



## **“CROSS-STRAIT RELATIONS: CONCRETE PROGRESS BUT STRATEGIC MISTRUST”**

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### **CONFERENCE ON PROSPECTS FOR RELATIONS ACROSS THE TAIWAN STRAIT**

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**NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY (NCAFP),  
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**BY DONALD S. ZAGORIA**

### **INTRODUCTION**

The National Committee on American Foreign Policy (NCAFP), the East-West Center (EWC) and Pacific Forum CSIS co-sponsored a conference on the prospects for relations across the Taiwan Strait in Honolulu from July 14-15, 2008. Participants included officials, former officials, and scholars from the three sides—the United States, China, and Taiwan. (The agenda and participant list is included in the appendix.)

This meeting followed an NCAFP trip to China and Taiwan in May 2008 in which the NCAFP met with President Ma Ying-jeou and some of his advisors in Taipei as well as officials and scholars on the Mainland. (For a summary of this trip, see the appendix.)

The following report is divided into four sections: the window of opportunity; the dangers and obstacles which could lead to setbacks, even failure; policy recommendations for all three sides; and a conclusion. The report draws extensively on comments made by American, Chinese, and Taiwan participants at the conference in Honolulu; but it is not a consensus document. Not all participants agreed with all the findings or recommendations.

## THE WINDOW OF OPPORTUNITY

Cross-Strait relations are now more stable and promising than they have been for decades and perhaps since 1949. As one Chinese participant at the conference stated, we are in a new era of cross-Strait relations. There is a historic and strategic opportunity to move forward and lay the foundations for a permanent framework for peace and security in the Taiwan Strait. A long-term stabilization of cross-Strait relations would have enormous strategic benefits for the United States, China, and Taiwan, and for regional and global security.

In a period of just two months, there have been many positive steps of a resumption of the dialogue between quasi-official representatives of the Straits Exchange Foundation (SEF) in Taiwan and the Association for Relations Across the Taiwan Strait (ARATS) on the Mainland; the establishment of regular weekend charter flights; the promise of a substantial increase in Chinese tourism to Taiwan; an easing of restrictions on Taiwan investment in the PRC and Chinese investment in Taiwan; and several meetings between PRC President Hu Jintao and KMT leaders. ARATS chief, Chen Yunlin, is scheduled to visit Taiwan in September. In addition, ARATS Deputy Chief, Wang Xiaxi, spent ten days in Taiwan in mid-July when he traveled around the island and met with many county magistrates, including DPP officials.

Both China and Taiwan agree on two basic principles. First, both sides should continue implementing the easier steps of economic and cultural accommodation while deferring the more difficult political and strategic steps until later. Second, the pace of accommodation between China and Taiwan should be neither too slow nor too fast.

Going too slow will endanger the forward-leaning positions of both Hu Jintao and Ma Ying-jeou by giving ammunition to internal opponents who oppose the steps towards accommodation already taken. (Some in the Democratic Progressive Party (DPP) have openly criticized Ma for being too accommodating towards the Mainland without receiving sufficient returns. There are clear rumblings on the Mainland from hard-liners who believe that Hu Jintao is too lenient towards Taiwan and sacrificing cherished Chinese principles, especially sovereignty.) Too slow a pace of accommodation will undermine popular support for progress both in Taiwan and the Mainland.

On the other hand, moving too fast will create unrealizable expectations by raising complex political and strategic issues, especially those such as sovereignty, which cannot now be resolved.

The issue is how best to exploit the present opportunity in order to avoid the minefields and continue to build on the promising start.

Some participants suggested that one solution to this "Goldilocks Dilemma," i.e. how to avoid going too slow or too fast and get it just right would be to continue making incremental, step-by-step progress on economic and cultural issues, thus transforming the cross-Strait political environment, while agreeing on a common set of principles or code of conduct, or perhaps even a common goal. Such a common set of principles could include language already being used by the two sides: peace and development; dignity; common destiny; Ma's Three Nos of no

independence, no reunification and no use of force; putting an end to the formal state of hostility; etc.

Other participants emphasized the need to strengthen the process of accommodation by expanding the capacity and the mandate of SEF and ARATS. They recommended, in particular, the establishment of sub-committees on key political and security issues such as international space and the security environment in the Taiwan Strait. These sub-committees, especially if linked with some early concrete gestures, would indicate a commitment to address thorny issues and buy time so that progress on economic and cultural issues could help build mutual trust. Some participants also suggested expanding the SEF-ARATS dialogue so that it could include conceptual and strategic discussions that would help address mutual suspicions on both sides. Others suggested that SEF and ARATS establish liaison offices in the other's capital.

## **DANGERS AND OBSTACLES**

Three major issues will be very difficult to resolve. The first is the issue of international space for Taiwan. The Taiwan leadership regards this issue as a litmus test of Chinese sincerity. The second is the issue of security which involves the military balance in the Taiwan Strait, Chinese missile deployments, and U.S. arms sales to Taiwan. The third is the issue of strategic mistrust.

## **INTERNATIONAL SPACE**

On the key issue of international space, several Taiwan participants stated that early moves by China to show greater flexibility on this issue were essential in order to maintain public support in Taiwan for Ma's new engagement strategy. This echoes what the NCAFP heard from Ma and his close advisors during its trip to Taipei in May 2008. Still, China is concerned about the legal and political implications of making concessions on international space for Taiwan. Will such concessions encourage Taiwan to move towards "two Chinas" or "one China, one Taiwan"? Moreover, what if China makes such concessions to the KMT only to find that the DPP returns to power in four years?

Taiwan wants to declare a truce in the diplomatic competition between the two sides so that it can maintain its existing diplomatic ties with some 23 countries. However, it is not clear how such a truce could be implemented. The first test case will come in August 2008 when the new President of Paraguay will be inaugurated. President Ma is now scheduled to attend the inaugural ceremony in Paraguay but President-elect Fernando Lugo has stated on several occasions that he would like to switch diplomatic representation from Taiwan to the PRC. Lugo has asked Taiwan for \$71 million in aid and warned that if he does not get it, he will sever ties with Taiwan. If Paraguay switches sides and normalizes relations with China, Taiwan fears Nicaragua and the Vatican will be next. In short, there could be a "domino effect" that would have a huge, negative psychological impact on the people of Taiwan who may come to doubt the wisdom of Ma's new engagement strategy.

There is also the issue of Taiwan's membership in international organizations such as the World Health Organization. Ma has stated that Taiwan would accept observer status in the WHO under the name of "Chinese Taipei," but it is not clear whether China would accept Taiwan's observer status and, if so, under what name. There is also the possibility of better PRC treatment of Taiwan representatives in organizations where Taiwan is already a member, such as the World Trade Organization and APEC. Also, the PRC could be more tolerant of Taiwan's efforts to develop free trade agreements with other countries, etc.

U.S. participants did not push specific formulas but weighed in repeatedly on the overall need for China to show greater flexibility on this issue.

## **SECURITY ISSUES**

Although tensions between China and Taiwan are reduced, there is a growing security imbalance in favor of the PRC and prospects are that this imbalance will continue to grow. There has been no slowing of the Chinese military or missile buildup opposite Taiwan.

In the absence of mutual trust, it will also be difficult to initiate any meaningful military confidence building measures. Both sides will continue with business as usual and upgrade their defense capabilities while continuing military exercises.

In discussions on confidence building measures, several participants suggested a number of measures that might be considered. These included: direct military to military contacts, visits by military delegations; military personnel exchange programs; prior notification of military exercises; the opening of military exercises to international observers; greater openness regarding military budgets and defense planning and procurement, and the sharing of defense information.

Finally, there is the difficult issue of U.S. arms sales to Taiwan. There is concern in Taiwan about delays in U.S. arms sales. The United States approved an arms package in 2001 after extensive discussion with Taiwan and, until recently, had been urging Taiwan, including Ma himself and the KMT, to purchase these weapons. Ma has now requested these weapons and the Bush Administration is dragging its feet, presumably because of Chinese sensitivities. Pursuing notification to Congress would merely implement a decision made seven years ago. Possible sales of F-16s would be a new and more controversial move even though there would appear to be good military rationale.

## **STRATEGIC MISTRUST**

The deep-seated strategic mistrust on both sides of the Strait exacerbates the political and security dilemmas. Taiwan's fear is that the PRC will not respond in a meaningful fashion to Ma's overtures and this will undermine Ma's engagement policy. The PRC fear is that Ma will use concessions from Beijing to consolidate Taiwan's de facto independence. Thus, any concessions to Ma could reduce the prospects for eventual reunification by strengthening the

prospects for "two Chinas" or "one China, one Taiwan." The current dispute between the PRC and Taiwan over the name to be used for the Taiwan delegation to the Beijing Olympics is a good example of these concerns. Taiwan wants its delegation to be called by a name (Chung-wa) that, in Chinese, implies that Taiwan and the PRC share a common culture. This is the name that has been used in the past and is officially approved by the Olympic Committee. The PRC says that its media will use that name only in reporting on Olympic events but that it will use another name (Chung-kuo), which means that Taiwan is politically part of China, in other media coverage.

The strategic mistrust between China and the United States intensifies the problem. In the United States, there is concern about the long-range intentions of a rising China. In China, there is concern about whether the United States seeks to contain or encircle China and whether the United States worries that reunification would fuel the rise of China.

Moreover, the existence of two different political and values systems – the authoritarian one-Party system in the PRC and the liberal democratic model in the United States and Taiwan – further complicates the issue.

## **POLICY RECOMMENDATIONS**

All three sides at the conference made policy recommendations. Most of the U.S. participants agreed with most of the policy recommendations which follow. In other words, these recommendations represent something of a consensus among the Americans. Obviously participants from the PRC and Taiwan did not agree with some of the policy recommendations and there was no effort to achieve a consensus among all three sides.

The PRC should:

- Make an early symbolic gesture on international space for Taiwan.
- Respond positively to Taipei's call for a diplomatic truce.
- Show unilateral restraint on military exercises, missile deployments, and other military capabilities in the Taiwan Strait.
- Treat Taiwan with dignity and warmth at the Olympics and beyond.
- Deal primarily with official representatives of Ma's government, i.e. SEF, and not partake in united front tactics by going around Ma and dealing with other KMT factions.
- Treat Taiwan investors on the Mainland fairly and encourage Chinese tourism to Taiwan.
- Not allow any U.S. arms sales to Taiwan interfere with progress in cross-Strait relations or with the positive momentum in U.S.-PRC relations.

Taiwan should:

- Consult closely with the United States on cross-Strait and related issues. There should be no surprises.
- Make clear that it wants the 2001 arms package and the F-16s.
- Seek a broad domestic consensus across Taiwan's political spectrum in favor of a cross-Strait accommodation.
- In the DPP case, the DPP should behave like a responsible opposition party and support cross-Strait policies that are in Taiwan's national interest.

For Taiwan and the PRC:

- The two sides should implement and quicken the pace on economic agreements already agreed upon, such as direct flights, tourism, and investment.
- The two sides should launch a process for more intensive dialogue on key issues. SEF and ARATS should establish sub-committees to deal on a regular basis with such issues as a Peace Accord, military confidence-building measures, international space, etc. There should be regular meetings of these sub-committees and in-depth discussions.
- SEF and ARATS should set up liaison offices in each others capitals.

The United States should:

- Make unequivocally clear its support for cross-Strait reconciliation and its willingness to accept any long term resolution so long as it is peaceful and reflects the will of the people. This should be made clear in order to offset those in Chinese think tanks and officialdom who suggest that the new "troublemaker" in the cross-Strait issue will be the United States. In this view, the United States opposes any reconciliation between China and Taiwan because it sees strategic value in permanently separating Taiwan from the Mainland.
- Continue its policy of deterring provocative steps from both sides and any unilateral actions designed to change the status quo.
- Encourage the broadening of dialogue between the two sides without taking sides on possible formulas.
- Continue its strong support for more international space for Taiwan in international organizations.

- The Bush Administration should brief both presidential candidates on cross-Strait relations and encourage the next U.S. Administration to provide appropriate signals at the outset to both sides.
- Go ahead with the arms package for Taiwan that has been agreed upon since 2001. The question of arms sales should be resolved in this Administration and should not be left for the next President. The Administration should also positively consider the sale of F-16s which are not part of the original package of eight items that needs to be notified to Congress this year. Taiwan's existing fighter planes are aging and new fighter aircraft are necessary to maintain the military balance and provide Taiwan with leverage for a political dialogue with China. In order for Taiwan to move forward with the Mainland from a position of confidence, it needs sound ties with the United States. Although China will protest, President Bush has gained credibility with China. Such protests would not harm the basic trend of much improved U.S.-PRC relations.
- Begin a dialogue with the PRC concerning strategic mistrust that exists between them concerning the Taiwan Strait issue. Any such discussion with the PRC needs to be closely coordinated with Taiwan.

## CONCLUSION

There is now a window of opportunity to move forward on cross-Strait relations with the goal of long-term stabilization. However, this window will not remain open indefinitely. With encouragement from the U.S. for this process, there is a need for China and Taiwan to move forward positively and as rapidly as possible.

If Ma's overtures to the PRC are not soon reciprocated, he will lose the moderates in Taiwan and the window of opportunity will close. Similarly, if Hu Jintao cannot demonstrate that he is protecting key Chinese principles, such as sovereignty, his more forward-leaning position will be endangered.

The two sides are off to a good start, but it is only the beginning. Each side should remember that they have embarked on a long and complicated process of re-engagement. By its nature, this re-engagement process must be gradual and interactive. Over the last fifteen years, mutual trust and shared understanding between the two sides have declined seriously.

Further progress will come not through some "Grand Bargain," but as a result of a gradual, step-by-step process where each side's initiatives do not entail substantial risk and the other's positive response encourages momentum. Close consultation between the two sides in advance of such initiatives is a key to facilitating the process.

The current interactive process will succeed if Beijing and Taipei agree, at least informally, on the two sides' intermediate goal. Having a common objective gives the two sides reassurance, focus and a sense of purpose. Clearly, the goal is not reunification. President Ma has made clear that this is not on the agenda during his Administration. However, it may be possible

for the two sides to agree on the intermediate term goal already mentioned by Hu Jintao at the 17<sup>th</sup> Party Congress, i.e. putting an end to the formal state of hostility.

Other formulations are also possible. What is most important is that each side needs to respect the core interests of the other. Taiwan will seek to preserve its claim that the ROC is already a sovereign state, even as it refrains from doing so in a provocative way. Meanwhile, the PRC will need to hold out reunification as a goal, albeit a long term goal. It was encouraging that, at the Honolulu conference, PRC participants identified various stages of a cross-strait reconciliation and recognized unification was the final stage.

Major and permanent reductions in cross-Strait tensions strongly serve U.S. interests. They would help to reduce the strategic mistrust that has often characterized the U.S.-PRC relationship. As a result, the U.S. and the PRC, despite their continuing differences over trade, human rights and other sensitive issues, could enter a period of enhanced cooperation on their many common interests. At the same time, there will be an opportunity for the United States to develop a more stable and surprise-free relationship with Taiwan. The result, if properly managed, could produce a win-win situation for all three sides.