

NCAFP VISIT TO BEIJING AND TAIPEI

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A TRIP REPORT

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The National Committee on American Foreign Policy (NCAFP) sent a small group to Beijing and Taipei in April 2006 in order to assess the current state of U.S.-China-Taiwan relations. The group, led by NCAFP President George D. Schwab, included Amb. Winston Lord, Amb. Nicholas Platt, Prof. Robert A. Scalapino, Prof. Gerald L. Curtis, and NCAFP Trustee, Donald S. Zagoria.

In Beijing, the group was hosted by the Taiwan Affairs Office of the State Council (TAO). It met with Wang Zaixi, Vice Minister of the TAO; Tang Jiaxuan, State Councilor; Yang Jiechi, Vice Minister of the Ministry of Foreign Affairs; Gong Xianfu, Vice Chairman of the China Institute for International Strategic Studies; Zheng Bijian, Secretary-General of the China Reform Forum; Maj. General Qian Lihua, Vice Chief of the Foreign Affairs Office of the Ministry of Defense; and many scholars and “think tanks.”

In Taiwan, the group was hosted by the Foreign Ministry and met with President Chen Shui-bian; Mr. James C.F. Huang, Minister of Foreign Affairs; Dr. Ma Ying-jeou, Kuomintang (KMT) leader; Yu Shyi-kun, Democratic Progressive Party (DPP) Chairman; James Soong, People First Party (PFP) leader; Wang Jin-pyng, President of the Legislative Yuan, Dr. Tsai Ing-wen, Vice Premier, Chiou I-jen, Secretary General of the National Security Council; Hsiao Bi-Khim, member of the Legislative Yuan; Dr. Tien Hung-Mao, President of the Institute for National Policy Research; the Prospect Foundation; the American Chamber of Commerce in Taipei; and several scholars.

This report is divided into four sections. The first is a summary of our impressions from Beijing and is based on notes taken by Amb. Nicholas Platt. Section II is a report on our impressions from Taipei. Section III is an analysis by the rapporteur of the current situation in the cross-Strait relationship. And the Conclusion is based on the impressions of Prof. Robert A. Scalapino following the trip.

NOTES FROM BEIJING

U.S.-CHINA ISSUES

The Chinese we met in Beijing were preoccupied with Hu Jintao’s fast approaching visit (Hu and U.S. President, George W. Bush met on April 20, 2006); they were paranoid about Taiwan leader Chen Shui-bian’s recent actions, but more sophisticated and relaxed in their approach to Taiwan politics and confident of their ability to protect the status quo between Beijing and Taipei.

A high-ranking U.S. diplomat, who briefed us at the outset, said Hu's visit placed China "in the cross-hairs on economic issues and trade," including government procurement, the exchange rate, and beef imports among other issues related to the trade imbalance. Cross-Strait relations (CSR) were on the back burner, thanks to Chen Shui-bian's (CSB) unpopularity at home (20% approval ratings), weakness after the 2004 election, and growing Chinese sophistication in its dealings with Taiwan. Beijing's unstated satisfaction with Washington's rapid responses to rein in Chen helped to keep CSR low on the U.S.-China agenda. The Chinese believe time is on their side and will not overreact to Chen's maneuvers like the recent declaration that the National Unification Council (NUC) had "ceased to function."

CHINA'S POLICY TOWARDS TAIWAN

An official at the Taiwan Affairs Office (TAO) took pains to insist that CSB had in fact, contrary to the U.S. interpretation, abolished the NUC. This action violated the "five no's," (no declaration of independence, no change of Taiwan's official name, no referendum on independence or reunification, etc), of which the NUC is a part. This was a very serious question. If the NUC commitment is no longer valid, neither are the other commitments. The United States needs to stay on high alert. The weaker Chen and his Democratic Progressive Party (DPP) become the more likely they are to cause trouble in efforts to recoup.

Nevertheless, while CSR are headed for more tension during Chen's remaining two years in office, "China's principles and policies will not change." Beijing will continue to work for stability in CSR, counter secessionist tendencies and be prepared for Chen's efforts to change the status quo. The official briefed us on Hu Jintao's meeting the next day with opposition KMT former president Lien Chan. New economic and trade proposals are being put forward to build on the consensus forged during the meeting between the two party leaders in 2005.

During the rest of the discussion, he made the following points:

--[If we] were to convey messages to the leadership in Taiwan, the TAO official wanted to make clear that "Beijing is not prejudging the DPP. As long as the DPP is sincere on relations across the Strait, we will reciprocate." The leaders of the DPP need to know that they cannot stay in power without handling CSR well.

--He expected Washington to handle CSR appropriately during Hu's visit, in accordance with the Three Communiqués. Commitment to the one China policy and explicit opposition to independence efforts would keep stability across the Strait and enable the United States and China to concentrate together on other major issues like non-proliferation and counter-terrorism.

--Acknowledging that Japanese leaders had taken provocative actions (visiting Yasukuni Shrine) and made troublesome statements, (inclusion of Taiwan in the Joint Statement of the U.S.-Japan Security Consultative Committee), another high-ranking PRC official was

confident that Beijing's relations with Tokyo would ultimately come right. Most people in Japan wanted to resolve their differences with China, though there would always be friction in the relationship.

--Chances for a dialogue with the DPP are not favorable. Major changes in DPP positions would be required. Sincere support for the principle of one China, and repudiation of the "two states" formula are prerequisites. "It is impossible to discuss CSR with a person who says he's a foreigner. But if he changes, so will we. We have not shut the door."

A ranking Chinese official dealing with foreign affairs received us with ceremony at the leadership compound at *zhongnanhai*. He reviewed China's policy on cross-Strait issues and relations with U.S. in familiar terms, blaming CSB for blocking any of the initiatives Hu Jintao had floated with KMT Chairman Lien Chan the year before to bring Taiwan and the Mainland closer, and for abolishing the NUC. China would never give up its basic principles, or its emphasis on engaging the people of Taiwan. We should avoid sending "wrong signals" to this untrustworthy troublemaker (CSB), including the sale of advanced weaponry.

The official devoted the rest of his hour and an half with us to a diatribe on relations with Japan, excoriating the leadership in Tokyo for visiting the Yasukuni Shrine, and explaining in minute detail why this was so offensive to Beijing. The U.S. should "not do nothing" under the circumstances, he said, but actively urge Japan's leaders to return to the right path. The current state of "economics hot, politics cold" could not be sustained without a change in Tokyo's political behavior, a change desired by both left and right in Japanese media. The filibuster ended with few opportunities for us to get a word in edgewise.

The next day, an official at the Foreign Ministry assembled a group of top Ministry experts for a luncheon seminar on the issues confronting the United States and China. The Chinese made familiar points on CSR ("don't send the wrong signals to CSB"); the trade imbalance ("if you include all of Asia, [the trade imbalance] has gone down—sell more hi-tech items to us"); and currency ("slow adjustment in progress. We [the Chinese] were heroes holding steady during the financial crisis in 1998"). The Foreign Ministry official detailed how much work went into the preparations for Madame Wu Yi's participation in the Joint Economic Commission meetings in Washington, which were under way as we spoke. (Her mission ended up purchasing \$16.2 billion worth of aircraft and software, a smoothing prelude for Hu Jintao's visit.)

A ranking Foreign Ministry expert on North Korea described economic changes there. He had lived in North Korea for 17 years as an adolescent. Reforms had created noticeably more goods to store shelves. Discussion of policy toward both Pyongyang and Teheran stuck to standard positions.

MILITARY TO MILITARY RELATIONS

Our conversations with military officers from think tanks and the People's Liberation Army (PLA) proper suggested that links between the military establishments were closer and more candid than before, though still wary. A prominent scholar (and admiral) at the National Defense University (NDU) told us that a strategic dialogue had been underway with counterparts from the U.S. NDU for the past several months, discussing, among other things, various scenarios to reduce the risk of confrontation over Taiwan. The Admiral compared past U.S. Cold War objectives in Asia--balancing Soviet power and containing Japanese militarism--with current goals--preventing Japan from going nuclear and enhancing American weight in the military balance in Asia, increasingly aimed at China's growing strength.

Questioned about the steady increase in the rate of military spending, he responded that China's military was way behind other sectors of society. His own salary as a rear admiral was one-quarter what a civilian university president would make and one-eighth what his 29 year old daughter now makes working for a multinational corporation.

Transparency, another big issue in our military relationships would improve over time, the admiral noted. He had personally shown his counterpart around China's simulation center, something no foreigner had ever seen. The admiral joked with his counterparts that China was more transparent than the United States. The Pentagon was more cautious about mi-to-mil relations, Defense Secretary Donald Rumsfeld in particular, whom the Chinese saw as having been pushed by the White House to visit the PRC.

The admiral's observations about U.S. reticence were echoed by other military officers we met. We were unable to confirm explicitly from them that U.S. and Chinese military officers had discussed contingencies in the Taiwan Strait.

He said that military strategy on Taiwan had shifted from mounting a large scale invasion to deterring independence, including possible escalating missile strikes designed to encourage reversal of Taiwan government actions.

Beijing's leading CSR intellectual added his assessment that U.S. global strategy has shifted its focus to East Asia to deter the PRC from using force against Taiwan. Hence the strengthening of U.S. alliances with Japan and other allies in Asia, the increase in our firepower and reduced manpower levels at sensitive locations.

DOMESTIC PREOCCUPATIONS

The extent to which domestic problems, engendered by China's rapid development, shape PRC diplomacy and pragmatic cross-Strait policies was a major sub-theme of the visit to Beijing. The high level of civil disturbances nationwide—84,000 in 2005—is evidence of friction between rich and poor, farmers dispossessed and poorly compensated for land appropriated for development, and a host of other gaps arising from uneven growth.

We learned that Hu Jintao had taken President Bush aside during their last meeting to assure him privately that China, beset with domestic problems, was in no position to challenge the United States for decades to come.

AGRICULTURE AND URBANIZATION

Agriculture will be high on the government agenda between now and 2010, a prominent intellectual and longtime Chinese Communist Party (CCP) theorist told us. Health care, the environment, education levels, roads and infrastructure-- all must improve. This was the hot topic at the National People's Congress this year, where a medical scheme to cover 40% of the population was presented. The big problem is too many farmers, too little arable land. The only long-term solution will be to move people off the land and into cities and townships. There are 500 million farmers in the labor force, roughly the population of Europe. Add to that number another 120 million migrant workers in the cities who are better off than the farmers, but whose conditions also need to be improved. All told, an additional 180 to 200 million people will have to be moved off the land. This will take 10 to 20 years. The two pressing needs are more jobs and more cities.

Accordingly, the plan is to increase the number of cities in China from 660 to 1000 by the year 2020. The cities in the most dynamic regions—the Pearl River Delta, the Yangtze River Delta, Beijing, Tianjin and Hebei—are already too large and cannot absorb more people. Additional new urban clusters are planned—around Dalian in Liaoning, and in Shantung, Fujian and Zhejiang provinces, as well as in the western cities like Xi'an and Lanzhou. In all, nine new urban clusters will be created to supplement the six already in existence—fifteen in all. When the plan is complete, 40% of the population will live on the land and 60% in cities, the reverse of the current ratio.

The process will be accompanied by huge problems. How will China improve the conditions of migrant workers without attracting them to stay in already overcrowded urban areas? What will China do about the *hukou*, the residence permit that determines where Chinese citizens live and get their benefits? Migrant workers have brought the system under revision and pressure, but if the *hukou* is abolished, the farmers will simply flood the cities. In addition, efforts must continue to strengthen and modernize China's agriculture, and increase energy in the countryside.

To alleviate the gap between farmers and city dwellers, the government this year abolished the 2000 year old agriculture tax. As result, new ways are needed to get money to local governments. The price of grain is already at or above international levels, so raising prices will not help. Increasing productivity is the answer—a long-term effort involving better education for farmers, particularly vocational training. Teachers must be trained and deployed, using new techniques, including the internet.

Problems arise when land is expropriated, including riots and shootings, he continued. The rules governing appropriation of farmland must be strengthened during the next five years. This is a critical moment for rural China.

China's urbanization must avoid the creation of massive slums like those in Calcutta and Bombay, the root cause of which is the farmers' loss of their link with the land. The 30-40 million farmers in China who have lost that link must be fairly compensated and given portable capital. Ways need to be found for the rest to stay connected to their land, their original capital. In response to a question, the CCP theorist said that there would be no change in agricultural land tenure/ownership rules any time soon. (The farmers own the right to live and work the land, but not to own the land itself.).

POLITICAL REFORM

In response to questions about political reform and the prospects for democracy in China, the theorist first catalogued the historical changes that had occurred. The CCP has made the transition from a revolutionary to a ruling party, and then from running a command economy to managing the transition to a market economy. This massive and unprecedented transformation—one that parties in other neighboring countries like the USSR failed to make—radically altered the Party's view of its own role. Attention is now paid to democracy within the Party and democracy in the country as a whole. This question is even more important than the inequalities in agriculture we had discussed, and would take years to deal with.

The leadership is more collective now, though it draws on the wisdom of the past. The decision making process is improved. In China, relations between the center and the provinces do not lend themselves to any particular model, like federalism. In fact, Edgar Snow told Mao about the power of the states in the U.S. system years ago.

Our goals are democracy, prosperity and stability, and the search is a long process, the theorist continued. China's experience in the past has been bad. Mao made major mistakes in his later years. The Cultural Revolution was launched under the banner of democracy and led to a civil war between Red Guard organs. The lessons were painful. We need to find a democracy that suits us better than that. Deng Xiaoping told us explicitly that errors like the Cultural Revolution could never have happened in a capitalist system.

The Third Party Plenum in 1978 was all about political reform, not economic reform. Repudiation of the Cultural Revolution was a profound political move. So was the decision to force retirement of officials at all levels after a certain age, which ended the tenure of the old guard, broke up the concentration of power in the hands of a few and led to major changes in the way the nation was led.

This was the beginning. China's new era began with political reform. Economic reforms followed which represented political change, too. The People's Communes were abolished, replaced by a system of household contracts. Farmers were allowed into the cities. Other citizens were allowed to move as well, bringing about new levels of personal freedom. Students went abroad to study. This scale of movement, once illegal, is unprecedented in Chinese history and the world. As China moved toward a market

economy, the Party also began to give up control of state-owned enterprises. All of this represented profound political reform.

China has made progress in democratic elections and consultations, the intellectual continued. The process of election to the Central Committee is fiercely competitive. He himself is always looking for votes. In elections for government positions throughout the country (presumably Party-run elections), candidates often do not get elected. Direct elections occur at the village level in the countryside and the neighborhood committees in the cities. He could not predict when or even whether, direct elections would move to higher levels.

The consultation process is sharp and lively in the NPC (National People's Congress) as well as the CPPCC (Chinese People's Political Consultative Congress), to which this intellectual belongs. Loud debates in the NPC this March challenged Party policies on medical care, employment and social security.

There is plenty of room for improvement, he concluded. We do not equate democracy with multi-party elections, nor is there a timetable for political reform. Our political life is far from ideal. Reform is an ongoing process which will move ahead as China solves its economic and development problems.

NOTES FROM TAIPEI

U.S.-TAIWAN RELATIONS

Our trip took place before Deputy Secretary Zoellick testified to Congress and gave the Taiwan government an implicit warning against pushing the envelope on independence. But the erosion of trust between Washington and Taipei has been increasingly clear, especially after Taiwan President Chen Shui-bian (CSB) suspended the National Unification Council (NUC) without consulting with Washington first.

An American official told us that the internal political situation in Taiwan is "poisonous." The Kuomintang (KMT/Nationalist Party) emphasizes the incompetence of the Democratic Progressive Party (DPP); CSB talks about a divided government with the opposition-controlled legislature refusing to cooperate with him; and opposition, People First Party (PFP) leader, James Soong has very little good to say about either KMT Chairman Ma Ying-jeou or CSB.

The same official also has some sympathy for Chen, who was dismissed by the People's Republic of China (PRC) from the start and the PRC miscalculated on the possibility of Chen's election. The Chinese missile and military build-up continues. Furthermore, the PRC's Anti-Secession Law was a mistake and China's "united front" tactics are anathema to Chen. And the Chinese are extremely rigid on granting Taiwan "international space." Domestically, the KMT acts as though it is pro-China. In sum, Chen has reason to be frustrated.

The United States faces a number of challenges in the coming years. We must keep stability and peace in the Taiwan Strait. To achieve this, the United States wants bipartisanship in Taiwan on security issues. We need CSB to continue to adhere to the “four no’s.” And we want Taiwan’s leaders to take U.S. concerns into account.

Chen’s current political weakness will limit his ability to do things; however, a Chen who thinks he has nothing to lose could be dangerous.

The official urged the group to communicate to CSB that the United States was proud of its long partnership with Taiwan but 9/11 and the PRC charm offensive means that Taiwan must be more clever in its cross-Strait policy and more attentive to U.S. interests. In addition, Taiwan needs a bipartisan approach to critical foreign and domestic policy issues. And it must take action on the military package that the United States is offering.

TAIWAN’S POLICY TOWARDS CHINA

There is a deep frustration in the DPP over China's refusal to deal with the duly elected government of Taiwan and rather to go around the government by dealing with the opposition.

A high ranking DPP official said that we had arrived on the very day that KMT leader Lien Chan was meeting Hu Jintao in Beijing for the first of several meetings. He said that nothing had come of last year’s visit by Lien to the PRC and he sarcastically referred to “Grandpa Lien behind a pair of pandas.”

The DPP official added that China should have a dialogue not with the opposition but with the democratically elected government of Taiwan—no political party or business leader can take the place of the government.

The official went on to say that China’s purpose in meeting with the opposition leaders from Taiwan is to confuse the international community by creating an illusion of peace. If China refuses to give up its one party regime and abandon the threat of force against Taiwan, and if China refuses to implement human rights, freedom and democracy, all such meetings between the KMT and the CCP will remain illusions.

With regard to cross-Strait trade, the DPP official said that Taiwan should not allow itself to become too dependent on the China market.

In dealing with China, he continued, Taiwan would adhere to the following principles: 1. The PRC must respect and acknowledge the Republic of China (ROC) on Taiwan; 2. The PRC must respect the free choice of 23 million Taiwanese; 3. Both sides must solve the problem through peaceful means—and no use of force, or threat of force, is acceptable; and, 4. The governments on both sides need to start a dialogue based on the 1992 Hong Kong meeting.

The same DPP official said with regard to the “five no’s” that KMT leader Ma Ying-jeou had recently accepted the “five no’s” as originally laid out by President Chen. He then went on to suggest that the “five no’s” have now been redefined as follows: 1. No denigration of Taiwan; 2. No localization of Taiwan; 3. No undermining of the Taiwan government; 4. No refusal to recognize Taiwan’s sovereignty; and, 5. No refusal to face the fact that the ROC exists.

He added that Taiwan now stood for the “five do’s.” These “five do’s” were: democracy, freedom, human rights, peace and sovereignty.

At this point, an NCAFP group member interjected to say that Americans value Taiwan’s democracy and CSB’s personal contributions and that we also understood Chen’s frustration with the PRC’s “united front” policies. But, he said, China is now pursuing a more clever cross-Strait strategy by appealing to the Taiwan people with smiles and pandas. And there seems to be a growing consensus on both sides of the Taiwan Strait that it is possible to live with the status quo. In this context, he wanted to know what CSB hoped to achieve in the next two years and, specifically, whether Taiwan would settle for its current de facto independence or whether it would push for de jure independence.

The DPP official responded by saying that the content of the current status quo is: Taiwan’s democracy, freedom, human rights, and the current cross-Strait peace and stability. But, he continued, the Chinese missile buildup and Anti-Secession Law had damaged the status quo. He quoted Assistant Secretary of Defense Peter Rodman as reporting just that to Congress a few days earlier. The official added that although Taiwan has a democratically elected government and national leaders, China denigrates Taiwan, localizes Taiwan, and seeks to undermine Taiwan. Therefore, he concluded, it is China that seeks to change the status quo.

REFERENDA

As to the potential for referenda over the next two years, an issue that had been raised by the American, the high ranking DPP official said that the right to is a referendum is in the Constitution and in the new Referendum Law. Referenda are a way to consolidate democracy in Taiwan. Moreover, so long as the referendum is in accordance with the Referendum Law, there is no stopping the people from putting any issue to a referendum. But, the official went on, any referendum to reform the Constitution must first have the consent of three-quarters of the legislature and, even then, it must still get the consent of 50% of the votes cast. So the threshold to such a referendum is set very high.

As to unification with the PRC, the high ranking DPP official said that he does not exclude any future relationship between China and Taiwan so long as it has the consent of the 23 million people on Taiwan. But he and the DPP do not agree with the KMT that there is only one future possibility—ultimate unification. Perhaps some day the Taiwanese people will choose unification with the Mainland. But that should not be the only choice. That is why CSB announced that the National Unification Council and Guidelines had ceased to function.

When asked by an American participant to define the status quo, inasmuch as it seemed that the DPP official was defining it very broadly to mean any actions short of declaring de jure independence, the official responded by saying that referendums are a basic human right. If the PRC sees referenda as a taboo, the official added, it is because they do not understand democracy.

THE STATUS OF THE FOUR NO'S

Despite urging by the United States, President Chen has refused to repeat publicly the “four no’s” pledge he gave in 2000 not to change Taiwan's name, flag or definition of territory. DPP officials told us that the original “four no’s” were conditioned on the non use of force by the PRC and the missile buildup by the PRC invalidated them. But the same officials also sought to reassure the NCAFP that although logically the four no's were based on a condition that no longer existed, politically they were still valid.

A high ranking DPP official cast doubt about the continued relevance of the original “five no’s” – no change to the flag, the country’s name, no declaration of independence, etc. – by saying that some think it is meaningless to continue to restate the “five no’s” inasmuch as the “five no’s” did not stop China from passing the Anti-Secession Law nor did they help to restore negotiations with China, and they did not lead to any consensus with the KMT. Moreover, the “five no’s” were preconditioned on the non-use of force by China and yet China continues to build up its missiles. This is why, he continued, Chen chose to make his February 27 announcement on the Seven Points.

At this point, an American interjected his view that what he was hearing is that CSB is dropping the “five no’s.” If this is the case, said the American, it could lead to a crisis with the United States.

The DPP official said that this view was incorrect and that the contents of the Seven Points were far more important than the “five no’s.” He said that all of this has been made clear to the U.S. government.

Another DPP official continued the theme that it is not Taiwan that is changing the status quo, rather the PRC with its Anti-Secession Law and its missile buildup. The original “five no’s” were preconditioned on the absence of a military threat from China. The Anti-Secession Law and the 800 missiles have now abolished that precondition. Still, he said, there would be no change in the remaining “four no’s” in the near future. Moreover, he added, Taiwan consults with the United States and “currently” the United States is against any changes to the “four no’s.”

Yet another DPP official responded to our questions about the remaining “four no’s” by saying that the “four no’s” are not consistent with fundamental DPP principles. He implied, but did not explicitly state, that the original “five no’s” as formulated in 2000 and reiterated in 2004 were an effort to appease the United States even though they were not consistent with DPP principles. In the present, the official went on, Chen needs to

release himself from the pressure of the fundamentalists and that is why he said that the National Unification Council has ceased to function. However, this official concluded, the “four no’s” are still viable with the precondition that China not use force. Moreover, he went on, should China decrease the military element, the “four no’s” will come back.

Asked about his view of cross-Strait relations over the next ten years, the DPP official said there would be greater economic integration and trade, and that political tensions would still exist but they would be manageable.

We pursued with this official the question of whether Chen would, in the next two years, move toward abolishing the remaining “no’s” – no change of flag, territory, name of country, etc. He said that although one might wonder logically if the “four no’s” continue to exist, given the fact that the original conditions for them no longer hold—they, in fact, still exist.

Asked what he thought might happen in the future if the KMT were to win the legislature and the presidency by 2008, the official said he did not believe there would be a significant cross-Strait breakthrough even then. Ma and the KMT, he said, will be very cautious in the way they handle cross-Strait relations. Moreover, any significant breakthrough would be confrontational. The official said that Ma himself is not as pro-China as Lien Chan. Therefore, he predicted that if he came to power, Ma would try to broker a compromise between the KMT and the DPP.

KMT POLICY ON CROSS-STRAIT RELATIONS

It is clear that the KMT, if it wins power in the legislative elections in 2007 and the Presidential elections in 2008, will seek to revive the official dialogue with the Mainland on the basis of the so-called “1992 consensus.” Also, the KMT will seek to increase trade and investment relations with the mainland and to remove many existing restrictions. On the other hand, it is unlikely that the KMT will take a softer line than the DPP on the sovereignty issue. Both parties agree that the future of Taiwan can only be decided by the 23 million people of Taiwan.

A high-ranking KMT official told us that CSB continues to talk both about revising the present Constitution and adopting a new Constitution without making much of a distinction between the two. He said that Chen knows that he cannot revise the Constitution, given the KMT control of the legislature, but he will continue to talk about it in order to court the fundamentalists within the DPP.

The official predicted, as did many other Taiwanese, that both the Pan Blue and the Pan Green will move to the center as the 2008 elections approach due to Taiwan public opinion. A great majority of Taiwanese oppose both unification and independence and support the status quo.

China’s priority at the moment, he added, is to prevent Taiwan independence and not to push for reunification. With regard to the DPP insistence that China must recognize the

ROC government, this official said that it is good enough for China not to deny the existence of the Taipei government. With regard to Taiwan's need for "international space," he reported that Hu Jintao told Lien Chan that PRC think tanks were working on this problem.

When questioned about the dangers of appearing too soft on China, the KMT official pointed out that Mayor Ma was among the first to oppose China's Anti-Secession Law and to say that there could be no reunification without a thorough review of the events that led up to the Tiananmen massacre. The official also pointed out that Ma has made it clear that Taiwan could unify with the Mainland only after China becomes a democracy and after such a policy is approved by the Taiwan people.

When asked about the potential for resuming the dialogue with China on the basis of the "92 Consensus," the KMT official pointed to the "five do's" approach as outlined by Ma in a speech at Harvard University on March 21, 2006. The "five do's" are: 1. To resume the cross-Strait dialogue based on the 1992 consensus (one China, different interpretations); 2. Conclude a peace agreement of 30-50 years, thereby formally terminating the current state of hostilities; 3. Normalize economic relations across the Taiwan Strait, leading eventually toward a cross-Strait common market; 4. Develop a new modus vivendi for Taiwan's international participation, bilateral and multilateral; and, 5. Expand the current exchange in cultural and educational areas.

The official said that it would be necessary to live with ambiguity on the question of what one China means. In the meantime, the two sides should make peace and buy time.

On the defense issue, the KMT official said that Taiwan needs an adequate defense and will seek to gain a consensus on this issue, as well as other issues, with the United States.

Another KMT official told us that the U.S. government's responses to CSB's "provocative" actions are increasingly frequent since the summer of 2004. The swift State Department criticism of Chen's efforts to abolish the National Unification Council is just the latest example. (Deputy Secretary Zoellick's blunt criticism of President Chen for "pushing the envelope" on the independence issue came after our visit to Taipei but it is another example.) The KMT official concluded that Washington is putting President Chen on a "shorter leash." Moreover, AIT (American Institute in Taiwan) representatives in Taipei are now contacting Legislative Yuan and business leaders, as well as other members of the elite, directly. This is an effort to reach beyond the government and go directly to the people. As another example of this, the official cited former Assistant Secretary Kelly's important speech on cross-Strait issues to Congress on April 21, 2004. This, he said, was the longest and most comprehensive review of U.S. cross-Strait policy in recent years. And when Congressman Ackerman asked Kelly if the people of Taiwan understood him, Kelly responded by pointing to the large numbers of Taiwanese news media in the room who were filming the presentation for broadcast in Taiwan.

The KMT official said this is all a reflection of the fact that the U.S. role in the cross-Strait issue is now more direct and prominent than ever before.

Asked what Mayor Ma and his colleagues learned from their recent visit to Washington, the official responded that they learned a lot. First, the U.S. is serious about the China threat. Second, the U.S. prefers to maintain the status quo in the Taiwan Strait. The KMT, he said, does not disagree on the seriousness of the Chinese threat. There have been two changes in the past ten years, he said. First, the PRC military threat to Taiwan had grown considerably. Second, the PRC economic opportunity for Taiwan has also grown. So Taiwan must find ways to deal with the military threat as well as to seize the economic opportunity. Taiwan needs to learn how to “walk on two legs.” It should not challenge China but it should have a strong defense.

Turning to the military package offered by the United States to Taiwan and tied up in the Legislative Yuan for months, the KMT official said there was a “green light” for the PC 3 anti-submarine planes, a “yellow light” for the submarines, and a “red light” for the PAC-3 anti-missile system. The submarines are too costly and would take 8-13 years to deliver. Moreover, many in the U.S. Navy opposed the sale. The light was “yellow” rather than red, however, because many Taiwan defense people are very interested in the submarines. The PAC-3 upgrade was a “red light” because it was vetoed in a referendum. The official said that the total price of the package is also an issue and that if it can be brought down to \$10 billion, public support for it would increase.

The official went on to characterize Hu Jintao’s policy towards Taiwan as different from Jiang Zemin’s in that the tough hand is tougher and the soft hand is softer. The tougher hand consists of an increased missile buildup and the softer hand consists of targeted efforts to woo specific constituencies in Taiwan, such as students, opposition groups, farmers, etc. China is now more confident about the cross-Strait issue because Taiwan’s society is divided and the economy is slowing down. However, China is not in a hurry to absorb Taiwan. It has plenty of troubles at home. So Taiwan should not encourage a sense of urgency on the Mainland.

INTERNAL POLITICS

The internal political situation in Taiwan is characterized by bitter disputes among the major parties and mutual mistrust. It is unlikely that this will change in the near future. While the NCAFP group was in Taipei, the KMT’s former leader, Lien Chan, was in Beijing and his trip to China, at a time when Beijing continues to boycott the official Taiwan government, drew scorn and contempt from the DPP leaders with whom we met. The KMT and PFP leaders are equally impatient with the DPP leadership.

An elected official who is now the mayor of a small city in Taiwan and a member of the KMT provided many insights into the political and social situation in Taiwan.

He began by expressing some uneasiness with the visit to the Mainland by former KMT leader, Lien Chan, which was taking place at precisely the time we were in Taipei. He predicted that Mayor Ma Ying-jeou, if elected president in 2008, would have a policy towards China that would be more balanced than that of the old KMT or the Pan Green.

The official went on to say that the key issue in the coming elections will be the economy—jobs and the standard of living.

The official also contended that the cross-Strait issue is increasingly becoming a non-issue for those less than 50 years of age in Taiwan. Preserving Taiwan's de facto independence and the status quo is the common idea of the younger generation of both the DPP and the KMT, he said.

The former official said also that the DPP is now divided with one of its factions, the New Tide faction, which calls for separating politics and economics and pursuing reconciliation with China. So there is a strong group in the DPP that wants to be more pragmatic towards the PRC on economics while not giving in on the sovereignty issue. In the KMT, on the other hand, once they are in power, Ma will face pressures to pursue a more conciliatory approach to China than he may want.

The official also predicted that the bitter partisanship between the political parties in Taiwan will soften in coming years. The DPP, he said, is in transition and the candidate for president in 2008 will be forced to move towards the center. Also, most of the mayors under the age of 50 are from the Legislative Yuan, are good friends, and are tired of partisan bickering. As to the one China issue, he said there was one China historically, there will be one China in the future, but we cannot say there is one China now.

Some time between 2015 and 2050, the official predicted, China will become the largest economy in the world and a free economy will eventually bring democracy. Taiwanese, he said, prefer the ultimate outcome to be one China, one system with the system being democracy.

As to Taiwan's national security, the official said that Taiwan cannot trust an authoritarian China and will need to protect itself.

REVISING THE CONSTITUTION

We pursued with a former KMT official the question of whether President Chen intends to pursue a new Constitution in the remaining years of his term. The official said that Chen has promised many times a brand new Constitution that fits Taiwan. The phrase "that fits Taiwan" implies that the current Constitution is too big and includes the PRC. The official said that a discussion of this issue goes on at the local level but interest in it is not high.

On the issue of whether President Chen could or would pursue Constitutional change without going to the Legislative Yuan, where a three-quarters majority is required for approval, the former official said that any such effort to bypass the LY would be debated in the courts and it is not a foregone conclusion that the president can or will do that.

According to this individual, there is not much public interest in Constitutional change. The country is more interested in economic issues and in law and order. The middle and lower middle classes feel that their livelihood has not improved in recent years. Only a small sector of the population that has invested in the Mainland has been making money.

The former official went on to say that the primary issue for Washington in the coming years would probably not be the Constitution but rather the prospect that by 2008 the Pan Blue would be firmly in control of the levers of power from the central to the local governments. There will be mayoral elections at the end of 2006 in Taipei and Kaoshung, the two largest cities in Taiwan, and it is almost certain that the DPP will lose unless something unexpected happens. Then, at the end of 2007, there will be a Legislative Yuan election according to newly adopted single member districts and it is highly unlikely that the DPP will be able to win the needed 55-60% of the popular vote. So there is a strong probability that following the LY elections of 2007, the Pan Blue will be firmly in control of the legislature. Then there will be Presidential elections in 2008. If the elections were held today, he said, Ma Ying-jeou would win. So in 2008, there is a strong possibility that the KMT will have all the levers of power. Under these circumstances, he went on, the U.S. concern in the future may not be the independence movement in Taiwan but that Taiwan is tilting too far to China.

SOONG'S VISIT TO THE MAINLAND

Another high ranking opposition official told us that the visit of PFP leader James Soong to the Mainland last year in May 2005 was extremely significant. According to this official, CSB—in his conversation with Soong prior to the visit - was much more flexible than people thought. Chen told Soong that he was prepared to enter into a dialogue with the Mainland in a spirit of equality and that if the PRC accepted the “future one China” formula, a lot of things could be done. The same opposition official contended that Soong’s visit to the Mainland also met with considerable flexibility on the PRC side. The PRC leaders made it clear to Soong that China’s bottom line was not Taiwan’s de facto independence, which the PRC implicitly accepts, but rather that Taiwan should not actively promote de jure independence. (This accorded with what we heard ourselves on the Mainland.)

The same opposition leader said also that prior to Soong’s visit to the Mainland, Soong and Chen had agreed on a three-point program to guide cross-Strait relations. First, the Republic of China (ROC) is a de facto independent state and this is the status quo; second, Chen will continue to honor the “five no’s;” third, there would be no constitutional amendments during the remainder of Chen’s term in office.

The official contended that China’s President Hu Jintao agreed with these three points with Soong and that he had the endorsement of all the other members of the Politburo’s Standing Committee.

The official also claimed that Soong got from Hu Jintao an acceptance of the “one China with different interpretations” formula and that this formula could be interpreted to mean

two separate administrations under the idea of one China. Under this formula, Taiwan would enjoy much greater access to international space.

If this description of James Soong's visit to the Mainland last year is accurate, it suggests that there was at that time a fair degree of flexibility on both the Taiwan and PRC side on how to begin to lay the groundwork for a compromise on the cross-Strait issue. But it should be noted that the same official who told us all of the above also concluded that while he was optimistic last year, he is now much more pessimistic as a result of subsequent developments.

THE U.S.-CHINA-TAIWAN TRIANGLE: TOWARDS EQUILIBRIUM

Although the Taiwan Strait remains a potential flashpoint in U.S.-China relations, the findings of a National Committee on American Foreign Policy (NCAFP) study group on a recent trip to China and Taiwan suggest that a tentative equilibrium among the three key players — the U.S., China and Taiwan — may now be within sight.

The first step toward such equilibrium would be for China and Taiwan to reach an Interim Agreement on preserving the status quo. The basic idea behind such an agreement, long discussed in American think tanks, is that China and Taiwan should each agree to abandon their bottom lines — for China, the use of force; for Taiwan, a formal declaration of independence. For a variety of reasons, largely having to do with domestic politics, it is unlikely that Beijing and Taipei will formally agree on this subject. But both sides now seem to be moving towards a de facto interim agreement.

China (the PRC) will not formally renounce the option of using force against Taiwan because it wants to maintain the threat of military action against Taiwan in case it declares independence. But the Chinese increasingly emphasize their desire for “peaceful” reunification, and they increasingly rely on the economic and cultural card — “soft” power — to win the “hearts and minds” of the Taiwanese people. In the past year or two, Beijing has developed a very sophisticated strategy of targeting separate constituencies in Taiwan — businessmen, doctors, farmers, students and the opposition Kuomintang — by reducing tariffs for Taiwan farmers, announcing scholarships for Taiwan students, and encouraging direct party-to-party contacts between the Chinese Communist Party and the Nationalist Kuomintang Party in Taiwan. In sum, Beijing has not abandoned “sticks” but feels time is on its side and is increasingly using “carrots” in its Taiwan policy. The doctrinal basis for this policy was laid down by Hu Jintao himself with his “four nevers,” the most important of which is “never abandon faith in the Taiwan people.” And on our recent trip, PRC officials insisted that Beijing is mainly concerned with preventing Taiwan's de jure independence, not with pushing for immediate reunification.

In Taiwan, neither the ruling Democratic Progressive Party (DPP) nor the main opposition party, the Kuomintang (KMT), will formally renounce the independence option. This would be political suicide for any Taiwanese political party. But the DPP and the KMT are closer on the sovereignty issue than is generally recognized. The common

denominator is the belief that the 23 million people of Taiwan should decide Taiwan's future status. Also, both major parties in Taiwan agree on the "four no's," a pledge first made by President Chen in 2000 not to seek to change Taiwan's name or flag or to declare independence. Although Taiwan's President Chen Shui-bian has in the past flirted with changing the Taiwan Constitution and moving towards de jure independence, the defeat of the DPP in the legislative elections of December 2004, the weakening of Chen's position as a result of corruption scandals, and American pressure have moved Chen back closer to the center on the sovereignty issue. The centrist position is to support neither independence nor reunification but to accept the status quo — a position supported by the vast majority of the Taiwan people. In our meetings in Taiwan, Chen's advisers kept assuring us that he stands by the "four no's."

The United States, for its part, is now adeptly combining a policy of deterrence and reassurance for both China and Taiwan. *Vis-à-vis* China, the United States has convinced Beijing by a variety of actions and policies that it will not allow it to take Taiwan by force. Thus, the deterrence side of U.S. policy is working. At the same time, the Bush Administration — the most pro-Taiwan administration in recent decades — has reassured the PRC that it does not support Taiwan independence. Indeed, this has now become part of the official American mantra and was reiterated by President Bush in his recent meeting with President Hu Jintao in Washington.

Vis-à-vis Taiwan, the Bush Administration, after a recent spat over President Chen's abolition of the largely symbolic National Unification Council, got Chen to agree to the position that the Council was not being abolished but was simply ceasing to function. Moreover, the United States has now gone a long way towards convincing President Chen that it is not in the U.S.'s or Taiwan's interests for Chen to gratuitously provoke the PRC by making statements or adopting policies that would unilaterally alter the status quo. So, here, too, deterrence is working. At the same time, the Bush Administration is successfully reassuring President Chen and the Taiwan people that it will not sacrifice Taiwan's interests in its dealings with the mainland and that its commitments to Taiwan's security remain intact. A new U.S. representative in Taiwan has already played an important role in this effort.

The conditions for equilibrium in the Taiwan Strait are now at least visible. It is possible but unlikely that President Chen, in his remaining two years in office, can or will challenge this equilibrium. He cannot revise the Constitution without a three-quarters vote in the legislature; and the legislature is now controlled by the KMT, which opposes any more constitutional changes. Also, Chen has assured the U.S. government that in the remaining two years of his presidency, there will be no more "surprises." Indeed, in his most recent speeches, he has played the "democracy" rather than the "secessionist" card against Beijing. Meanwhile, the DPP itself is moving towards the center so as to accommodate growing public pressure on the government to forge closer economic links with the mainland in order to accelerate economic growth. Taiwan's premier, Su Tseng-chang, one of the most likely DPP candidates for president in 2008, has recently said that he may go along with some of the decisions for economic exchange with the PRC that the Kuomintang reached with the Chinese Communist Party. Frank Hsieh, the former

premier and another important DPP leader, has said recently that he may decide to visit Beijing at an appropriate time.

If, as present polls suggest, the Kuomintang returns to power in 2008, this should also promote stability in the Taiwan Strait. For, the KMT leader, Taipei Mayor Ma Ying-jeou, has already indicated that the party will work towards improving relations with the PRC while remaining firm on the sovereignty issue.

China, for its part, is unlikely in the short run to abandon its “hearts and minds” strategy and will probably resume an official dialogue with whichever party wins the Taiwan presidency in 2008. The United States will, most certainly, continue its policy of opposing any unilateral move by either the PRC or Taiwan to change the status quo, as this has been the policy of seven U.S. Presidents.

This optimistic scenario does not mean that we can be complacent. Two things could go wrong, one in the short term and a second over the longer term. In the remaining two years of President Chen’s term, he might, out of frustration with Beijing’s continuing efforts to isolate him and China’s continuing missile buildup, go back on the “four no’s” and seek to revise the Taiwan Constitution. Such a move could produce a crisis in his relations with both the PRC and the United States. To head off such a development, Beijing — in its own interests — needs to enter into a dialogue with President Chen and the DPP and start reducing the number of its missiles facing Taiwan. The United States needs to play a more active role in bringing about such a dialogue.

Over the longer run, Beijing could become impatient with progress on reunification and return to a policy of threat and intimidation. In this respect, much will depend on the political evolution of the mainland.

Still, the prospect for greater equilibrium is there. If this potential is translated into practice, it will go a long way towards helping to develop a framework for a stable and cooperative U.S.-China relationship.

CONCLUSION

In general, we felt that PRC officials and scholars are pleased with recent developments, and increasingly hopeful that time is on their side. They note the support for enhanced economic intercourse from the Taiwan business community and most if not all opposition leaders. They relish the signs of deep political division in Taiwan, and the loss of public support for Chen. With regard to matters at home, however, there is some muted concern. The numerous problems — centering upon the growing gap between rural and urban China — and resulting in some 87,000 demonstrations in 2005 — cannot be ignored. Yet there are no signs of deep political divisions among the top leadership, and the pledges to aid the farmers flow daily from Beijing.

There was a different mood on Taiwan. Many are worried about the rancor and division at the top of the political pyramid. Clearly, between now and the 2008 elections, the scene

will be clouded by quarrels and accusations. Further, Chen – thwarted in his various efforts to push forward separatist measures – seems more suspicious of the U.S. and less interested in accommodation, although he has no alternative.

The mood on the Mainland with respect to those with whom we met was strongly positive regarding PRC-U.S. relations, possibly because of the desire to create the proper mood for Hu's impending visit. We got little negativism despite the existence of a number of issues on both the economic and political-security fronts. China's leaders, basically pragmatists, want low tension at the regional and international levels so they can place a priority on the pressing domestic problems. They are thus improving relations with Russia and other neighbors (Japan excepted) and also reaching out to the U.S.

Even our nuclear energy agreement with India (yet to be approved) did not seem to create any serious ripples. Indeed, China is following a path similar to that of the U.S.—keeping strong ties to Pakistan while seeking to improve relations with India.

In sum, the atmosphere for U.S.-China relations is relatively positive despite the continuance of certain suspicions—and the existence of unresolved issues.