



National Committee on American Foreign Policy

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Northeast Asia Projects

Summary of the Third Roundtable on U.S.-China Policy and Cross-Strait Relations

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The July 1998 Roundtable on U.S.-China Policy and Cross-Strait Relations was the third in a projected series of five meetings sponsored by the National Committee on American Foreign Policy. The July meeting was attended by scholars from the United States, the People's Republic of China (PRC), and Taiwan. During the two-day Roundtable, the participants entered into candid talks about Cross-Strait issues. A summary of those discussions follows, according to the topics listed below:

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A. Recent Background

1. Since 1997 the situation in the Taiwan Strait has become more relaxed, and Cross-Strait relations have been moving in a positive direction. The turn for the better was greatly facilitated by the reciprocal state visits of President Jiang Zemin to Washington (October 26-November 3, 1997) and President William J. Clinton to China (June 25-July 3, 1998).
2. The vice chairman of the PRC's Association for Relations Across the Taiwan Strait (ARATS) and the deputy secretary general of Taiwan's Strait Exchange Foundation (SEF) met in Beijing on May 23, 1998, and the two leaders of these semiofficial organizations, Wang Daohan and Koo Chenfu, have agreed to meet in the fall of 1998 in Beijing to prepare for the resumption of the Wang-Koo talks that were broken off in 1995.
3. There also have been several positive political developments. The proindependence Democratic Progressive party (DPP) of Taiwan has been shifting away from its emphasis on independence. The DPP now says that Taiwan has no need to declare *de jure* independence and that there will be a referendum on independence only if Taiwan is threatened with force by the PRC. The DPP is also moving closer to the ruling Kuomintang (KMT) party by taking the position that Taiwan should pursue actively neither unification nor independence but instead the protection of Taiwan's status quo. The PRC, for its part, may become more flexible in its interpretation of "one China," is becoming more confident that the international environment for its relations with Taiwan is becoming more favorable, and is in no rush for unification. Also, in mid-May 1998, the Chinese Communist party (CCP) held an important



conference regarding Taiwan. It inaugurated a renewed drive to expand all forms of Cross-Strait interchange, especially economic relations.

B. Recent Taiwanese Perspectives

1. One Taiwanese participant, who reflects the Republic of China (ROC) government position, said that President Clinton's public statements in China on the "three no's"--no independence, no two Chinas, and no one China, one Taiwan--and no membership in any international organization for which statehood is required would have a destabilizing effect on Cross-Strait relations and had significantly weakened Taiwan's bargaining power. Whereas the PRC retains the "card" of using force against Taiwan, Taiwan has lost its "card" of establishing sovereignty.
2. Another Taiwanese participant, who also reflects the views of the government, said that although the government is against the "independence approach" for Taiwan, it especially regrets the U.S. endorsement of the view that Taiwan is not to enter into intergovernmental organizations. This, he said, violates a promise made by the United States in 1994 to help Taiwan gain entry in such organizations. An American participant close to the U.S. government said that the United States would accept any formula for Taiwan's membership in intergovernmental organizations that the two sides work out jointly.
3. Another Taiwanese participant said that the responses from Taiwan to President Clinton's summit in China depended on the political orientation of the Taiwanese observers. The KMT government was clearly upset, and some government officials said that the "three-no's" statement damaged Taiwan's interests. Of all the political parties in Taiwan, he stated, the DPP was by far the most disturbed by Clinton's remarks because such high-level U.S. opposition to Taiwan's independence is a "deadly blow" to the DPP's long-held position. Next to the DPP, the KMT establishment was also troubled by Clinton's statement because during the past decade it has sought to dissociate itself gradually from the "one-China" policy and to move instead into a "staged two-China" policy, including reentry in the United Nations. On the other hand, those political leaders in Taiwan who still adhere to a "one-China" position, that is, the New party and the reform wing of the KMT, believe that Clinton's remarks actually helped them reject a separatist path for Taiwan. They question only Clinton's judgment in rejecting Taiwan's membership in state-oriented international organizations.
4. Another Taiwan participant said that the perception in Taiwan of the Clinton summit in China was that the PRC and the United States were the two winners and that Taiwan was the sole loser. This is bad for future developments because if there is progress to be made, all three sides must feel that they are winners. Consequently, the problem is how to reassure Taiwan that it has not been and will not be a loser as a result of the improvement in U.S.-China relations.
5. Another Taiwan participant close to the KMT government said that Taiwan has been in favor of resuming the Cross-Strait dialogue during the last two years but that it cannot go to the negotiating table under the PRC's "one-China" principle. The best solution would be to avoid preconditions and to allow the PRC and Taiwan to define the "one-China" principle separately.
6. A U.S. participant close to the U.S. government said that Taiwan unfortunately views the U.S.-China-Taiwan triangle as a zero-sum game in which Taiwan loses if the U.S.-PRC



relationship improves. This is a misperception and a parochial attitude. Allegations in Taiwan that Clinton's reassertion of the "three no's" was a change in U.S. policy damage Taiwan's own interest. No change occurred. Good U.S.-PRC relations benefit Taiwan and improve the prospects for stability in the Taiwan Strait. The same participant argued that Cross-Strait relations are now at a promising moment because of the improvement in U.S.-PRC relations and there are now prospects for real progress.

C. Recent PRC Perspectives

1. With the return of Hong Kong in July 1997 as well as the forthcoming return of Macao, the question of Taiwan is becoming prominent on China's political agenda.
2. In May 1998, the Central Committee of the CCP held a working conference on Taiwan affairs. Several results of the conference are noteworthy.
 - a. China continues to pursue the principle of "peaceful unification" under the "one-country, two-systems" formula. But the conference did not elaborate on China's conception of how to define "one China" and thus left the "door open" for further discussion of this issue.
 - b. China has worked out concrete steps to improve Cross-Strait relations. China has *de facto* recognized Taiwan's judicial decisions on civil cases and has taken further steps to protect Taiwanese investors on the mainland. More important, China has become more flexible in its definition of "one-China"; it has urged Taiwan to resume Cross-Strait talks; and it is now prepared to start procedural talks, as Taiwan has insisted, while deferring political dialogue.
 - c. China is paying greater attention to the people of Taiwan. It now has an increased understanding of the real situation in Taiwan and of the Taiwan people's reluctance to reunify with the mainland in the foreseeable future. China is in no rush for reunification and is ready to have a dialogue not only with the KMT government but with other political parties in Taiwan as well.
3. After having reached a better understanding with the United States as a result of the two summit meetings, China has become more confident that the international environment for its relations with Taiwan is favorable and that "more options" have opened up. In the period ahead, "China will become a softball rather than a hardball player." That is, it will become more flexible.
4. Stable and predictable China-U.S. relations favor stable and predictable Cross-Strait relations and vice versa. Since the 1995-1996 Taiwan Strait crisis, both China and the United States have come to a better understanding of each other's policies toward Taiwan. The two have reached a consensus on the importance of maintaining peace, stability, and the status quo in the Strait as well as the need for resuming the Cross-Strait dialogue.
5. To stabilize Cross-Strait relations it is important to check the independence tendency in Taiwan. The three PRC-U.S. communiqués and joint statements have built up a framework within which the three parties can interact without tipping the existing balance.
6. According to a PRC participant, it is unrealistic to expect that the United States will give up its "*de facto* two-Chinas" policy or its arms sales to Taiwan or that Taiwan will easily come



to terms with the mainland on the reunification issue. Therefore, we should expect difficulties and trouble in the future.

7. According to one PRC participant, there is a "big need" to clarify the PRC's "one-China" concept. On several occasions Wang Daohan has come up with some fresh ideas. He has said that "one China" could be neither the PRC, nor the ROC. Instead, "the Chinese people from the mainland, Taiwan, Hong Kong, and Macao should make joint efforts to create a new China." And both the PRC and Taiwan should respect each other's historical experiences, different ways of life, and different interests. When several participants from the United States questioned whether Wang Daohan's views on this critical matter were simply his views or the views of the entire Chinese leadership, the answer from the PRC participant was ambiguous.
8. A PRC participant noted that Taiwan's international position was deteriorating and said that the PRC's UN Mission was becoming more aggressive in promoting PRC relations with countries that have diplomatic relations with the ROC. He said that only after some agreement, no matter how ambiguous, had been reached on the "one-China principle" could Taiwan's membership in intergovernmental organizations be considered. A Taiwan participant suggested a "diplomatic cease-fire" and greater willingness on the part of the PRC to allow some expansion of Taiwan's "international space." An American participant recommended exploring ways in which Taiwan could participate in the International Monetary Fund (IMF) without attaining full membership as a state in order to help the IMF deal with the East Asian financial crisis. A PRC participant considered IMF participation for Taiwan to be difficult at present. But he recommended looking for a less controversial intergovernmental organization.

D. Recent Democratic Progressive Party Perspectives

1. In September 1995 then DPP Chairman Ming-te Shih announced in the United States that "the DPP need not and will not declare Taiwan independent if the DPP takes power." The phrase "need not... declare ... independent" implies that Taiwan is already independent and sovereign and hence need not declare it in order to be a new state. This differs from the past DPP position in which the party avowed its intention to pursue independence as its goal. Now the DPP is defending the status quo as opposed to breaking it by declaring independence.
2. The matter of Taiwanese independence is not simply a matter of domestic politics (which encourages caution on this issue), but it is one of international politics. The DPP will be responsible and responsive to international concerns, especially the attitudes of the United States and the PRC.
3. The DPP's shift to a defensive stance on Taiwan's independence has raised unprecedented debate within the party and has led to the formation of a radical splinter party, the Taiwan Independence party. Coupled with the KMT split in 1993, the DPP split in 1996 resulted in a four-party system in Taiwan: (1) the KMT; (2) the DPP; (3) the New party, a splinter from the KMT; and (4) the Taiwan Independence party, a splinter party from the DPP.
4. The DPP and the KMT are moving closer together toward a "historical compromise." They no longer pursue either national unification or independence. Instead, both agree that the protection of Taiwan's "status quo" is most important. In order to protect Taiwan's national interest, they need to compromise. Although the two parties still differ on Taiwan's degree of



"stateness" and the most appropriate name of the national entity, they agree that Taiwan is separate from the PRC in reality, and they have decided to stand together in defending Taiwan's status quo.

5. The DPP's shift from an aggressive pursuit of independence toward a defensive protection of the status quo has also led to a reconsideration of the time and use of a referendum or plebiscite. The DPP now agrees that a referendum should be initiated only if Taiwan is threatened.
6. The DPP's attitude toward China was the subject of an unprecedented three-day debate in February 1998. The debate showed that the DPP elite is split into two blocs: "liberals" and "realists." The "liberals" believe that the U.S. turn toward global partnership with China is forcing Taiwan to reconsider its cold-war role of being the "unsinkable aircraft carrier" and develop a new postcold-war strategic rationale. This new rationale should be that of an indispensable bridge between China and the world and the only example of Chinese democracy. According to DPP "liberals," Taiwan should cooperate with international forces to pressure China toward a peaceful evolution and help international business to elevate Taiwan's role as the regional hub in the Greater China Economic Sphere.
7. In contrast, DPP "realists" do not accept the new world order thesis. They believe that the U.S.-PRC partnership is more rhetorical than real, that the U.S.-China relationship is essentially a zero-sum relationship, and that as China grows stronger it will be propelled into a collision course with the United States on many fronts. Therefore, Taiwan need not panic over the so-called U.S.-China partnership.
8. Regarding Cross-Strait relations, DPP liberals argue that the United States is becoming an intermediary between China and Taiwan and is encouraging both sides to settle disputes via bilateral talks. They want Taiwan to become more flexible in the Cross-Strait dialogue and not risk being regarded as intransigent. In contrast, DPP realists believe that the United States remains cautious about Cross-Strait interactions and that it is not Taiwan, but China, because of its outdated "one-China" formula and its refusal to renounce the use of force against Taiwan, that should be blamed for the Cross-Strait deadlock.
9. Regarding Cross-Strait economic exchanges, DPP liberals want to lift the ban on direct economic links with China, whereas DPP realists look on the "three links" as the final bargaining chip in Taiwan's dealings with China.
10. Despite the irreconcilable differences between the two factions on many issues, the DPP has reached agreement on two basic tenets. First, Cross-Strait talks are necessary, and engagement with China is desirable provided that Taiwan's sovereignty is not negotiated away. Second, China is a growing market for Taiwan's business, and Taiwan needs to pay more attention to the needs of the Taiwan business community. But before deregulating Cross-Strait economic exchanges, Taiwan should upgrade its economy in order to reduce the possibility of later becoming too dependent on the China market.
11. On July 1, 1998, two days after President Clinton reiterated the "three no's" in Shanghai, the DPP Standing Committee issued a seven-point statement.
 1. Taiwan is already independent and sovereign.
 2. The DPP will be prudent in making a decision to initiate a referendum.



3. The DPP will continue to promote Taiwan's objective of joining the UN, but it understands that this is a long-term goal.
4. Since Taiwan is not a part of the PRC, the "one-China, two- systems" approach is not appropriate for Taiwan.
5. To cope with new international realities, the DPP believes that all political parties should work together to achieve a national consensus on China policy.
6. The DPP will encourage multifaceted relations with China at all levels.
7. The DPP will also encourage multifaceted exchanges with the United States at all levels.

E. Recent U. S. Perspectives

1. While visiting Shanghai in late June 1998, President Clinton said: "We don't support independence for Taiwan; or one Taiwan, one China. And we don't believe that Taiwan should be a member in any organization for which statehood is a requirement." This statement was made after intense lobbying by Taiwan-associated representatives in Washington who tried to head off such a declaration and after intense pressure by Beijing who tried to secure a joint statement, preferably in writing. Thus what the president said represented a compromise.
2. While in China the president also reiterated the absolute core objective of American policy: the peaceful resolution of the Cross-Strait situation. To quote his formulation, "it has to be done peacefully."
3. The president's remarks concerning Taiwan were made against the background of a private visit by former Defense Secretary William Perry to the PRC, Hong Kong, and Taiwan in January 1998. Although each member of the Perry group had distinct views, there was an essential consensus on four points: (1) It is in U.S. interests for Cross-Strait discussions to resume, and to this end the United States hopes that both sides will be more flexible; (2) the United States remains committed to a peaceful resolution of Cross-Strait problems and will accept any outcome freely arrived at by both sides; unprovoked coercion across the Strait would precipitate a serious U.S. response; (3) it was the Perry group's impression that Beijing is prepared to resume talks on approximately the same basis on which they had started at the senior level in 1993 (and ended in 1995); (4) everyone on Taiwan, particularly the DPP, should understand that sending U.S. aircraft carriers to the seas off Taiwan in March 1996 was not intended to constitute a blank security check for Taipei to engage in behavior that would destabilize the situation and draw in the United States unnecessarily; the people of Taiwan should consider United States interests as well as their own.
4. A principal factor behind both the Clinton statement on the "three no's" and the Perry initiative is the learning experience that the United States derived from the 1995-1996 Taiwan Strait confrontation. Many academics, members of Congress, and some key policy players concluded that events could easily spin out of control in the Taiwan Strait. There was also lingering resentment that Taiwan had not been very mindful of American interests in the first half of 1995. Taipei went around the administration and played the Congress card in obtaining a visa for President Lee Teng-hui and did not observe the guidelines that Washington thought would be observed during President Lee's stay in upstate New York. Put



bluntly, the administration was pushed down a road it preferred not to have traveled in 1995. The sense of festering resentment fed into an increasing sense of danger.

5. Despite the Clinton statement in China, the essential elements of U.S. policy on Cross-Strait relations remain the same: (1) There is one China of which Taiwan is a part; (2) there should be a peaceful resolution of outstanding differences, and the United States will respect any resolution that is freely and peacefully arrived at; (3) the United States will have unofficial relations with the people of Taiwan, and American law--namely, the Taiwan Relations Act (TRA)--obligates the U.S. government to make defensive weapons available to Taiwan.
6. One American participant said that he believes it is in the U.S. interests to have the PRC and Taiwan open many avenues of engagement, including economic activity; more direct and frequent transport; travel and communications, and to increase efforts to achieve a formula for Taiwan's participation in international organizations. Also, it would be desirable for the top leaders on either side of the Strait visit the other side.
7. Another U.S. participant noted that during his China visit, President Clinton did not give in to the most extensive Chinese set of demands. There was no fourth communiqué, no joint statement, no agreement on a timetable for reducing arms sales to Taiwan, and no commitment about whether the United States will eventually provide theater missile defense to Taiwan. Also, the president cited the TRA directly while in China, the first time that this had been done.

F. Cross-Strait Economic Relations

1. There has been a rapid expansion of economic links between Taiwan and mainland China since the government of Taiwan authorized Cross-Strait travel in 1987. There are approximately 40,000 Taiwanese factories in China, and during the last ten years, Taiwan has become the second largest investor on the mainland. One reason relates to the size and very rapid growth of China's economy. The second reason for growing economic interaction stems from the fact that the two economies complement each other. The PRC has a huge market less expensive land than Taiwan, and plentiful cheap labor. Taiwan has capital, technology, managerial skills, and marketing experience. A third factor is cultural--the familiarity of Taiwanese businessmen with the mainland's language and customs, which gives them a big advantage over business people from other countries.
2. The growing economic interaction has political implications. For the PRC, trade and investment build links between Taiwan and the mainland and thereby help to check the drift toward independence by creating a business constituency in Taiwan that supports close relations with the PRC. For its part, the Taiwan government fears that Taiwan may become too dependent on the mainland. But others in Taiwan hope that in the long run the Taiwan connection will further the role of market forces in the mainland economy and encourage a trend toward social change, political reform, and democratization.
3. In mid-May 1998 the Chinese Communist party held an important conference regarding Taiwan. It inaugurated a renewed drive to expand all forms of Cross-Strait interchange. A central feature of the new campaign centered on promoting the expansion of Cross-Strait economic relations. Work on formulating detailed regulations for protecting Taiwanese investors is continuing.



4. Taiwan still prohibits investments of more than \$50 million in single projects on the mainland. Also, it prohibits investment in infrastructure projects on the mainland in accordance with President Lee Teng-hui's "avoid haste, be patient" policy enunciated in August 1996. Pressures from Taiwanese business interests to ease restrictions on Cross-Strait economic relations are strong, however, and in April 1997 the Taiwan government opened a transshipment point in Kaohsiung to handle shipments to and from Xiamen and Fuzhou. In March 1998 another route was opened between Shanghai and Keelung. Many of Taiwan's largest companies have established important footholds in mainland China. One of them, Ting Shin, seeks to become the largest food distributor among the world's Chinese population. Taiwan's leading motorcycle manufacturer, the Kang Yang Motor Company, has invested in four joint ventures on the mainland. Taiwan's largest computer company has arranged to assemble and distribute its basic computer on the mainland. Although the bulk of economic cooperation across the Strait is carried out by Taiwan's private firms, in July 1996 two government-owned oil companies, one in China and one in Taiwan, signed an agreement to explore jointly for oil in the South China Sea.

G. Looking Ahead

1. The participants at the Roundtable agreed that there are several keys to further progress in Cross-Strait relations. First, there needs to be progress on a number of "small steps" that would eliminate mutual mistrust and increase confidence. These include steps such as
 - a. encouraging think tanks in the PRC, Hong Kong, and Taiwan to engage in open- or closed-door conferences and research projects to study various policy options
 - b. promoting cooperative projects in the fields of economics, science, and technology
 - c. increasing the number of exchanges at the ministerial level; the recent visit to Taiwan by the PRC minister of science and technology, Zhu Lilan, with a 14-member delegation, is a step in the right direction.
 - d. relaxing restrictions on Cross-Strait trade, investment, tourism, and cultural and scientific exchanges in order to pave the way for direct air linkage between Taiwan and the PRC
 - e. directing the two militaries to study military confidence-building measures to reduce the chances of accidental conflict; the possibility of installing a "hot line" should be considered.
2. A second important step toward improving Cross-Strait relations would be for the two sides to increase their interactions on problems of a nonpolitical nature such as environmental degradation, population issues, and the use of resources. They should be encouraged to come up with concrete proposals to address common concerns.
3. The two sides should explore the concept of "one China" and seek to resolve their differences.
4. Some American participants stated that both sides need to be more flexible on some of the basic issues. The PRC needs to state clearly whether Wang Daohan's formulations on one China represent the official PRC position. Taiwan needs to relax some of its restrictions on



trade and investment and demonstrate a willingness to enter into political as well as technical talks with the mainland.

5. The two sides agreed on the value of a gradualist approach to improving Cross-Strait relations, but a PRC participant said that he wanted greater assurance from Taiwan that the ultimate goal of the process is unification.

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