulty because they face increased competition from the PRC with its low labor costs, increased productivity and quality, and export orientation. This forces the smaller countries to try to improve their competitive performance.

In this situation, Taiwan is doing what is logical. The Taiwan business community has put pressure on the Chen Shui-bian government to legalize what is already its extensive investment on the mainland, to move production facilities, and to utilize China's abundant labor force. As a result, a process of economic integration between China and Taiwan has accelerated despite the fears of



many in the Taiwan government that this economic integration will give the PRC political leverage over Taiwan.

2. It is not clear, however, that economic integration will lead to political integration. Chen Shui-bian may win a second term as president in 2004 and there is no trust between the PRC and Chen. Moreover, although polls in Taiwan show that a minority favors reunification at some point, a 70-80 percent majority favor maintaining the status quo, i.e., de facto independence, and no political leader in Taiwan could defy this public sentiment. So even if James Soong or someone from the KMT is elected president in 2004, he will have to be extremely cautious on this issue.

3. Under present conditions, there is no strong risk of high tension or conflict between China and Taiwan in the near term. China faces severe economic problems at home. Many banks are in trouble, many State-owned enterprises are faltering, there is an East-West gap, and there are many unsatisfied farmers and many unemployed workers. China must tackle these problems. Also China has been successful in building better relations with all of its neighbors and the United States and any conflict with Taiwan would threaten these relations. Finally the degree of economic interaction between China and Taiwan has already grown to such proportions that any hostile actions that China takes against Taiwan are likely to have an adverse impact on its own economy.

The risks in cross-strait relations are, therefore, more in the middle to long-range. For the near future, it is very likely that the present situation will continue--a political impasse combined with growing economic relations.

Over the longer term, the question is whether economic integration will gradually lead to a reduction in political tensions and a resumption of the cross-strait political dialog. Many analysts on the mainland seem to be betting that time is on Beijing's side and that growing economic interaction will eventually force Taiwan into a political accommodation with the PRC.

B. PRC Perspectives on Cross-Strait Issues

A prominent PRC analyst characterized Chinese "principles" for dealing with Chen Shui-bian in unusually moderate terms:

- Not to provoke or stir up disputes. The "one China" principle allows room for differences.
- Be pragmatic. For example, China favors going ahead with the "three links." There has been an average of \$US 30 billion in trade over the last three years. Vice Premier Qian Qichen has said that links could be established by talks between companies on each side of the strait. Ships need not fly any flag.
- Aim for a policy that is win-win for both sides. Promoting trade is a good example of this.
- The goal is stability and development. The aim of the PRC's "one China" policy is to keep the status quo.

The PRC analyst concluded by reiterating that China wants to deal with Taiwan in a very realistic and pragmatic way. Another PRC analyst opined that the status quo was unstable. He feared that Chen was engaging in covert moves toward independence.

Although generally moderate in his characterization of PRC policy on cross-strait issues, the first PRC analyst had three caveats:



- In the United States, the "one China" principle is "hollowing out" and the anti-"one China" voices are getting stronger. It would be "dangerous" if the U.S. "one China" policy simply becomes lip service.
- There is a view in the United States that because Taiwan is a democracy, it can do whatever it wants and there is no need for the United States to interfere. But democracies cannot promote "separatism." It is good for the United States to listen to the Taiwanese people, but it should also listen to the PRC.
- There are three major issues for China in this century and "peaceful reunification" is on the top of the list.

According to another PRC analyst, the PRC is making a concerted effort to stabilize cross-strait relations and to find a way acceptable to both sides that is consistent with the one China principle. He cited a speech by Vice Premier Qian Qichen, made on Sept. 10, 2001, in which Qian said that the PRC was ready to be patient as long as Taiwan did not rush to independence and accepted the one China principle. He also cited a speech of October 29, 2001, in which President Jiang Zemin said that a unified China in the future would have a new title. These statements, the analyst went on, showed that China was ready to be flexible in interpreting one China.

The same analyst said that the December 2001 legislative elections in Taiwan did not fundamentally change PRC-Taiwan relations, but there is no reason to worry. The present pattern will continue for some time. China will continue its effort to solve the Taiwan problem through peaceful reunification on the basis of its "one China, two systems"

formula. But China will be flexible in interpreting those principles. China will also try to resume the SEF-ARATS dialogue "under the right conditions." China, he said, wants to concentrate on its economic modernization and does not want war; therefore, it is emphasizing peaceful reunification. Also there is not much room for Taiwan to become independent, because the overwhelming majority of the international community favors the one China principle. Also the closer economic relations between the two sides of the strait will eventually translate into closer political relations. China was moving toward greater democracy, diversity, and tolerance. The political impact of WTO entry would be as great as Deng's decision on reform and opening. He conceded that his government had done a poor job of reaching out to the people of Taiwan. Most of the young people on Taiwan favor integration with the mainland, because they see good opportunities for pursuing their careers on the mainland.

The analyst concluded by holding out three possible scenarios for cross-strait relations. First, the two sides could come to the negotiating table and begin the long process of reunification. The process could last a long time, but there must be an end in sight. Second, the political stalemate could continue indefinitely which would mean dangers and uncertainties. Third, there will be a conflict.

According to another PRC analyst, the December elections have further complicated the already tense and difficult cross-strait relations. As a result of the elections, the DPP is facing conflicting pressures. On the one hand, the DPP's improved position in the legislature has led the hard liners inside the DPP to believe that there is no need to moderate the party's "independence" platform. In addition, Lee Teng-hui will be an added stumbling block to the DPP moderates who attempt to follow the "middle road." On the other hand, the DPP authorities are facing increasing pressures from the public in general and the business circles in particular to lessen restriction on trade relations with the mainland.

In the face of these conflicting pressures, Chen Shui-bian is likely to harden his policies politically by refusing to accept the one China principle and the 1992 consensus. But he is likely to pay lip service to improving cross-strait relations in order to "mislead public and international opinion."



The mainland policy with regard to cross-strait relations will basically remain the same: peaceful reunification, the one country-two systems formula, and the 8-point proposal by Jiang Zemin. And so long as the DPP refuses to accept the 1992 consensus, the mainland will not deal with the DPP at official levels. If, however, the DPP comes back to the 1992 Consensus, the mainland will immediately deal with it, resume cross-strait dialogue immediately, and be willing to discuss everything with the DPP, including military matters.

Another PRC analyst expressed the view that Taiwan lacks the political will to engage in dialogue. It would be a waste of time to talk just for the sake of talking, exchanging the same old arguments.

Several PRC analysts warned against increased arms sales to Taiwan, which make the Taiwan authorities less willing to negotiate. They expressed particular concern over the proposed sale of submarines.

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

According to one U.S. analyst, the United States has accepted Taiwan as a de facto separate political entity seeking to uphold the principles of democracy and a market economy. The image of Taiwan is good in America, albeit, not of deep concern for most Americans. Nevertheless, policies perceived to be those of abandonment would provoke an instant sharply negative response at many levels. The repeated assertion that any declaration of independence by Taiwan would not be recognized or supported, and that any use of force by China would be regarded with the utmost gravity is likely to remain U.S. policy. Further, the thesis that any resolution must have the support of the Taiwan people is strongly in accord with American principles, and not likely to be altered. Thus, neither a major softening nor a substantial hardening of the present U.S. position on the Taiwan issue appears feasible or desirable at this time.

The analyst also said that the United States cannot avoid involvement in the Taiwan issue given history and the contemporary scene. But its involvement should be such as to encourage by every means possible a peaceful resolution of the dispute, and have the concurrence of other Asia-Pacific nations, as well as, hopefully, both China and Taiwan.

Finally, the U.S. analyst discussed the proposition that economic integration would lead to political integration. He said that this now appeared to be the PRC perception and that this was healthy, if it meant that the PRC would have some degree of patience. But the analyst questioned the validity of the proposition. He did not believe that politics would inevitably follow economics. And he, along with several other U.S. analysts, wondered if there was any willingness in the PRC to think about formulas that set the sovereignty issue aside for the time being so as to allow a reopening of the cross-strait dialogue.

Another U.S. analyst made the point that although China needs to reassess its Taiwan policy, and to reach out to the people of Taiwan, it is doubtful that this will happen this year. The coming year is a political year for the PRC because of the upcoming 16th Party Congress and the impending leadership changes. In such a year, the normally risk-averse Chinese leadership will be even more risk-averse than usual. Thus, the political stalemate is likely to continue.

D. PRC Perceptions of U.S.-China Relations

One influential PRC analyst said that the plane incident last year had threatened to derail U.S.-China relations, but that since the visits of Secretary of State Colin L. Powell to China and the Chinese



Foreign Minister to Washington, things were better. Also the PRC was impressed that President George W. Bush came to the APEC meeting in Shanghai last October, despite the terrorist attacks on the United States, and that Bush said at that time that he considered China not an enemy of the United States, but a friend. Both sides, he went on, have agreed to develop a "constructive and cooperative" relationship which should lead to a new era in U.S.-China relations.

Another PRC analyst summarized the discussion by saying that all the participants shared a "cautious optimism" because the current situation is much better than it was a year ago, even though problems are still there. He said that the most difficult issue in U.S. China relations remains Taiwan, but that if we look at that issue in a broader context, it is possible to be more positive.

Yet another PRC analyst summarized the discussion by saying that U.S.-China relations have improved, especially after September 11, 2001, with the cooperation between the PRC and the U.S. on the war against terrorism. There are, however, still several differences. The Chinese side is concerned about the Taiwan issue, especially U.S. arms sales to Taiwan and the U.S. military relationship with Taiwan. China is also concerned about possible U.S. military actions in the post-Afghanistan anti-terrorist campaign. The U.S. side, he went on, is concerned about the PRC position regarding the U.S. military presence in the Asia-Pacific region, about PRC policies on non-proliferation and missile defense, and about impending Chinese leadership changes. He concluded by saying that with regard to the Taiwan issue, both sides prefer stability.

E. U. S. Perceptions of U.S.-China Relations

Several American analysts also offered cautiously optimistic assessments of U.S.-PRC relations. One said that leaders on both sides have, at least since the 1970s, always recognized the importance and the benefits of good U.S.-China relations and that, without exception, the top leaders have seen some degree of adjustment as in their interests. He predicted that although there will be periodic crises in the relationship, leaders will seek relations that, on balance, are positive.

A second American analyst said that there is both a floor and a ceiling to U.S.-China relations and that, after Sept. 11, there exists an opportunity for an improvement in those relations, but that it is unlikely a fundamental change will take place. He said that the two countries should have a broad agenda befitting two great powers.

A third American analyst said that, after Sept. 11, the United States has been preoccupied with failed states, not rising states, and that the "China threat" school in the United States would lose out to the "real threat" school. He said also that the United States and China are potential partners in the anti-terrorism campaign, and that intelligence sharing is already outstanding. He, too, hopes that President Bush, in his forthcoming visit to China, will pursue a broader strategic dialogue.

