

U.S.-CHINA RELATIONS AND THE TAIWAN ISSUE



A ROUNDTABLE CO-SPONSORED BY THE ASIA SOCIETY AND THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY

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The National Committee on American Foreign Policy (NCAFP) and the Asia Society co-sponsored a one-and-a-half day closed-door meeting on U.S.-China Relations and the Taiwan issue on November 29-30, 2005 in New York. Officials from both Beijing and Washington attended parts of the conference. This confidential summary is being sent to the participants and to a few selected individuals. The NCAFP wishes to express its appreciation to the Luce and Ford Foundations for their continuing support of our project on U.S.-China-Taiwan relations.

The summary will be divided into two sections. Part I will summarize the very rich presentations on cross-Strait relations. Part II is a summary of the equally thoughtful presentations on U.S.-China relations.

EXECUTIVE SUMMARY

Both Washington and Beijing believe that their relationship is now quite stable because they share a number of common interests and have learned to manage their differences, including those over Taiwan. But there is no complacency; each side recognizes that there will be continuing problems and challenges on a number of fronts.

The cross-Strait relationship between China and Taiwan is also relatively stable in the near future because all three sides – Washington, Beijing and Taipei – have learned not to violate the red-lines of the other two. In addition, China is displaying greater patience and confidence on the cross-Strait issue because it has shifted from a strategy of threat and intimidation to one of winning the “hearts and minds” of the Taiwan people, i.e. seeking contact with, and influencing people in, Taiwan on many fronts. Furthermore, those in the People’s Republic of China (PRC) believe that this strategy is working. (Our meeting took place a few days before the recent local elections in Taiwan which witnessed a big victory for the Kuomintang (KMT) and a serious setback for the ruling party. These election results will almost certainly confirm the belief in Beijing that their “hearts and minds” strategy is succeeding.) There is still no trust between the Chen Shui-bian government in Taipei and Beijing but there is now growing dialogue between the PRC

and the opposition parties in Taiwan, as well as rapidly increasing levels of economic and cultural interaction that go beyond earlier expectations.

Some Chinese have thrown out signs of greater willingness to open a political dialogue with Taiwan President Chen if he is willing to state clearly that he respects the Republic of China Constitution and will not seek any change in Taiwan's judicial status.

THE CURRENT STATE OF CROSS-STRAIT RELATIONS

The U.S. Perspective

According to one American participant, there is no evident final solution to the impasse between Beijing and Taipei; however, cross-Strait relations are more flexible and promising than they were in the last year or two. China has shifted from a strategy of threat and intimidation to one of winning the "hearts and minds" of the Taiwan people. There is still no trust between the Chen Shui-bian government in Taipei and Beijing but there is now growing dialogue between the PRC and the opposition parties in Taiwan, as well as increasing levels of economic and cultural interaction.

The American participant said the future mainly depends upon internal developments on both sides. The fourth generation leadership in China is more pragmatic than ideological. These leaders, trained largely as engineers, intend to tackle China's array of domestic problems – a fragile banking system, rural-urban cleavages, the migration of millions of peasants into the cities, regional imbalances, corruption, etc. Without a charismatic leader such as Mao Zedong or Deng Xiaoping, the PRC leadership will have to make collective leadership work. China is increasingly becoming a pluralistic society with freedom of speech and press greatly expanded during the last two decades. However, there are "red lines" that the regime will not allow its citizens to cross. How China evolves in the next decade will have an impact on the world and on Taiwan.

In Taiwan, the ruling Democratic Progressive Party (DPP) has suffered some major setbacks in the past year beginning with a failed effort to replace the Kuomintang as the dominant party in the legislative yuan elections held in December 2004. More recently, the DPP has faced corruption scandals. (After our meeting at the end of November, the DPP suffered a crushing defeat by the KMT in local elections held in early December 2005. The rapid and sudden decline in DPP fortunes will almost certainly embolden the PRC to continue its policy of wooing the Taiwanese people while waiting for the end of Chen Shui-bian's second term in 2008 and the possible election of a KMT candidate, namely Ma Ying-jeou, the newly-elected, charismatic leader of the KMT.)

Can the KMT under Ma return to power in 2008? If so, will it find a formula for dealing with cross-Strait relations that is more flexible than the one proposed by Chen Shui-bian? Furthermore, can the KMT find a formula that will not risk it being labeled a Chinese puppet? This will not be easy. Much will depend on China's receptivity to change and its willingness to be more flexible on its "one-China principle."

As to future prospects, the American participant said that China continues to hope for acceptance of its “one China, two systems” formula in Taiwan and says it will be flexible in implementing this formula. China would allow Taiwan more autonomy than Hong Kong and would allow Taiwan to hold elections, as well as to maintain a separate Taiwanese military force. Lastly, it would not station troops in Taiwan. But Beijing continues to insist that sovereignty over a reunified China will rest with the PRC and that Taiwan will be part of a “one China.”

This formula, the American added, is not acceptable to a majority of the Taiwanese people who wish to retain the status quo – i.e. *de facto* independence. The majority of people on Taiwan want neither formal independence – which they know runs the risk of conflict with the Mainland – nor do they want reunification. There is no indication that Taiwanese public opinion will change. There is a possibility – one that the PRC is counting on – in which Taiwan will see the advantages of increased cultural and economic interaction with the Mainland and that this interaction will tie Taiwan more closely to the Mainland. But the majority of the Taiwanese people and ruling elite see the advantage of maintaining a separate status.

At some future point, it is possible that the Chinese leadership will accept a step-by-step approach to the resolution of the issue – the first step being a federation or confederation formula which sets aside the sovereignty issue. Such a development might follow a long period in which Taiwan and China develop a political relationship that differs from either total reunification or total separation.

In the meantime, prospects are good over the next several years for maintaining peace and stability in the Taiwan Strait, as both sides seem content to live with the status quo while testing the impact of increased economic and cultural interaction. Beijing seems ready to accept this status quo – at least in the short term – because it has come to believe that time is on its side. The Chen Shui-bian government also seems prepared to accept this status quo because it has very little alternative.

So far as the international factor is concerned, the American participant concluded that the United States has not fundamentally changed its position on Taiwan. The United States espouses a “one China policy” in which the nature of that “one China” is undefined. The U.S. continues to warn China against any use of force against Taiwan and it continues to warn Taiwan’s leaders against moving towards formal independence. In fact, there has been significant U.S. pressure on Chen Shui-bian over the past year or two to moderate his positions on independence. The United States also continues to maintain its position that any peaceful resolution of the issue must be in accordance with the desires of the Taiwan people.

Japan’s policy and involvement on the cross-Strait issue is more complex. Sino-Japanese relations are now worse than they have been in many years. Japanese nationalism is rising; however, its strategic commitment to the U.S. alliance remains firm. For the first time, Japan recently committed itself to a peaceful resolution of the Taiwan issue in the “two plus two” statement issued after a meeting between the Japanese and

U.S. defense secretaries and foreign ministers. Thus, Japan is committed to helping to maintain Taiwan's *de facto* independence – a development that has raised alarm bells in Beijing.

In sum, said the American participant, the outlook for the immediate future seems positive. All three sides – China, Taiwan and the U.S. – are prepared to live with the status quo. Increased cultural and economic interaction between China and Taiwan allow opportunities for change. Furthermore, both the PRC and the U.S. know that there can be no victors in a Sino-American war over Taiwan.

Another American participant said the cross-Strait issue should be divided into three stages: preventing conflict in the short run, stabilizing the situation in the medium term, and exploring the possibility of a resolution in the long term.

The United States has a policy of “dual deterrence” which has been unchanged for many years. With regard to Taiwan, this policy means that the United States is opposed to any Taiwanese efforts to change the status quo unilaterally or to move towards *de jure* independence. With regard to China, this policy means making clear to the PRC that the use of force against Taiwan is unacceptable under any conditions. This policy, the speaker said, has been quite successful and there is now a relatively stable situation in the Taiwan Strait because both sides are focused on preserving their own definition of the status quo.

The American added that there are now substantial constraints in place on Taiwan's ability to pursue pro-independence initiatives and he was relatively optimistic that this would continue to 2008. In this period between now and 2008, said the speaker, Taiwan needs to gain a certain amount of confidence in its ability to resolve some key issues.

As for the United States, it will continue to have limited goals – i.e. not trying to solve the problem but simply seeking to preserve the status quo. The United States also wants to see a resumption of the official dialogue between the two governments in order to prevent miscalculation. So far, the United States has not been successful in achieving this goal. However, in the light of President Reagan's “six assurances” to Taiwan, it is unlikely that the United States will become a mediator between the PRC and Taiwan or that it will try to pressure Taiwan into negotiations with the Mainland.

The speaker believes that stability can be maintained in the short term. President Chen must resist the DPP fundamentalists and China needs to distinguish between the fact of a new constitution for Taiwan and the actual changes in that constitution which are bound to be limited.

In the medium term, both sides must come to believe that peaceful coexistence is possible. Taiwan should assure the PRC that it is not bent on separation. Taiwan must also take a more relaxed view of confidence-building measures.

The United States' role in this medium term should not be mediation. But the United States should continue to talk to both sides, clarify each side's understanding of the other, and act as a sounding board.

The two key long range issues remain sovereignty and security. However, a solution to these two issues is not on the horizon. To enhance the prospects for solving these issues over the longer term, it is necessary to focus on stability and confidence-building measures. For this to occur, there will have to be significant changes on both sides that would permit steps to build confidence and trust—such as increasing tourism and permitting charter flights.

The American participant added that things would get more interesting after 2008 because the newly-elected leader of Taiwan will either be from the KMT or a more pragmatic DPP leader who is less ideological than President Chen. China will then face a serious challenge because even a KMT president will not differ from the DPP on the core issue of sovereignty. A Pan Blue government will be more polite and less provocative, it will be willing to discuss practical issues, and it will try to finesse the one China issue, but it is unlikely to compromise on the sovereignty issue.

Another American participant spelled out his view of the cross-Strait situation. He began by saying that the PRC and the United States have a common interest in maintaining peace and stability in the Taiwan Strait and that neither side wants to see Taiwan press for formal independence. Moreover, both the United States and the PRC agree that any use of force by China against Taiwan to press for reunification is inappropriate. China, he said, now threatens to use force only to prevent independence, not to bring about reunification. This is good. Still, there remains a question – will this PRC policy remain over the long run?

The American continued by observing that China wants the United States to do several things vis-à-vis the Taiwan issue in which Washington is unlikely to do and should not do. First, Beijing wants the United States to change its position from supporting a peaceful *resolution* of the Taiwan issue to supporting peaceful *reunification* of Taiwan and the Mainland. Second, many Chinese say that the United States and China should collaborate against Taiwan independence. The American said that both of these ideas were bad.

First, he said, there is a difference between the American “one China policy” and the PRC “one China principle.” In the American view, the ultimate outcome of the cross-Strait impasse – independence or reunification – is not the business of the United States but rather it is the business of China and Taiwan. Therefore, the United States will not and should not agree to support the peaceful reunification of China and Taiwan. Of course, the United States supports the peaceful part and opposes any action by either side to upset peace and stability. This is because the United States has a vital interest in maintaining peace and stability in the Taiwan Strait. But the United States government espouses no views on the subject of independence or reunification. Moreover, he continued, if there is any change in the United States position on this issue, it would not

be in China's favor. Therefore, it is inadvisable to open up this issue as China may come to regret it.

Second, said the American participant, although China and the United States should and do consult with one another on the Taiwan issue, they should not collaborate or try to manage the issue over the head of the Taiwan government and people. This would be counter-productive. It risks destabilizing Taiwan and setting off a strong political reaction in the United States. The Taiwan issue, he continued, is currently not an issue in American politics. It would be undesirable to stir up American passions on this issue. Speaking frankly, he said, people in the United States are uncomfortable with denying the right of self-determination to the 23 million people on Taiwan who live under a democratic system. But the United States can live with the ambiguous quality of its present one China policy. Therefore, Washington will not move towards a policy of pressuring Taipei to accept reunification.

The American then went on to speculate about the future. China, he said, is confident that present trends are in its favor. China's leadership believes that the Taiwanese will ultimately see the benefits of giving up independence and later moving to reunification. Therefore, Beijing is playing for time. But, said the American, such a strategy of playing for time will not necessarily work unless China is active in demonstrating its concerns for the people of Taiwan. Otherwise, there will be a backlash in Taiwan. The continuing Chinese denial of international space to Taiwan is a case in point. This policy is alienating the people of Taiwan, not winning them over. Beijing's refusal to allow Taiwan in as an observer into the World Health Organization is a particularly egregious case which hurts China's image in the eyes of the Taiwan people.

Furthermore, China should deal directly with the current Taiwan government instead of waiting until the next election in 2008.

Finally, the American said he hoped that China and Taiwan would develop mutual confidence-building measures and de-escalate the arms race. It might also be a good idea for China to formally accept the position that it will not use force to pursue reunification.

Another American participant said that the U.S. government has now laid out a clear, firm and well-defined policy line on the cross-Strait issue. Taiwan is still at the core of the U.S.-PRC relationship but both sides now understand each other well.

This participant sought to broaden the dialogue about Taiwan and put that issue into the larger context of global transformation. To manage the various global issues such as free trade, global health security, terrorism and money-laundering requires a stable foundation for U.S.-PRC relations and a stable cross-Strait relationship. He was optimistic that we will manage the status quo in the Taiwan Strait for the time being.

The View from the PRC

A Chinese participant began by observing that the recent visit to China by President Bush had been very fruitful. He said both China and the U.S. recognize that a healthy and stable U.S.-PRC relationship contributes to peace and development. China is a developing country which concentrates on economic development and it needs a peaceful and stable international environment in order to develop. Only peace can lead to development.

The Taiwan question, continued the Chinese participant, touches the core interests of China. China wants peace and stability in the Taiwan Strait and always strives to resolve the Taiwan issue peacefully. China has confidence and patience for peaceful reunification. The root cause of tension is the “secessionist activity” in Taiwan. But this year there were a series of measures which exerted positive influence – such as the visits to the Mainland by KMT leader Lien Chan and People First Party (PFP) leader James Soong, the increase of cross-Strait exchanges, the charter flights, the lifting of tariffs on Taiwan’s agricultural products, scholarships for Taiwan students wishing to study on the Mainland, and the opening up of tourism from China to Taiwan.

The Chinese participant continued by saying that anything beneficial to the people on both sides of the Strait will be promoted by the PRC. China hoped to resume the official dialogue on the basis of the 1992 consensus. The problem, he said, is that the Taiwan authorities lack sincerity and insist on having state-to-state relations with the Mainland. There are some signs of relaxation in the Taiwan Strait situation and this is comforting. However, the political impasse has not been broken and the root cause of tension remains. If the Taiwan authorities do not change their secessionist stance, the situation cannot be stabilized. The Taiwan authorities continue to seek to make Taiwan a “normal country” through constitutional reform and the PRC should be wary of this. Taiwan and the Mainland belong to the same China and the PRC will never compromise on national sovereignty and territorial integrity.

Turning to the role of the United States, the PRC participant said that he hopes that the United States will not send the wrong signal to the secessionists and thereby embolden them. He does not believe that the United States wants a crisis caused by the secessionist forces. In the past several years, he continued, the United States has reaffirmed its one China policy and said it does not support Taiwan independence or any change in Taiwan’s status. We appreciate this, said the Chinese participant. Moreover, he continued, the signs of relaxation in the Taiwan Strait are a result of joint American and Chinese efforts. In spite of our differences, he said, there is significant common ground on Taiwan. First, both sides seek to check Taiwan secession and to maintain peace and stability. Second, the United States and China both agree that Taiwan is not a sovereign state and oppose any rectification of names. Third, both the United States and China strive for a peaceful settlement of the Taiwan issue. China opposes Taiwan independence; the United States does not support Taiwan independence.

There is, therefore, much common ground on the Taiwan situation. The United States and China need to step up their cooperation to check Taiwan secession.

Finally, the Chinese participant said that PRC President Hu Jintao has spelled out four points on the cross-Strait issue in an important statement made public on March 4, 2005.

These four points can be summed up as the “four nevers.” The PRC will continue to uphold the one China principle from which it will never waiver. The PRC will never give up its efforts for peaceful reunification. The PRC will never stop placing its hopes on the Taiwan people. The PRC will never tolerate secessionist attempts in Taiwan.

Another Chinese participant offered the view that, despite the political impasse between the two governments, economic, political and cultural exchanges are developing rapidly. In the year 2004, four million Taiwanese visited the Mainland and this number has already grown in 2005 by more than 16%. Given the fact that the entire Taiwan population is only 22 million, this means that approximately one-sixth of the Taiwan people visit China annually.

Two-way cultural and academic exchanges are also growing rapidly. In 2004, some 30,000 people were involved and the growth this year has been by 10%. Some 5,000 Taiwanese students are now studying in Chinese universities and there has been a 20% growth already in 2005.

In terms of trade, there was a total of \$79 billion in 2004 with Taiwan’s exports to China amounting to \$65 billion and China’s exports to Taiwan totaling \$14 billion – a deficit of \$51 billion for China. In the first nine months of 2005, this total is up by 13%. China is now the number one export market for Taiwan. Some 37% of Taiwan’s exports go to China. At the same time, Taiwan investment in China is also growing. From 1998-2005, there have been some 67,000 projects worth a total of \$86 billion. This figure has already grown in 2005 by \$6 billion. Moreover, Taiwan capital investment in China is now moving west and north, away from the coastal provinces and towards the interior provinces.

The Chinese participant said also that there were now 300,000 permanent Taiwanese residents living in Shanghai.

The next big step, he continued, would be an increase in Chinese tourists to Taiwan. Some seven million Chinese now visit Hong Kong each year. The number for Taiwan should triple that figure.

In sum, economic, social and cultural exchanges are growing substantially and much more rapidly than anyone had expected.

The Chinese participant said there was a way out of the present political impasse that could be face saving for Chen Shui-bian. China could open private channels of communication with the Taiwan government if President Chen accepts the Republic of

China's Constitution and states that he will not change the judicial status of Taiwan. Taiwan's Prime Minister, Frank Hsieh has gone far in this direction, said the participant. Another idea would be to open the "three links" of trade, direct air transportation and communication. Finally, the two sides need to talk about confidence-building measures to enhance security.

Yet another Chinese participant said that there is no impasse in cross-Strait relations. There is only an impasse between the Chinese government and the Taiwan authorities. In terms of trade and cross-cultural contacts, the broader trends are now moving in the right direction from the Chinese perspective. Also, he continued, the political situation in Taiwan is also moving in the right direction. The Pan Green attempt to fan anti-Chinese hatred is backfiring.

This Chinese participant said that China would certainly continue its policy of peaceful reunification and that they are now just beginning the long process in which the PRC will encourage the people of Taiwan to identify with China, not only economically but psychologically and emotionally as well. In the future, China will very likely give Taiwan residents on the Mainland identification cards, as well as greater access to schools and scholarships. But, he warned, Chen Shui-bian will be more troublesome as his independence project disappears.

U.S.-CHINA RELATIONS

American Assessments

An American participant said that President Bush's policy towards China had settled down recently after considerable vacillation earlier. When Bush first came into office, the new Administration called China a "strategic competitor." By 2003, after the 9/11 turning point, the Bush Administration was stressing the positive and Secretary of State Powell even called U.S.-PRC relations the best since 1972. Today the Bush Administration has reached a middle point between these two extremes and is calling the U.S.-PRC relationship "complex," i.e. one that has both positive and negative elements. The Bush Administration is now stressing that it seeks a cooperative and constructive relationship with China and that it wants the PRC to become a "responsible stakeholder" in the international system.

The speaker then went on to identify both positive and negative elements in the mixed relationship. On the positive side, there are many areas of cooperation including the war on terrorism, cooperation on avian flu, preventing North Korea from developing nuclear weapons, and exploring cooperation on energy. On the negative side, there is China's human rights record, mercantilist elements in Chinese economic policy, and a lack of transparency in its military programs.

The American went on to say that the Bush Administration is willing to be patient on finding solutions to the problems. For example, the United States Treasury did not name China as a currency manipulator and this will give China more time to adjust the value of

its currency. But, he continued, it remains to be seen whether Congress or various American interest groups will be equally patient. Here he has doubts. China, the speaker predicted, will be a major controversial issue in American politics as the U.S. heads towards the 2006 midterm and 2008 presidential elections.

The issue of Taiwan, this speaker continued, is both a plus and a minus. It is a plus in the sense that neither the United States nor China wants a confrontation; and, each side now understands the other's red-lines. Therefore, the Taiwan issue has been neutralized for the time being. However, it remains a minus in the sense that the United States and China continue to differ over some aspects of the Taiwan question. The United States wants China to renounce the use of force and China refuses. China wants the United States to halt arms sales to Taiwan and to support peaceful reunification but the United States refuses.

The speaker concluded both U.S.-PRC relations and cross-Strait relations are now relatively stable because all three sides, Washington, Beijing and Taipei, understand and increasingly respect the other side's red-lines.

A second American participant agreed that the relationship between the United States and China is, and will continue to be, a mixed one composed of both sweet and sour elements. To illustrate this, he went through a variety of issues. In economics, the two sides have a huge trade and investment relationship but the United States has a \$200 billion trade deficit and is being ripped off by Chinese violations of intellectual property rights. In energy, China and the United States, as big energy consumers, should share common objectives such as stability in the Middle East and sea lane protection. But there is competition for energy resources and China is rapidly developing relationships with regimes that the United States views as unfriendly – e.g. Iran, Venezuela and Sudan. In the area of non-proliferation, the United States and China both want to limit the spread of weapons of mass destruction (WMD) and there are tighter Chinese export controls on technology related to WMD. But the Chinese do not punish exporters who violate export controls. With regard to North Korea, both sides want a denuclearized Korean peninsula but China refuses to put pressure on North Korea and it will therefore be much more difficult to get a deal. In the Asia-Pacific region more generally, the Chinese are restrained and they are not pushing to evict the United States from the region. But they are rapidly building up their military capability and pushing for regional groups that exclude the Americans.

The speaker went on to say that there is huge potential for developing more cooperative relations on transnational issues such as the war against terror, global health issues, the environment and drugs. But the lack of transparency on the Chinese side also makes these issues mixed.

The two most sensitive issues for U.S.-China relations are Taiwan and human rights in China. With regard to Taiwan, the situation is quite stable now because all three sides accept the status quo. But the Chinese military buildup, Chinese nationalism and growing Taiwanese nationalism still make this a difficult issue for the long term. With regard to

human rights and the Chinese political system, China is going backward on human rights and the authoritarian political system in China means that the two countries can share only interests and not values. This will put a cap on the relationship.

In conclusion, the relationship is mixed. China needs to become a stakeholder in, and not a disrupter of, the international system. Furthermore, the United States needs to recognize China's rightful place in the international system and to broaden the framework for the relationship.

A third American participant said that the relationship between the PRC and the United States is now quite stable. This is the American view and it is also the view of the top leaders in China. He said that there is now an element of clarity and predictability in the relationship and a stable foundation. On Taiwan, the two sides have agreed to disagree. But the United States has laid out a clear, firm and well defined policy line. Taiwan is still at the core of the relationship but both sides now understand each other.

The speaker went on to say that the United States has now introduced the idea of China becoming a responsible stakeholder in the international system. This means that China should share both in the obligations and the benefits. As an example, he said that China should have as great a stake as the United States in global trade liberalization and both sides should talk about this. Another area for cooperation is in global health security. Yet another is the problem of money laundering.

Chinese Perceptions

A Chinese participant said that President Bush's recent visit to China had been very fruitful. There are some disputes between the two countries but there are also common views on many major international and regional issues. China needs a peaceful and stable international environment as it is a developing country which is concentrating on economic development and it needs peace in order to develop.

The Taiwan issue touches the core interest of China but China stresses that it can resolve the Taiwan issue peacefully and it now has confidence and patience for peaceful reunification. There have been several signs of relaxation in the Taiwan Straits this year even though the root cause of the tension – i.e. secessionist activity – is still there.

Another Chinese participant said that there are certain new features in the relationship between China and the United States. The most important is that the two countries are working together to improve the existing world system. Both China and the United States are status quo powers.

This speaker summarized the relationship as now being more stable and more pragmatic. He said that his understanding of the word "complex" used by Americans to describe the relationship was not "complicated" but rather "multi-dimensional."

Another Chinese participant said that the relationship between China and the United States is full of uncertainties and is now at a crossroad. There are many problems from trade to intellectual property rights to the Taiwan issue. It is necessary to re-conceptualize the relationship in terms of globalization and Deputy Secretary of State Robert Zoellick's recent speech is very useful in this respect. Both sides need to think about developing a different relationship.

At the regional level, there is a need for a new regional security architecture and the United States should think more about this. There must also be a new vision of the world order which includes greater equality and harmony. The United States and China should develop a basic strategic trust. To achieve this, the United States must address Chinese concerns about the peaceful unification of Taiwan and the Mainland. American policy should be peaceful unification and not peaceful resolution. Otherwise, China will think that the United States approves of separation. The United States also needs to play a larger role in China-Japan relations.

The Chinese participant concluded by saying he was optimistic about the future because the two countries have increasingly shared interests and even the gap over values is narrowing as China pursues a market economy, implements the rule of law and begins to discuss human rights.

Another Chinese participant gave a very frank and provocative presentation on the subject of public opinion in China and its impact on Chinese politics and Sino-U.S. relations.

He began by saying that the subject of the impact of public opinion in China has largely been ignored. But it is an independent variable and increasingly important. China, he went on, in the course of its market reforms, has become more market oriented than many countries in Western Europe. According to his calculations, 88% of the Chinese people are in the market. Therefore, he said, there is some independent public opinion.

The speaker then turned to the features of Chinese public opinion. First, it is interest oriented and not ideological. U.S. values, he said, are based on religion and a fear of God. Chinese values are, by contrast, based on a fear of poverty. Second, there are interest group politics in China. Third, there is a strong identification with China and Chinese-ness. Lucian Pye once said that China is a civilization pretending to be a nation. But the process of nation building has now begun. Fourth, there is a new society with the technology of the internet and mobile phones. Therefore, the traditional way of supervising the public does not work. This is a cause of concern for China's leaders.

There is a strong impact on foreign policy from public opinion, especially on the Taiwan issue but also with regard to China-Japan relations. Taiwan is regarded as a shared heritage of all Chinese. Furthermore, there is now evidence that the society can be mobilized independently of the government. In this context, it is very dangerous for Taiwan to provoke the Mainland. For Taiwan to get support from Japan is extremely

dangerous. The Chinese see the United States as a country to be trusted because its policies are based on universal values. But Japan's are based on a unique principle.

The speaker went on to discuss political change in China which, he contended, is not fully appreciated in the West. There is a new relationship between state and society and a new balance between Party and Government. The legislature and judiciary are rising and the civil service is becoming more important. Old guerrilla leaders are now giving way to educated technocrats. There are more than 8,000 newspapers, 19,000 journals, 3,000 television stations and 1.7 million websites. The Party cannot control all of this. Thus politics in China has changed a lot just in the recent past.

CONCLUSION

There is no evident final solution to the impasse between Beijing and Taipei; however, cross-Strait relations are more flexible and promising than they were in the last year or two. China has shifted from a strategy of threat and intimidation to one of winning the "hearts and minds" of the Taiwan people. There is still no trust between the Chen Shui-bian government in Taipei and Beijing but there is now growing dialogue between the PRC and the opposition parties in Taiwan, as well as increasing levels of economic and cultural interaction.

Prospects are good over the next several years for maintaining peace and stability in the Taiwan Strait as both sides seem content to live with the status quo while testing the impact of increased economic and cultural interaction. Beijing seems ready to accept the status quo - at least in the short run - because it has come to believe that time is on its side.

The relationship between the PRC and the United States is relatively stable because the two countries share a number of common interests and have learned to manage their differences, including those over Taiwan. But there is no complacency. Each side is realistic and recognizes that there will be continuing problems and challenges on a number of fronts.

In an effort to broaden the relationship, the United States has now introduced the idea of China becoming a responsible stakeholder in the international system. This means that China should share both in the obligations and the benefits of the system. Beijing seems quite receptive to discussing the implications of this new concept.