



## **U.S.-PRC and Cross-Strait Relations in President Ma's Second Term: A Trilateral Conference**

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**By Donald S. Zagoria**

The NCAFP hosted its annual trilateral conference on U.S.-PRC and cross-strait relations in New York on January 15-16, 2013 with an influential group of participants from all three sides – the United States, mainland China and Taiwan. (A list of participants is included in this report.)

The following report is divided into several sections: a summary; cross-Strait developments, U.S.-PRC relations, U.S.-Taiwan relations, and future prospects.

### **Summary**

There was a consensus that cross-Strait relations are relatively stable after the conclusion of 18 bilateral agreements. Also cross-Strait dialogue has become routinized and institutionalized during President Ma Ying-jeou's first term. No crisis in cross-Strait relations seems likely for the remaining three years of Ma's second term. But the momentum in cross-Strait relations is slowing because the two sides continue to have different long-range political goals and there is no consensus either on the Mainland or in Taiwan on how to deal with fundamental political and security issues.

U.S. relations with Taiwan have flourished in recent years. There are now regular consultations at many levels, renewed senior-level visits to Taiwan, expanded travel as a

result of the visa waiver, and closer military-to- military relations. Economic relations will also grow now that the beef issue has been resolved.

Both the American and PRC sides see a mixed U.S.-China relationship that includes elements both of cooperation and competition. The relationship continues to be marred by mutual suspicions and a lack of trust. There was agreement that tensions are rising in Asia because of maritime and territorial disputes but there were different perceptions between the U.S. and PRC side as to who is responsible for these tensions.

The lack of trust between the United States and the PRC, a very serious issue, should be addressed on two levels. First, both sides agreed that there should be an early summit between the two leaders. But there also needs to be cooperation on a series of global, regional and bilateral issues and both the United States and the PRC should actively seek out specific areas where they can establish a track record of cooperation.

One piece of good news is that the bilateral military relationship has picked up some momentum in the past year and is becoming more productive even though it remains fragile.

## **Cross-Strait Developments**

Participants from the Mainland and Taiwan agreed that cross-Strait relations are quite stable as a result of the improvement in ties that has taken place since President Ma was elected in 2008. The key to this development was agreement between the ruling Kuomintang (KMT) in Taiwan and the Mainland on the so-called “1992 Consensus,” which finessed their differences over the definition of “one China.”

But there was also agreement between the two sides that hard political and security issues remain and there is no consensus on either side on how to deal with them. In Taiwan there is a 55-45 percent split between supporters of the ruling KMT (the so-called Blue camp) and supporters of the opposition Democratic Progressive Party (DPP) or Green camp who are skeptical about closer relations with the Mainland. On the Mainland, there is concern over the increasing number of Taiwanese who identify themselves as “Taiwanese” rather than “Chinese” and there is also concern over President Ma’s emphasis on “different interpretations” in defining “one China.”

Still, the Mainland participants expressed confidence that the new PRC leadership under Xi Jinping will continue the pragmatic policies of the previous leadership towards Taiwan. Unification will remain the basic long-term goal but there is also recognition on the Mainland that unification is a process that will require a long period of “peaceful development” of cross-Strait relations before it can be achieved. Above all, the Mainland will be patient because it believes that time is on its side. One reason for this, mentioned by several Chinese participants, is that China’s GDP is now ten times that of Taiwan and by the year 2050 will grow to fifty times.

One positive development in the cross-Strait equation is that the pro-independence opposition party - the DPP - recognizing that its unrealistic hardline policy towards the

Mainland contributed to its election defeat in 2012 – has begun to search for a more realistic strategy of engagement with the Mainland. DPP participants said that the party was now seeking to engage the PRC, that there had been more than fifty DPP visits to the Chinese mainland in 2012 and that the party had recently established a China Affairs Committee. Most important, one DPP heavyweight, Frank Hsieh, had recently visited the Mainland. Hsieh was the highest ranking DPP official ever to visit China.

On the other side of the ledger, the DPP remains deeply divided on how to deal with the Mainland. And it seems highly unlikely that it will remove the independence clause from its Party charter, a demand made by the Mainland.

## **U.S.-PRC Relations**

There was general agreement that there are two competing trends in the U.S.-China relationship – first, a positive and cooperative trend and second, a negative and competitive trend. These two competing trends coexist and several participants voiced concern about the growing influence of the more competitive trend.

The positive trend includes the following:

1. American and Chinese leaders recognize the great importance of the U.S.-PRC relationship in ensuring global and regional stability and in resolving many global and regional issues. They also recognize the growing economic and security interdependence of the two countries. The two countries are now each other's second largest trading partners. The new Chinese leader, Xi Jinping, during his recent visit to the U.S., talked about the need to develop a "new type of major power relationship" and there were good conversations on this topic. It remains to be seen if this concept can be developed in a concrete fashion.
2. The military relationship remains fragile but is now in a positive phase and there is a robust agenda for 2013 and 2014, including an invitation for China to join the bi-annual RIMPAC exercises which bring together the militaries of the U.S. and its allies and security cooperation partners. It was noted that the PRC has made a strategic decision to improve military-to-military relations and this was welcomed by U.S. participants.
3. The diplomatic mechanism for bilateral consultations, i.e. the Strategic and Economic Dialogue (S&ED), is proceeding well and includes frequent discussions among top officials on regional issues in the Asia-Pacific.

On the negative side are the following factors:

1. There is growing competition between the U.S. and China in the Asia-Pacific region, which carries the danger of developing into a zero-sum rivalry.

2. There is growing concern in the U.S. about what are viewed as China's more assertive policies towards some of its neighbors on territorial and maritime issues. These policies have led several of China's neighbors to improve relations with the U.S. in order to balance China. The U.S., for its part, sees this as a test of U.S. credibility in the region. China, on the other hand, sees this as an effort to constrain China's rise.
3. The recent escalation of tensions between China and Japan in the East China Sea over the Senkaku/Diayou islands is especially worrisome.
4. The U.S. and PRC militaries continue to plan for possible conflict against each other and the U.S. is particularly concerned with what it sees as China's growing efforts to deny the U.S. access to the region in a crisis – i.e. its so-called “anti-access and area denial” strategy. China, for its part, continues to complain about close-in U.S. military surveillance and reconnaissance of Chinese territory.
5. The U.S. remains disappointed with China's policies on North Korea and Iran. The U.S. would like to see greater Chinese cooperation in solving nuclear proliferation issues.

## **U.S. Relations with Taiwan**

The U.S. relationship with Taiwan, the third leg of the cross-Strait triangle, is now quite solid. Senior-level U.S. visits to Taiwan have been resumed and there is a flow of congressional visits to Taiwan. The U.S. granted Taiwanese visa-exempt status for travel to the U.S. last year. Airlines between the U.S. and Taiwan have added flights. Economic relations are improving now that the beef issue has been resolved and talks on trade and investment (TIFA) are set to resume in the near future. Meanwhile the military relationship is “closer than ever” and the U.S. is in the process of conducting with Taiwan a joint assessment of Taiwan's security requirements.

## **Prospects for the Future**

The interaction among four major trends will help determine the future of cross-Strait relations.

First, the two societies and the two economies in Taiwan and on the Mainland are now increasingly connected. The two polities are also increasingly connected and political penetration runs both ways.

Second, there is a slowdown of momentum in cross-Strait relations. Of the 18 agreements signed, 14 of them were signed in the first two years. In the last two years there have been only four.

Third, the balance of power between the two sides of the strait is increasingly moving against Taiwan and in favor of the Mainland.

Fourth, the issue of “Taiwan identity” is moving against the Mainland. Some 50 percent or more of the people on Taiwan identify themselves as Taiwanese only; some 40 percent identify themselves as both Taiwanese and Chinese. But less than 10 percent identify themselves as Chinese. These percentages have changed significantly in the last 10-20 years in the direction of a pronounced Taiwan identity.

Two key trends, the third and fourth, are moving in opposing directions, with the balance of power shift favoring the PRC and the trend towards a distinct “Taiwan identity” moving against China’s interests.

In sum, the future of cross-Strait relations depends to a considerable degree on Chinese patience. If the Mainland can continue to be self-confident, relaxed and patient about cross-strait relations – on the assumption that time is on its side – there will be no temptation to disturb the existing status quo. On the other hand, if China loses confidence and patience, it might adopt a less patient policy on cross-Strait relations. There are already some signs of confusion and disappointment in Chinese policy circles that the issue of “Taiwan identity” is working against the Mainland.

The future of U.S.-China relations will depend to a considerable degree on how well the leadership in both countries adapt to the positive and negative trends identified earlier. The health of the U.S.-China relationship depends on the leaders of the two countries managing their differences and building on their common interests.

## Policy Recommendations

### *U.S.-China Relations*

- Several American and Chinese participants suggested the need for an early summit between the two presidents in which they would frankly spell out their strategic visions to each other in an effort to increase strategic trust.
- Other participants suggested that the two sides seek to reduce mutual mistrust by demonstrating painstaking cooperation on a series of bilateral and regional issues.
- Several U.S. participants concluded that the U.S. should stand firm with its Japanese ally on its territorial conflict with China while impressing upon both China and Japan the importance of defusing the issue.

### *Cross-Strait Relations*

- One participant suggested that each side in the cross-Strait triangle needed to reassure the others on the most sensitive issues.
- The U.S. needs to reassure China that it does not intend to include Taiwan in its strategic rebalancing. (Several American participants said there was no intention to do so in any case.) The PRC side expressed considerable concern that the United States would seek to make Taiwan a component of the U.S. rebalancing effort.
- China needs to reassure the U.S. that it understands that supplying defensive arms to Taiwan is an important U.S. interest.
- President Ma should begin a political dialogue with the Mainland at the Track II level.
- The DPP needs to reassure the Mainland that it understands that *de jure* independence is off the table.

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