

**NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY**

**VISIT TO TAIPEI AND BEIJING**

**APRIL 4-10, 2004**

**SUMMARY REPORT**

The National Committee on American Foreign Policy (NCAFP) sent a small working group to Taipei, Beijing, Tokyo and Honolulu April 4-15, 2004. NCAFP President George D. Schwab led the group, which included: Ambassador Winston Lord, Professor Robert Scalapino, I. Peter Wolff of Time Warner, Allen Song of the Smith Richardson Foundation and Professor Donald S. Zagoria. In Taipei, Richard Vuylsteke, President of the American Chamber of Commerce in Taiwan, was part of the group. In Beijing, Chris Murck, Former President of the American Chamber of Commerce in Beijing, was part of the group.

In Taipei, the group met with government and opposition leaders, including several upcoming leaders of the ruling Democratic Progressive Party (DPP) and rising stars in the Kuomintang (KMT) opposition. The Foreign Ministry hosted the group on Taiwan.

In Beijing, the group met with high-ranking government and party leaders. The Taiwan Affairs Office of the State Council hosted the group in China.

In Tokyo, the NCAFP team co-hosted a conference on Northeast Asian security issues with the Japan Institute of International Affairs, led by Yukio Satoh, former Japanese Ambassador to the United Nations. American and Japanese officials attended the conference, along with a number of Japan's leading academic security specialists.

In Honolulu, the group met for two hours with Admiral Thomas B. Fargo, Commander, U.S. Pacific Command, who expressed a strong interest in the team's findings in Taipei and Beijing, Major General Karl W. Eikenberry, Lieutenant General H.C. Stackpole, a retired Marine Corps General who now serves as President of the Asia-Pacific Center for Security Studies, and Ralph A. Cossa, president of the Pacific Forum/CSIS.

Prior to the trip, high-ranking officials in the State Department and the National Security Council (NSC) had briefed the NCAFP group in Washington, DC.

This report will concentrate on the visit to Taipei and Beijing. It will present the NCAFP assessment of the current state of U.S.-China-Taiwan relations, an issue that the NCAFP has been following for the past eight years in Track II conferences, bilateral meetings and visits to China and Taiwan approximately every nine months.

## **THE SETTING**

The reelection of Taiwan's independence-minded President Chen Shui-bian on March 20, 2004, will pose serious challenges for U.S. foreign policy.

Four factors are combining to raise the risks of a military confrontation between China and Taiwan that — if it occurs — will almost certainly involve the United States. These factors are: a sovereignty issue that neither side is prepared to put aside; a collision between rising Taiwanese and Chinese nationalism; a deep mutual mistrust; and a growing Chinese military power focused on Taiwan.

The sovereignty issue is the most intractable. While China continues to insist that there is only one China and that Taiwan is part of China, Taiwan's President Chen and his Democratic Progressive Party (DPP) insist that Taiwan is already an independent sovereign state and, in his second term from 2004 to 2008, Chen is determined to revise Taiwan's Constitution in a way

that will consolidate the island's independent status. The revision of Taiwan's Constitution will certainly raise alarm bells in Beijing.

The growing collision between Taiwanese and Chinese nationalism, a second factor in the potent mix, was apparent in the recent election. President Chen's independence-minded DPP put the pro-reunification Kuomintang (KMT) and its People First Party (PFP) allies on the defensive and successfully painted the KMT-PFP opposition as "too soft" on China. As a result, during the election, the KMT was forced to soft-pedal its own "one China" position and the leader of the "localist" faction of the KMT went so far as to say that he did not rule out independence as a future option — a marked departure from past KMT policy, which held out the hope for reunification after a lengthy, gradual process of economic, cultural and political interaction with the mainland.

The mutual mistrust of the two sides is another important factor. China knows that President Chen and his DPP have long advocated independence for Taiwan, and Beijing does not attach much credibility to any of the gestures that Chen has made towards China during the past four years. President Chen, for his part, believes that the People's Republic of China (PRC) is trying to isolate Taiwan and has no intention of accommodating its legitimate interests.

The final factor in the mix is China's growing military power focused on Taiwan. The PRC is increasingly determined to develop an amphibious capability that would give it the ability to invade Taiwan in a blitzkrieg attack that would cripple the island before the United States is able to respond, as it is obligated to do under the Taiwan Relations Act (TRA).

A military confrontation between China and Taiwan into which the U.S. would be drawn is possible, but not inevitable. Several factors offer some hope for cautious optimism. First, President Chen, who is a shrewd politician, is capable of pragmatic adjustment. He may be constrained from moving too boldly towards Taiwan independence by the United States, by China, by the Taiwan business community, which has more than \$100 billion of investment on the mainland, and by the Taiwan public, 80% of which favors the status quo in order to avoid a war with China. Second, China, for its part, although now showing few signs of flexibility towards Taiwan, is led by fourth-generation leaders, who are more pragmatic and less ideological than their predecessors, and who understand that a military clash with Taiwan would have very high domestic and international costs. Third, social and cultural interaction between the sides is growing and may have a leavening impact on attitudes on both sides of the strait.

Such cautious optimism would be strengthened if the United States were to take a more proactive position towards both sides. Washington needs to emphasize, as President Bush did on December 9, 2003, that there should be no unilateral change in the status quo, to encourage both sides to show greater flexibility and to urge both to resume the official dialogue that was broken off in 1998. The United States should also make a determined effort to help shape the process of revising Taiwan's Constitution so as to narrow that process to reform of Taiwan's domestic political institutions and to keep it from impinging on the sovereignty issue. This means there should be no change in Articles 1-6 of the Constitution. Finally, the United States should make it clear to President Chen that he will soon have to make a fundamental decision on his relations with the United States. Does he want to revive the good working relationship that he had with the United States in the first two years of his presidential term? Or does he want to risk alienating the friendliest U.S. administration that Taiwan has had in several decades? The United States would

have a better chance of getting this choice through to Taiwan if it stopped mixing its messages to the island. This would require the executive branch to coordinate more effectively with Congressional leaders on the importance of sending to Taiwan a single message — one that emphasizes that the United States is prepared to support Taiwan against any use of force by the mainland but that it expects Taiwan to refrain from rash actions that are inconsistent with U.S. national interests.

Vis-à-vis China, the United States should urge Beijing — despite its suspicions — to respond moderately to President Chen's inaugural address on May 20; to be more flexible on conditions for restarting the official dialog; to find a way to give Taiwan greater international space, e.g. by accepting Taiwan as an observer in the World Health Organization (WHO); and, most important, to pursue negotiations on the “three links” that would permit direct air and sea transportation between Taiwan and the mainland. Both sides seem to be willing to finesse their basic principles in an effort to start up the “three links.” If a technical dialog on these transportation issues could be started, it might be possible to expand the agenda of these talks to more political issues.

## TAIWAN

### *A KMT Official*

We were disappointed by the election. The election was unfair to us and to the people. We now have two lawsuits underway — one to nullify the winner and the other to nullify the entire election. We don't know the truth about the shooting incident. The people need the truth. The government should establish a Warren-type commission to investigate and issue a report, but it is delaying. The DPP media hyped the shooting incident and portrayed it as a plot by Lien Chan and James Soong, supported by the Communist mainland, to assassinate the president. President Chen was quiet for 9 1/2 hours after the shooting. We tried to call him, but he declined to accept the call. In those hours, public opinion changed. We led by 10% on the eve of the shooting. So, there was very serious manipulation of the election. As a result, Taiwan society is now polarized. Many think Chen Shui-bian stole political power and that it was not a legitimate election.

How will all this affect cross-strait relations? If social instability continues, the legitimacy of the government will be in doubt and Chen will not be capable of leading the country.

Two days ago, Chen had an interview with *The Washington Post* in which he said he had a new mandate as a result of the election and was determined to adopt a hard line towards China and to have an independent sovereign state. The presidential office claimed Chen was misquoted, but *The Washington Post* said there was no mistake. The KMT position is that we must maintain the status quo, not establish an independent Taiwan. For Chen and the DPP, the so-called status quo is an independent Taiwan.

Questioned as to whether the KMT would treat the new government as legitimate, this KMT official said his party would respect the legal process. Questioned about the prospects for KMT-DPP cooperation vis-à-vis China, he said the two parties have different positions regarding China. The KMT supports the establishment of the “three links,” but Chen is ambiguous on them. On the Constitution, the KMT supports amending it “piece by piece” and gradually. But Chen has a timetable. He wants a new Constitution in 2006 and to implement it in 2008.

Moreover, Chen wants an entirely new Constitution. He wants a new country and a new Constitution. If this is his position, it will be difficult for the KMT to collaborate with him.

Then, asked as to whether this party official thought the KMT could stop Chen from passing a new Constitution, he said that Chen would not follow the constitutional process by going through the Legislative Yuan but would introduce a plebiscite to establish a republic of Taiwan. The head of the Constitutional Drafting Committee appointed by Chen is a former law professor of the president's, and he is on record as favoring Taiwan independence.

Will the KMT move closer to independence in order to accommodate growing Taiwanese nationalism? This official acknowledged that there is a growing sense of Taiwanese identity, but he said this does not mean growing support for Taiwan independence.

He said that Chen wants to paint the KMT as red. He equates the 1992 Consensus with the one China two systems policy, which is so unpopular in Taiwan. We didn't want to fight on this ground, the official said; so, we emphasized economic issues in the campaign.

Questioned as to China's responsibility for hardening the Taiwanese attitude on independence, this KMT official said China's policies on missiles, WHO, SARS and Hong Kong all helped the ruling DPP.

We asked him if he thought China could or would modify its one country two systems policy, which is known to be unacceptable in Taiwan, He said that the one country two systems policy is unacceptable in Taiwan because it denies the very existence of the Republic of China. But he said he thinks there is some flexibility in China on the sovereignty issue, as evidenced by the PRC's willingness to handle the issue of the "three links" while shelving the sovereignty issue. If the KMT had been elected, we would have pursued this, he maintained. But Chen will not be able to do it because his fundamental attitude to China prevents it.

### ***A High Government Official***

A high government official on Taiwan hosted a luncheon, which included several other high-ranking officials. The host asserted that the present Constitution is obsolete and reform will take place between 2006 and 2008. But, he said, there would be no change in the status quo, just internal political reform.

One of his colleagues stressed the Peace and Stability Framework put forward by the Mainland Affairs Commission and the president earlier this year. He said his hope was that China would eventually accept it.

Another official said, regarding cross-strait relations, that Taiwan is getting ready to implement the three links, that the law on the three links was revised last October, and that there is now a window of opportunity to negotiate with the mainland. With regard to constitutional reform, he said that Taiwan would not change the name of the country, the flag or the definition of the national territory.

Still another, who is a senior adviser to the NSC, said that Taiwan cherishes the Track II process with the NCAFP and it would like to see the process resume in New York City to discuss the three links, military CBMS and the political status of Taiwan and the PRC.

A Foreign Ministry official said he was concerned about the lack of consensus among the major parties and the adverse effect that this would have on conducting an effective foreign policy.

Warned about “surprising” the United States with some of its actions and statements, one official responded that Taiwan needs a new mechanism for better communication with the United States.

The Foreign Ministry representative closed the meeting by saying that he hoped the NCAFP would send a clear message to China that President Chen is willing to have a dialog with China and that he hopes for better relations in 2004.

### ***A Top Government Official***

This official began by extending a warm welcome to the NCAFP group. On the question of prospects for cross-strait relations, he stated that, as a result of the election, Chen Shui-bian now has a mandate. He said also that the growing sense of Taiwanese identity is clear and Taiwan needs to strengthen its self-defense against the PRC, even though the opposition forces on Taiwan and “some in the U.S.” do not recognize this need.

On the matter of the president’s priorities for his second term, he said the priorities are to unify Taiwan, to reinvigorate the economy and to stabilize cross-strait relations. To do the latter, it is necessary to talk with the mainland. He said that Taiwan and the PRC need a framework of peace, and the president has appointed Lee Yuan Tzeh to head a task force that will be charged with developing such a framework. The United States should facilitate a dialog between Taiwan and the PRC.

Questioned about Chen Shui-bian’s upcoming inaugural speech on May 20, this official said the president would offer “new initiatives.” With regard to the concern about the new Constitution, there would not be a timetable for Taiwan independence, and the process of constitutional revision would be open and transparent, not just the property of one party.

About the potential for taking some small steps towards improving relations with the PRC, he explained why the one China principle is totally unacceptable, and he complained that the PRC showed no flexibility four years ago when the president said he was prepared to discuss one China as an issue for the future. The official said that if the PRC had shown some flexibility four years ago, there would not have been such an upsurge of Taiwanese feeling in the recent elections. China, he went on, suppresses Taiwan in military, economic and diplomatic matters, and this just drives the people in Taiwan further away. The proportion of people in Taiwan who now think they are Taiwanese has increased to more than 50%. This increased sense of Taiwanese identity is the essence of what is needed to guard Taiwan against China. China needs to adjust its policy or the situation will become even more disadvantageous for the Chinese authorities. This is why, he continued, Chen Shui-bian had proposed a stability framework. It was necessary to put aside the one China principle in favor of the peace principle and then to take some gradual steps towards normalization.

The government official continued by saying that many in Taiwan want a permanent separation from China and, for them, the idea of single China or a normalization of cross-strait relations is unpleasant. But the official maintained that Taiwan would stick with its current policy.

A group member asked about the meaning of China's statement during the demonstrations in Taiwan after the election that Beijing would not "stand idly by." The official said this statement indicates that China sees the Taiwan election as a local Chinese election. He maintained this would increase the fear of China on Taiwan.

What is the potential for cooperation with the opposition parties on constitutional reform? He said constitutional reform would be done in an open, candid and transparent manner and that it needed the cooperation of the opposition parties. But if the opposition boycotts the constitutional reform process, it will be difficult. Also, if the opposition insists on using the existing constitutional procedures, it will be difficult. It is necessary, he said, to have a referendum that will enable the people to decide the issue directly. The final constitution should be put to the 23 million people of Taiwan by referendum.

As to U.S.-Taiwan relations, this official said the president would do his utmost to bridge the misunderstandings between the two sides. He hoped that the continuing deepening of democracy in Taiwan would become an asset to the United States and the cornerstone of peace in the western Pacific. Taiwan, he contended, is a success story and will not be a troublemaker.

He also called for the United States to get more involved in cross-strait relations. Only the United States, he said, can win trust from the two sides. The leaders of Taiwan and the PRC need to sit down and talk. He hopes the United States can play a role in bringing this about. He concluded by saying that the president could commission private individuals for negotiations with the PRC.

### ***Several Prominent KMT Leaders***

Asked when the KMT might concede the election, one of the KMT leaders said that it might be possible before the May 20 inauguration if three things come out well — the recount, the establishment of a commission to investigate the shooting incident and some agreement on the military vote that was muddied by the shooting incident.

Asked about the possibility of cooperation between the KMT and the DPP on constitutional reform, another leader said that President Chen wants a new Constitution for Taiwan and the KMT is diametrically opposed to this. Therefore, it is not possible to cooperate.

When one American observed that Chen has said that the KMT would be included in the process of revising the Constitution, a KMT leader responded that no one in his party trusts the other side; we trust only Americans.

Asked about the legacy the KMT thought President Chen intended to leave after his second term, the same party leader said that the president thought he now had a mandate, he was extremely confident and he expected the KMT to be in disarray. Therefore, he would try to carry out a revision of the Constitution.

He said there are now three lines in the KMT: a knee-jerk opposition to the DPP; nativist or localist southerners who want to outflank the DPP by moving closer towards the independence line; and those who are prepared to simply abstain and let President Chen confront both China and the United States.

On the Constitution, he observed, the key issue is Articles I to VI. Articles VII on can be changed, but the first six articles must remain intact.

### ***Dinner with Some Taiwan Scholars and a MAC Official***

The MAC official said that Taiwan needs to move on the three links before the constitutional referendum and the National People's Congress in China. Asked about the Chinese military buildup and the so-called blitzkrieg strategy that China was supposedly developing, he said that the PLA would not be able to deliver a plausible blitzkrieg strategy for the next three to five years. But he also thought that people on Taiwan are not very worried about the Chinese military; he finds this worrisome and dangerous.

As to the three links, a Taiwan scholar said he was not sure President Chen wanted to pursue these ties, and his allies in the Taiwan Solidarity Union oppose them. He is also worried about the possibility of Taiwan's becoming too dependent on the Chinese market,

In a discussion about the chances for a referendum on constitutional revision, several of the Taiwan scholars said it would be a tough sell. The MAC official said that a poll in January showed 80% of the public supports the status quo.

An American remarked that the status quo carries two different meanings in Taiwan — one that Taiwan is already independent and another that the problem has not yet been resolved. Which did the MAC official have in mind? The official responded that for a lot of people in Taiwan, the status quo means de facto independence and the need to be recognized as an equal by China.

A Taiwan scholar then said he had heard that some Chinese think tanks are speculating about the possibility of China's recognizing two Chinas, the Republic of China and the PRC, under the one China principle.

### ***A Representative of the Business Community***

This prominent Taiwan business leader told the group that democratization had gone too fast in Taiwan and that "Asians," who have an authoritarian tradition, cannot handle rapid democratization. Taiwan, he said, is not a true democracy. Politicians buy the votes and engage in mudslinging. There also can be no stable coexistence with the PRC unless there is a dialog.

On the economic front, he noted that capital has already flown to China. Taiwan has to state clearly whether it supports one China or independence. Asked whether he is concerned about Taiwan's economic dependence on China, he said that obviously Taiwan would be coopted in this area by China. China is attractive, and we have a common language, a common culture. Why does Taiwan limit investment in China? Establishment of the three links would provide a lot of benefit for Taiwan. There are too many restrictions.

### ***A KMT Official***

Asked whether the KMT would soon recognize the DPP government as legitimate, this KMT official said that, according to polls, the people do not favor continued struggle between the parties.

On constitutional revision, he said that only the Legislative Yuan could amend the Constitution. It must do so with a two-thirds vote. Then, the measure must pass the National Assembly by a three-quarters vote. If Chen wants independence, he said, the president could redefine the territory. The KMT could then ask the Constitutional Court to say whether this redefinition is or is not constitutional. Asked whether he thought Chen would actually try to do this, he said he did not know because the president is so unpredictable.

He also complained that Taiwan is becoming economically marginalized. The only free trade agreement it has is with Panama. Singapore has told him that because Taiwan puts too much emphasis on politics, Singapore cannot sign a free trade agreement with the island. The speaker went on to note that ASEAN plus three includes China and is on target to produce a free trade agreement by 2010 and that Taiwan has been left out. So, he continued, in 10 years Taiwan will be even more marginalized economically. As to the potential for the three links, he said that nothing significant is happening. He thinks also that Taiwan puts too many restrictions on Chinese tourists. All this is tied to the politics of cross-strait relations. In the Asia-Pacific region generally, this Taipei notable said, all the talk is about regional economic integration. In Taiwan, all the talk is about politics.

Commenting on U.S.-Taiwan relations, this same individual stated that the U.S. Department of State does not know what President Chen has in mind. President Chen says there will be no change of the status quo. Why then is the new Constitution not going through the normal process?

Asked about his prognosis for cross-strait relations, the KMT official said that he doubted China would cooperate with Chen. China thinks time is on its side. It does not need to be move quickly on the three links. It is already attracting Taiwanese capital.

He concluded by expressing some bitterness at the DPP's effort to portray KMT officials during the election campaign as pawns of China and betrayers of Taiwan's interests.

### ***A Taiwanese Official***

This official said the NCAFP should try to convince China to be more flexible on admitting Taiwan as an observer to the WHO. He said, too, that in December he was told in Washington that Taiwan had to keep in mind U.S. security interests. Asked about President Chen's tendency to surprise the U.S., he said that the president enjoys a sense of surprise.

### ***A Key Opposition Leader***

This opposition leader was particularly harsh about the election. He said Taiwan is now facing a crisis of trust. It is deeply divided. If it does not handle the post-election controversy well, it will harm U.S. interests in this part of the world. It was a "weird election" this person said, referring several times to the "so-called" president. With regard to the prospects for constitutional change, he said his party would not cooperate with the DPP on this issue. He claimed that sticking with the Republic of China is a good insurance policy.

### *A Taiwan Official*

We asked this official about China's options now that President Chen has been reelected. He said that the mainland is unlikely to use the military option and that continued isolation of Taiwan runs the risk of pushing Taiwan further away. Therefore, it is in China's interests to talk. China needs a face-saving way to deal with Taiwan.

Regarding the president's May 20 inaugural speech, the official said Taiwan needs a "sensible" May 20 speech and it must hope that China will respond sensibly. Thinking in Taiwan about cross-strait relations has become clear. We are already sovereign; all options are open for future relations with China; people are not interested in going to extremes.

This official went on to say that Taiwan understands that China cannot forget about the one China principle. But it should respect Taiwan's sovereignty and treat the people on Taiwan as equals. "We don't ask for formal recognition, only that they deal with the government here."

Asked whether President Chen could be more explicit on not altering the status quo in his constitutional revision, the official said that China could not get this concession for free. There is no intention to touch articles I through VI of the Constitution. Rather, Taiwan needs a carefully controlled process of revising the constitution. In the course of this process, it should consult with the United States, with the opposition and with China. It should stabilize the domestic situation and improve relations with the United States. And if China wants to consult with Taiwan on constitutional reform, Taiwan will be happy to do that. It will be a complex and lengthy process, and "we will be happy if China joins the process." Also, the government needs to gain opposition support for constitutional reform. The government's priority is to stabilize cross-strait relations and improve relations with the United States. Both of these need to be done before it reforms the Constitution.

### *A KMT Legislator*

We asked this Legislative Yuan member whether it is true that during the campaign he claimed that independence is an option for Taiwan. He said it is true and that the KMT leaders did not oppose his statement. But, he said, Taiwan needs to put aside the sovereignty issue in order to make progress with the mainland.

Does he think that a new Constitution in two to four years is realistic? He responded that the problem lies not in the timeline but in the content. President Chen wants a new Constitution, and this could mean a new country. This worries many, including the United States.

### *Meeting with American Business Leaders in Taipei*

At his meeting, one American businessman said that Taiwan would lose its competitive advantage with the mainland in three to five years unless there is a free flow of people, technology and investment between Taiwan and the mainland. Another observed that the intensity of the election has given many American businessmen pause; they worry about the effect of political polarization. Another said that even if the KMT were to win the presidential election in 2008, it would be a localized KMT. Yet another businessman said that the DPP did not know how to run a government and the KMT did not know how to run an opposition. Maybe the DPP would learn.

There was much talk about the intensity of the Taiwan identity phenomenon. One businessman said that China spent four years thinking Chen was an aberration, but the reality is that the new generation in both the DPP and the opposition will be more like Chen.

### ***A Prominent DPP Official***

The NCAFP group wanted to know what the DPP's priorities are for the next four years. He responded that they are to: (1) resolve Taiwan's domestic problems, promote reforms and unify the island, (2) strengthen relations with the United States, and (3) improve relations with China.

With regard to plans for constitutional revision, he said that the president would try to manage the conflict with China in order to promote reform on Taiwan. Taiwan wants stability during the next four years.

Asked specifically about whether Chen intends to change articles I to VI in the Constitution, this official was ambiguous. He said that Chen has stated on numerous occasions that there would be no change in the status quo. But, he said, we will uphold the principle of Taiwan as a sovereign country. Pressed as to how they would accomplish this, he referred to the DPP 1999 Resolution, which says that Taiwan is an independent country and its name is the Republic of China. Pressed further as to whether this means that the DPP intends to add this language to the new Constitution, he said we are not sure how we will do this. But we do not want to create conflict. (A DPP legislator who was present during this interview said in an aside that what the official meant was that they did not have to add new language to the Constitution on this point. Just by having a new Constitution would be sufficient to prove that Taiwan is sovereign and independent. Another American in the room who understands Chinese countered, also in an aside, that this exchange demonstrates that the DPP continues to be ambiguous about Articles I-VI of the Constitution. The party will not definitely rule out the possibility of changing those six articles.)

## **BEIJING**

### ***A Chinese Official Involved in Taiwan Affairs***

After the NCAFP group gave its impressions of the election on Taiwan and the direction in which Taiwan is going, we asked this official what the basic strategic response of China to a second term for President Chen Shui-bian would be.

He said that China did not want a conflict and would be flexible but principled. China hopes to resolve the dispute through dialog, but it cannot accept the one country on each side formula. At the same time, China does not want to isolate anyone and will keep the 23 million Taiwanese in mind. Of course, this leader said, we will pay attention to the May 20 inaugural speech, but we have a big question mark about the "5 no's" and will pay attention to Chen Shui-bian's actions.

In response to a question as to whether the two sides have a common interest in maintaining the status quo, the official said that both China and the United States have a clear understanding of the status quo but Chen Shui-bian's intentions are not clear. He does not appear to be satisfied with the Republic of China; he claims that Taiwan is already a sovereign independent country. We cannot agree to such a status quo, the official asserted.

He went on to say that there are two important landmarks in the future. First, there is the May 20 inaugural speech. Second, there is the issue of constitutional change in 2006. With regard to the former, he hoped that Taiwan is ready to agree on the three links and on dialog. He hoped that Chen Shui-bian would give a sincere speech.

With regard to the 2005-06 period, when Chen Shui-bian plans to change the Constitution, he said China has no idea of what will be in the new Constitution and it has to be vigilant. Chen Shui-bian's aim seems to be to make Taiwan into a great nation. And if he changes the definition of Taiwan's territory, this will constitute a red line that China will not tolerate.

But, he concluded, exchanges between people across the strait should continue.

In response to a question about the possibility for putting aside the one country two systems formula, which was clearly unacceptable in Taiwan, and substituting a phased approach in which confederation would be the first stage, this Beijing official, interestingly, did not dismiss the idea. He said the phased approach was what China had in mind in 1991-92, and he seemed to suggest that China is still open to such an approach. He said that confederation as a first stage is a subject requiring longer discussion. As long as the one China principle is upheld, China could accept any formula.

This official also maintained that the stability of cross-strait relations is good for both China and Taiwan, and that instability is bad for the entire region, as well as for the United States. He hopes that Chen Shui-bian's Peace and Stability framework is sincere. He said that he appreciated President Bush's remarks on December 9; this was a clear signal that Taiwan should not seek independence through a referendum. But President Chen had not paid enough attention. He hoped that the United States could make its position clear before 2006. If it does, the next 10 years will be OK. He concluded by advising us to tell President Chen not to burn his bridges with Beijing.

### ***Another Official Concerned with Taiwan Relations***

After asking us our impressions of the situation on Taiwan and our response, this official said that he hoped that Chen could deliver a good speech on May 20; if he does, it would be significant. He said he hoped that Taiwan's president would not challenge the one China principle, and any reference to one country each side or to a constitutional referendum would cast doubt on his intentions. He was not optimistic, however, because in his *Washington Post*, BBC and other interviews, Chen had stuck to his separatist position.

One American commented that President Chen might want to pursue independence, but that he is a pragmatic politician who knows that the United States, China and international community all oppose such a course of action and this will constrain him. The official responded that we do have common ground in assessing Chen Shui-bian. He went on to say that, for its part, China wants to relax tension with Taiwan because it needs a stable environment over the next 15-20 years to pursue its domestic policies. But Chen continues to push incrementally for independence, and if he pursues the writing of a new Constitution and holding of a referendum by 2006, it will be difficult for China to enter into a dialog with Taiwan.

### ***Discussion with a Beijing Group Involved in Taiwan Affairs***

A Chinese naval officer asked the National Committee group if the U.S. could prevent Chen Shui-bian from moving further towards independence. We gave a variety of answers. One of the Chinese said there is room for China and the United States to work together on the Taiwan issue. During the past three years, both countries have done a good job of restraining Taiwan. He urged the United States to refrain from sending mixed signals to Taiwan. He said also that China needed to review its own policies towards Taiwan and to think more of a “hearts and minds” strategy to woo Taiwan.

Another Chinese responded to this by saying that this was the view from Shanghai but that more and more people at the middle level are losing patience, and the hard-liner view in China is growing.

Asked what China’s bottom line is, one of the Chinese said that de jure independence is the bottom line and this means Articles 1-6 in the Constitution

### ***A Top Chinese Military Official***

After a long discussion about American-Chinese military-to-military relations, this military man turned to Taiwan. He gave the standard Chinese disapproval of Chen’s one country on each side idea and then said that China appreciates the adherence of the United States to its one China policy. One China, he observed, is a major aspect of the status quo; it must be maintained. He insisted that, like Lee Teng-hui, President Chen is a troublemaker.

Asked about Taiwan’s new Peace and Stability framework, he said (as did other Chinese officials) that this framework avoids the one China principle and substitutes the peace principle. This is not acceptable.

He went on to say there is only one China in the world. Both Taiwan and the mainland belong to it, and China’s sovereignty and territorial integrity brook no division — the standard PRC position, which he characterized as the three most important sentences.

This official also repeated what other Chinese had said, that China will pay any price to maintain the unity of China.

### ***A Foreign Ministry Official***

Much of our discussion with this official focused on North Korea because he had just returned from a visit to Pyongyang. When it came to Taiwan, he said that China highly appreciated President Bush’s December 9 statement about avoiding unilateral change in the status quo and the U.S. reaffirmation of its one China principle. He hoped the U.S. would not send the wrong signals to Taiwan.

### ***A Think-Tank Leader***

This party person took an unusually moderate approach towards Taiwan on the issue of constitutional change and on the election. He said that one has to distinguish between separation from the mainland and “more democracy.” It is important, he contends, not to lose sight of the

Taiwan people. Chen won the election because he played on the KMT's authoritarian style. So a vote for Chen Shui-bian was a vote for democracy, not a vote for independence.

We said his distinction between separation and more democracy is very important, and we hope that other party leaders understand this. We told him that we had made it clear in Taiwan that we are against any change in Articles I-VI of the Constitution, as opposed to Articles VII on. He then asked us if Chen would change the name of the country or the definition of the territory. If he does, what would the United States do? We said that the United States would work hard to prevent President Chen from changing the name of the ROC or the definition of its territory. The party representative observed that there is not much time left to prevent it.

One of our group members then said that the United States would do its job of trying to restrain Chen, but China needs to do its job of showing more flexibility by putting aside preconditions for dialog such as the one China principle. The interviewee said that he had many contacts with Taiwan politicians, including those in the DPP, and that they are very flexible when they come to the mainland but they lose their flexibility when they return to Taiwan.

We urged him to pursue the three links, inasmuch as the two sides might be able to finesse the one China issue in that framework and then use the dialogue on the three links to pursue other issues. He said he "totally agreed" with us. He said that achieving the three links would improve political trust on both sides.

### *A Leading Official*

On U.S.-China relations, this Beijing official gave us the standard formula — what joins us far exceeds what divides us. We have some major differences, such as Taiwan, he said, but we have many and big common interests. He went on to spell out our common interests.

On the Taiwan issue, he picked up a paper that had been provided to him — obviously a position paper that had just been written. It was a rather hardline statement.

The consequence of Chen Shui-bian's four years of rule on Taiwan, this official said, was an aggravation of social contradictions and destabilization. Chen pursues an intransigent policy of independence and is creating a confrontation between different groups on Taiwan that could trigger social chaos. The election showed that Chen is a politician who cares only about power, not the public welfare. He wages a deceptive campaign to promote Taiwan independence. His policies threaten to disrupt cross-strait relations and peace and stability in the Asia-Pacific region. The failure of the referendum shows that the majorities of the people on Taiwan want stability and do not support the policies of the "Taiwan authorities." Chen depicted the mainland as an enemy in order to mislead the people. Despite this continuous provocation, China has full confidence in eventual reunification, because relations between the two sides continue to develop; there was a gradual expansion of exchanges and a deepening of economic integration. China's policy on reunification is clear and consistent and China will never allow anyone to separate Taiwan from the mainland. It cannot accept Chen's "absurd principle" of replacing one China with one peace.

The leader went on to say that the majority of the countries of the world, including the United States, adhere to a one China policy. This is an "insurmountable barrier" to the pro-independence forces on Taiwan. To change this position would trigger a crisis and be harmful to U.S. interests.

But, he said, China will be “patient about reunification.” He said China appreciated President Bush’s December 9 statement and hopes the United States can match its actions with words. Regretfully, he noted, Washington sells arms to Taiwan, and the pro-independence forces in Taiwan see this as a signal of blank check. Frankly, he said, without the support of the United States, Taiwan cannot succeed in gaining independence. The United States should restrain Taiwan’s provocations.

### SUMMARY

The NCAFP team embarked on its April 2004 trip to Taiwan and China with a deep sense of concern over the trends in cross-strait relations that some have described as a gathering “perfect storm,” an impending collision between Chinese and Taiwanese nationalism. We came back even more concerned. As President Bush and Singapore Prime Minister Goh Chok Tong said after their meeting at the White House in early May, there could be “grave consequences” for both regional and international security if cross-strait relations are not well managed.

The sovereignty issue remains intractable. While China continues to insist that there is only one China and that Taiwan is part of China, Taiwan’s newly reelected President Chen Shui-bian and his Democratic Progressive Party (DPP) insist that Taiwan is already an independent sovereign state. In his second term beginning in May 2004, President Chen seems determined to revise Taiwan’s Constitution in a way that will uphold the principle of Taiwan as a sovereign state. It is not yet clear how he intends to do that. But his announced intention to produce a new Constitution by 2006 and to submit it to a referendum in 2008 have already raised alarm bells in Beijing, the Taiwan opposition, and Washington.

An important question over the next several years is what President Chen sees as the legacy he intends to leave at the end of his second presidential term in 2008. Does he intend to push as far as he can towards independence — or will he seek a more modest objective while seeking to stabilize relations with China and improving strained relations with the United States? The answer is not yet clear.

The highly polarized domestic political situation in Taiwan is another source of concern. President Chen won the presidential election by a razor-thin majority, and the opposition Pan Blue coalition has demanded a recount and an investigation by an independent commission of the shooting incident on the eve of the election. As long as this domestic political polarization continues, Beijing will be tempted to play “united front” politics, i.e., to court the opposition while trying to isolate President Chen and his ruling party.

There is also much uncertainty about how China will respond to President Chen’s plans to revise the Taiwan Constitution. In Beijing there seems to be some debate about how to respond to President Chen’s reelection and the prospect of dealing with him for the next four years. Generally, in Beijing, officials distrust Chen and his independence-minded DPP. But some seem to believe that China, the Taiwan opposition and the United States can constrain Chen. Others seem to believe that China will eventually have to use military force or intimidation to prevent Taiwan from moving towards independence. At the moment, China seems to be engaging in a holding operation while awaiting President Chen’s inaugural speech on May 20 and details about his plans to revise the Constitution.

In this situation, the NCAFP believes that the United States needs to take a more pro-active position vis-à-vis both Taipei and Beijing in the coming years if it wishes to avoid a new crisis. The United States should emphatically state that there should be no unilateral change in the status quo by either side, encourage both sides to show greater flexibility and urge both to resume the official dialogue that was broken off in 1998. The United States should also make a determined effort to help shape the process of revising Taiwan's Constitution so as to narrow that process to reform of Taiwan's domestic political institutions and away from the sovereignty issue. This means that Taiwan should not change Articles I-VI of the Constitution. Finally, the United States should make it clear to President Chen that he will soon have to make a fundamental decision on his relations with the United States. Does he want to revive the good working relationship that he had with the United States in the first two years of his presidential term? Or, is he ready to risk alienating the friendliest U.S. administration that Taiwan has had in several decades?

Vis-à-vis China, the United States should urge Beijing—despite its suspicions—to respond moderately to President Chen's inaugural address on May 20; to be more flexible on conditions for restarting the official dialog; to find a way to allow Taiwan greater international space, e.g., by welcoming Taiwan as an observer into the World Health Organization (WHO); and, most important, to pursue negotiations on the “three links” that would permit direct air and sea transportation between Taiwan and the Mainland. Both sides seem to be willing to finesse their basic principles in an effort to start up the “three links” and if a technical dialog on these transportation issues could be started, it might be possible to expand the agenda of these talks to more political issues.