



## **“CROSS-STRAIT RELATIONS: CAUTIOUS OPTIMISM”**

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

#### **A TRILATERAL CONFERENCE SPONSORED BY THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY (NCAFP)**

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#### **INTRODUCTION**

The National Committee on American Foreign Policy (NCAFP) sponsored a conference on the prospects for relations across the Taiwan Strait in New York on January 13-14, 2009. 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.)

The dominant theme in the two-day meeting was a note of cautious optimism about the prospects for cross-Strait relations. But there were also a number of cautionary notes. The report is divided into several sections: the case for optimism, the reasons for caution, perspectives from the three sides, and a conclusion.

The report draws extensively on comments made by American, Chinese, and Taiwan participants at the conference in New York; but it is not a consensus document. Not all participants agreed with all the findings or recommendations.

#### **THE CASE FOR OPTIMISM**

Cross-Strait relations are now more stable and promising than they have been for decades and perhaps since 1949. 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.

Among the reasons for optimism are the following:

- Both sides, China and Taiwan, see and are determined to use the window of opportunity created by the rapid improvement in cross-Strait ties since ROC President Ma Ying-jeou's inauguration on May 20, 2008. As Dennis Wilder, Senior Director for Asian Affairs at the U.S. National Security Council, said recently: "We have seen over the last few months a huge reduction in tensions across the Taiwan Strait."
- Significant progress has been made on many aspects of cross-Strait relations, primarily in economic and functional issues. In November, 2008, Taipei and Beijing signed four agreements, including the expansion of shipping services, postal and direct air links, a realization of the "three direct links."
- Negotiations between the two sides have resumed at various levels which include the two quasi-official governmental bodies designated to deal with cross-Strait relations – Taiwan's Straits Exchange Foundation (SEF) and the PRC's Association for Relations across the Taiwan Strait (ARATS). In addition, there have been important party to party meetings between the Chinese Communist Party (CCP) and the ruling party in Taiwan, the Kuomintang (KMT).
- There have also been important exchanges of visits and meetings between very high ranking leaders on each side. The mainland's top Taiwan negotiator, Chen Yunlin, has visited Taiwan and former Taiwan Vice President Lien Chan was the highest ranking representative ever to attend a meeting of the Asia-Pacific Economic Cooperation (APEC) summit, an annual gathering which brings together the top leaders from all over the Asia-Pacific region. At that meeting in November, 2008, Lien met with mainland Chinese leader Hu Jintao ahead of the summit's opening. This was an unprecedented cross-Strait exchange on the international stage.
- The two sides have been able to finesse the vexing sovereignty issue by agreeing to the so-called (ambiguous) "1992 consensus." Beijing interprets that "consensus" as the equivalent of Taiwan's acceptance of the PRC's "one China" formula, the mainland's precondition for dialogue on cross-Strait relations. For its part, Taipei defines the "1992 consensus" as "one China with different interpretations." Taipei's interpretation is that the mainland considers the PRC to be the "one China" while Taipei considers the Republic of China on Taiwan (ROC) to be the "one China." While Taipei consistently refers to the formula as "one China with different interpretations" the mainland usually omits the "different interpretations" part of the formula. One wag has called this an agreement on "one consensus, no interpretation."

- Under President Hu Jintao, the PRC has adopted a much more flexible policy on cross-Strait relations which stresses “peace and development” – rather than reunification – as the main theme of cross-Strait relations. Although the mainland has not given up on its long range goal of reunification, it seems, at least for the time being, to accept the status quo of a *de facto* independent Taiwan so long as that Taiwan pays lip service to the “one China” formula. The mainland’s primary goal in recent years has been to prevent Taiwan’s move towards *de jure* independence rather than to achieve early reunification which, it understands, is not a realistic goal. President Hu made an important speech at year end which, according to one experienced cross-strait watcher “seemed to reflect flexibility in responding to the strong desire in Taiwan for international space and (he) also presented other ideas for progress.” (See Alan D. Romberg, “Cross-Strait Relations: Ascend the Heights and Take a Long-term Perspective,” China Leadership Monitor, no. 27.)
- Some kind of agreement on one of Taiwan’s principal demands – i.e. for “international space” and a “diplomatic ceasefire first” – seems achievable. Taiwan has sought to enter the World Health Organization (WHO) as an observer and negotiations between the two sides on this issue now seem to be going on. There also appears to have been some agreement between the two sides on a “diplomatic truce,” i.e. a cessation of competition for international recognition. Taiwan continues to be recognized by 23 countries and the mainland appears to have dropped efforts to persuade some of these 23 to switch recognition to the PRC.
- The United States now seems to have a Taiwanese partner which recognizes U.S. interests in the wider Asia-Pacific region, including a strong U.S. interest in maintaining a wide range of cooperative relations with China. Taiwan under President Ma now seems prepared to come to terms with the reality of a rising China.
- Finally, and perhaps most important, the creation of a positive sum relationship among all three sides – the U.S., PRC and Taiwan – is likely to be encouraged by the new Obama administration and seems quite achievable. U.S. relations with China are now more stable than they have been for decades. The PRC and Taiwan are rapidly improving relations. And the U.S. and Taiwan are moving to repair a relationship that was badly strained during the eight years of rule by the former President Chen Shui-bian.

## THE CASE FOR CAUTION

While there are many reasons for some optimism about the future of cross-Strait relations, there is also a case for caution.

- Most of the progress so far has been made between the PRC and Taiwan on the easier economic issues. The more difficult issues relating to “international space” and security remain. There is, for example, no indication that the PRC is planning to freeze or reduce the number of its missiles opposite Taiwan even though Taiwan’s President Ma has repeatedly called for such an initiative. And the PRC continues to warn the United States not to sell more arms to Taiwan even though the U.S. counters that its arms sales are needed to counter the PRC military buildup opposite Taiwan. Recent U.S. arms sales to Taiwan in the last months of the Bush Administration were well received in Taiwan but Beijing had a harsh rhetorical response and suspended U.S.-PRC military to military exchanges.
- Despite the progress of recent months, mutual mistrust between Beijing and Taipei remains. The opposition Democratic Progressive Party (DPP) on Taiwan is suspicious that President Ma is too accommodating to Beijing and is sacrificing Taiwan’s sovereignty in the process of negotiation. On the mainland, there are signs of a hard-line opposition to Hu Jintao’s greater pragmatism on cross-Strait relations. This opposition fears that in the process of reaching short term agreements with Ma, the PRC will accept “two China’s” or “one China, one Taiwan,” despite its longstanding rejection of such a formula, and that would legitimize Taiwan’s *de facto* sovereignty.
- Related to the above, recent advances in cross-Strait relations have sharpened the divide between the KMT government in Taiwan and the DPP opposition. The PRC is extremely wary of this divide. It fears that if it makes too many concessions to Ma, it could at some point in the future be faced with a DPP government that would exploit those concessions to pursue its goal of independence.
- Finally, and perhaps most important, there will be great difficulties ahead in developing a positive sum triangle involving the United States, China and Taiwan because some on all three sides will be very suspicious of closer relations between the other two. Although the U.S. seeks to reassure Beijing that its efforts to repair relations with the Ma government are simply an effort to return to a normal relationship after the troubled relationship with Chen Shui-bian, many in China will see U.S. efforts to strengthen its ties with the Ma government as part of a U.S. effort to permanently detach Taiwan from the mainland. Similarly, many in Taiwan, particularly those in the opposition, will see closer U.S.-PRC ties as a threat to Taiwan’s security. And, by the same token, some in the U.S (and Japan) are bound to see close ties between China and Taiwan as a threat to U.S. interests.

## **TAIWAN PERSPECTIVES**

A Taiwanese participant, reflecting the official government position, as opposed to that of the opposition, sounded a note of cautious optimism. He divided his presentation into four parts: Taiwan's "flexible diplomacy" under President Ma; U.S.-Taiwan relations since Ma's inauguration on May 20, 2008; cross-Strait relations since May 20; and the importance of U.S.-China-Taiwan triangular relations.

The concept of "flexible diplomacy" means a "pragmatic" approach to cross-Strait relations in which Taiwan will end the counterproductive competition between mainland China and Taiwan for diplomatic allies and seek to bring about a "win-win situation" in which both sides of the Strait pursue coexistence and cooperation. It also means "proactive diplomacy" in which Taiwan will strengthen relations with diplomatic allies, upgrade the level of contacts with major countries in the region, integrate Taiwan further in the Asia-Pacific economic sphere, and expand participation in functional and specialized international organizations. Finally, it means a focus on relations with Southeast Asia and, specifically, the Association of Southeast Asian Nations (ASEAN), which is already the tenth most important trading partner for Taiwan.

With regard to U.S.-Taiwan relations, Ma vowed in his inaugural address to strengthen these relations and, in a major speech last August, Ma announced that he will pursue a "surprise-free relationship with the U.S." Taiwan will also seek to restore mutual trust and close interaction.

On cross-Strait relations since Ma took power, the speaker said that Taiwan would continue its emphasis on the "three no's" – no unification, no independence and no use of force, i.e. maintaining the status quo. Taiwan also accepts the need for an incremental approach to cross-Strait relations in which the "three links" and economic issues come first, and the more sensitive political issues come later. Taiwan is already developing more institutionalized consultations and dialogues with the mainland and expects more mutual trust and confidence-building as a result.

Finally, after almost a decade of unstable triangular relations, U.S.-China-Taiwan relations have gradually shifted back to more stability. A stable triangular relationship is indispensable for the entire region.

Another Taiwanese participant framed the cross-Strait issue as having ramifications at three separate levels: the international level, the regional level and the domestic level. Unless there is understanding and an attention to detail concerning how Ma's cross-Strait policies affect each of these "different" constituencies, the nascent optimism currently felt could be quelled fairly quickly.

A Taiwanese participant from the opposition DPP party offered a more pessimistic assessment. He said that the recent visit to Taiwan by the PRC's top Taiwan official, Chen Yunlin, had generated anxiety and division and there were violent clashes. The DPP remained pessimistic for a variety of reasons. On the trade and economic front,

closer economic ties with the mainland have not improved Taiwan's economy. On the contrary, there is growing unemployment. Though to be fair, the participant conceded that the current financial crisis was not helping matters any. On the security front, there is a lack of transparency in the dialogue between SEF and ARATS. On the diplomatic front, Ma's more flexible diplomacy has so far produced no results in getting Taiwan more international space. And on the domestic front, there is a political witch hunt directed against the former president. Finally, although China's leader Hu Jintao, in a recent statement, calls for dialogue with the DPP, the call is premised on reunification as the one and only goal and is therefore completely unsatisfactory to the opposition. Taiwan's sovereignty belongs to the people of Taiwan and China does not understand the sentiment of the Taiwanese people. The DPP would welcome a dialogue with the PRC but there must be no precondition.

### **PRC PERSPECTIVES**

There was much discussion by the PRC participants of Hu Jintao's December 31, 2008 speech on cross-Strait relations. In that speech, Hu outlined six principles. First, he stressed again the importance of the "one-China principle." But he seemed to give this principle a new twist by saying: "For the two sides of the Strait to return to unity will not be the re-creation of sovereignty and territory, but an end to political antagonism. When the two sides of the Strait develop a common understanding and united position on safeguarding the one-China framework, which is an issue of principle, it will form a cornerstone on which to build political trust and anything can be discussed." This appeared to be a novel statement implying that "an end to political antagonism" is now the key to cross-Strait relations.

Second, Hu said it was necessary to advance economic cooperation and promote common development in order to cultivate common interests, form close ties and achieve a mutually beneficial "win-win situation." (This phraseology, the need to create a "win-win situation", is now being used both by Beijing and Taipei.)

Third, Hu called for an increase of cultural exchanges, especially youth exchanges, between the two sides. And he said that the PRC was ready to negotiate an agreement on cross-Strait cultural and educational exchange in order to take these exchanges to a "new level."

Fourth, Hu called for increased exchanges with both the KMT and the DPP. In the case of the KMT, it was necessary to find ways to implement the "Common Vision for Cross-Strait Peaceful Development" which had been agreed to in 2005. In the case of the DPP, Hu said that if the DPP were to change its "Taiwan independence" and "separatist" position, the PRC was willing to make a positive response.

Fifth, regarding the issue of "international space", which has been a key point of contention between the two sides, Hu said that "regarding the issue of Taiwan's participating in the activities of international organizations, fair and reasonable

arrangements can be made through pragmatic consultation between the two sides, provided that this does not give rise to ‘two Chinas’ or ‘one China and one Taiwan’”. This phraseology seemed to open the door to compromise between the two sides on the basis of consultation.

Sixth, on another issue of contention between the two sides, the security situation, Hu called for the two sides to “in due course, engage and exchange with each other on military issues and hold exploratory discussions on the issue of establishing a mechanism for mutual trust for military security.” This seemed to open the door to military to military exchanges and confidence-building measures that have long been called for by outside analysts.

Finally, throughout the speech, there were many references to the theme of “peaceful development” of cross-Strait relations as a means for ensuring “peaceful reunification.” And, significantly, Hu urged his PRC audience to “take the long view” while carefully considering and solving “in a pragmatic manner” the major issues concerning the development of cross-Strait relations.

There was much discussion of Hu’s speech by the PRC participants. Several of these participants argued that Hu’s speech represented a new and more flexible line on cross-Strait relations which accepted the status quo. For example, one PRC participant said that it was new for a Chinese leader to speak publicly about the possibility of compromise on international space and on military confidence-building measures. Also, the stress on peaceful development represented a sharp departure from Jiang Zemin’s emphasis on reunification, sometimes with a timetable for reunification. The same PRC participant observed that although the PRC does not agree with Ma’s “three no’s” formulation – no independence, no unification, no use of force – the PRC has never openly criticized Ma for that formulation. This, he argued, was another example of the PRC’s willingness to accept the status quo and of its desire to find common ground with Taiwan.

A second PRC participant also contended that Hu’s speech represented an acceptance of the cross-Strait status quo. He argued, too, that Hu had advanced a new definition of reunification – not a “recreation of sovereignty” but an “end to political antagonism.”

Several of the PRC participants argued that although the mainland had not given up on reunification, the idea of reunification remains a long range goal. What is new in the Hu Jintao approach, they contended, is the search for common ground, the acceptance of the status quo, and the acceptance of the “92 consensus” formula as a way of finessing the “one China” issue. As one PRC participant put it, the mainland is now ready to be flexible on military CBMs, international space and a peace agreement. And China is now responding constructively to Taiwan’s concerns.

Several of the U.S. participants present registered some doubt about how much was new in Hu’s speech. They regarded the speech as old wine in new bottles. However,

as already indicated, one veteran U.S. cross-Strait watcher, who was not at the meeting, agreed that Hu's speech was significant and reflected greater flexibility. (See Romberg, *China Leadership Monitor*, No. 27)

## **U.S. PERSPECTIVES**

An American participant made a series of observations on the current state of cross-Strait relations. First, the U.S. welcomes progress in cross-Strait relations and has always seen an absence of dialogue between the two sides as dangerous. Second, U.S. weapons sales to Taiwan will continue so long as the PRC poses a military threat to Taiwan's security. In this same vein, though the participant recognized that mainland China may feel compelled to continue to protest these arms sales, his hope would be that the rhythm of protest could become more pro forma. Third, the essence of the dispute is over sovereignty and the "1992 Agreement" was a "brilliant way" to finesse the sovereignty issue. Fourth, the PRC must understand that, for historical and other reasons, there remains a strong sense of "Taiwan identity" on the island. Fifth, the issue of reunification is a long range issue but many Americans understand that for mainland leaders, keeping the political myth of reunification alive is critical for domestic political reasons. Sixth, the PRC must also understand the importance to the U.S. of its relationship with Taiwan. Taiwan is the ninth largest U.S. trade partner, the sixth largest market for its agricultural exports. Silicon Valley and Taiwan are bound together in a global supply chain. There are 36,000 Taiwanese students in the U.S. which makes Taiwan second only to South Korea. And there will soon be agreement on a visa waiver which will bring the U.S. and Taiwan even closer. The American participant also said that he expected the Obama Administration to approve resumption of Cabinet level visits to Taiwan that had been suspended during the Chen Shui-bian administration. Finally, the American participant said that the incoming U.S. administration will have a number of key people with deep knowledge of the cross-Strait realities.

Another U.S. participant agreed with the preceding observations and added that the medium term goal should be to consolidate the stability of cross-Strait relations. China, he said, needs to make Taiwan feel secure.

Also several U.S. participants observed that a key difference that marked the current situation and distinguished it from that of the past eight years is that the new president of Taiwan will not be oblivious to U.S. regional interests and, especially, to the U.S. desire to have a cooperative and stable relationship with the PRC. As one participant stated, Ma is not trying to gratuitously score points or do things just for show or for domestic political support.

However another American participant cautioned that the current, more positive trend in cross-Strait relations is not irreversible. There could be setbacks. Therefore, none of the three sides of the triangle should relax; there should be continued and concerted efforts made to sustain this process. The same participant went on to say that the U.S. should consider the impact of our policies in the region and should seek to avert a

negative impact. However, this can't be our only consideration. U.S. foreign policy will not be dictated by either Taipei or Beijing.

On Taiwan's domestic front, an American participant cautioned that extreme partisanship is detrimental to foreign policy and from an historic perspective, many of the more creative and effective policies which have been developed were bipartisan in nature. Therefore, bitter partisanship between the KMT and DPP is to Taiwan's detriment.

## CONCLUSIONS

One idea which underpinned many of the discussions over the course of the two days was the idea of the importance of ambiguity. Ambiguity, as it turns out, can be a very valuable commodity when thinking about cross-Strait relations. The so-called "1992 consensus," for example, which has enabled both sides of the strait to renew their dialogue, is based on each side being able to interpret the consensus in its own way. Also, Ma's new formula of mutual non-denial instead of mutual denial has never been accepted publicly by the mainland. But it has also never been rejected. This enables Taiwan to claim that the PRC does not deny the existence of the ROC.

In terms of what should be done moving forward, especially in light of the new Obama administration, one participant had the following equation: mainland China should "do more"; the U.S. should "do smartly"; and Taiwan should "build consensus." If each leg of the triangle follows these instructions, the positive sum relationship which so many are desirous of may come to fruition.

Finally, one of the U.S. participants made clear that the core of the problem before Ma Ying-jeou took office was that the leaders on each side came to believe increasingly that the other side threatened its fundamental interests. The situation now is that there is a possibility that the two sides can create an environment for cross-Strait relations that allows the two sides to coexist without mutual fear and to maximize the opportunities for cooperation. In order to create such a condition of stability, each side must continually reassure the other that it does not intend to challenge the fundamental interests of the other.