



NCAFP Conference with the PRC Taiwan Affairs Office

October 12-13, 2010

By Donald S. Zagoria

Introduction

The NCAFP held a one and a half day meeting on October 12-13, 2010 with a group of Chinese scholars designated by the Taiwan Affairs Office of the PRC State Council. This meeting was part of a semi-annual dialogue between the NCAFP and the TAO. One such meeting takes place each year in Beijing and is hosted by the TAO; the other meeting takes place in New York. There were two major topics for discussion at this meeting: 1) rising tensions in U.S.-China relations and how to deal with them; 2) the current state of cross-strait relations and the U.S.-PRC-Taiwan triangle.

A list of participants is included in the appendix.

Summary

U.S.-China Relations: Tremor or Earthquake?

1. There is alarm on both sides about rising U.S.-China tensions over arms sales to Taiwan, currency and trade issues, territorial disputes, maritime claims, North Korea, Iran and other issues. But there is also a consensus that neither side wants to see the development of an adversarial relationship or a new Cold War.
2. Participants on both sides said that the jury is still out on the gravity of the situation. Most see the recent rise in tensions as unfortunate but nothing extraordinary. It is simply the latest tremor, part of a cyclical phenomenon. It is just a bad phase. Things will improve because the fundamentals of the relationship remain strong, the two countries are increasingly interdependent, and they need each other. But there is a second, and growing, view in both countries that a major earthquake could erupt unless the two sides make greater efforts to stabilize the relationship.
3. There are differing perceptions about the causes of the rising tensions. The Chinese side focused on U.S. actions which, they said, contributed to these tensions, e.g. arms sales to Taiwan, increased U.S. reconnaissance in the South China Sea, increased U.S. efforts to strengthen its alliances in Asia. The U.S. side focused on what they called rising Chinese assertiveness over territorial and maritime issues, growing nationalism in China, an increasingly assertive PLA, and perhaps the looming 2012 succession.
4. Both sides offered suggestions for ways to improve U.S.-China relations, especially in the critical period between now and 2012 when there will be elections in both the U.S. and Taiwan and a new leadership in China. These suggestions included: greater cooperation on global and regional issues in order to build trust, more frequent high level visits, a resumption of military to military dialogue, and an increased effort on each side to make a balanced and objective assessment of the other sides' intentions.
5. And both sides recognized that their countries had responsibilities. The U.S. has to overcome political polarization and meet economic, energy and other challenges. The Chinese side needs to adjust its economic model and be more responsible on the world stage.
6. Some very recent developments offer reasons for optimism. PRC President Hu Jintao will visit the U.S. early next year; the military to military dialogue is slowly being resumed; there is some evidence of a Chinese move to ease tensions with the U.S. and Southeast Asian countries over territorial claims in the South China Sea; there have also been efforts to improve Sino-Japanese relations after the ship incident near the Senkaku islands.

Cautious Optimism on Cross-Strait Relations

1. Both sides expressed cautious optimism about the cross-strait relationship. The signing of the Economic Cooperation Framework Agreement (ECFA) has marked a vast improvement in the relationship. Fifteen agreements have been signed. According to one estimate, ECFA will add 4.5 per cent to Taiwan's GDP on an annual basis. There is also growing tourism. Some 1.2 million Chinese tourists will visit Taiwan this year and there were 6 million both ways. Educational exchanges are also growing. Chinese students are now studying in Taiwan. Both sides have ceased "dollar diplomacy" with other countries. There are also a variety of platforms for dialogue. And both sides are proceeding in accordance with the 16 character formula put forth by Hu Jintao several years ago: Confront reality; Put aside disputes; Accumulate Mutual Trust; and Pursue a Win-Win situation.
2. There is discussion on both sides of how to move forward from economic agreements to political dialogue. Any future "peace agreement" will require a long process of mutual accommodation and some future agreement on the critical issue of sovereignty. Some Chinese scholars in think tanks are once again talking about "divided sovereignty" and how to forge a relationship between "two equal governments." But the two sides will need lots of time to sit and work together on these issues. And whatever final document emerges from these discussions will have to be a legal document that all political parties in Taiwan, including the DPP, must follow.
3. But there is also recognition on both sides that the political and security issues will be much more complex and difficult than the economic and cultural issues. Taiwan needs to develop a domestic consensus on Taiwan's relationship with China and this is still a very difficult long term challenge. And the PRC side will need to figure out a way to deal with the sovereignty issue that is broadly acceptable to public opinion in Taiwan.
4. Both sides agreed that such issues will not be addressed before Taiwan's 2012 elections, that there will be a holding action period of consolidation and modest elaboration of what has been achieved.

Discussion About U.S.-China Relations

An American participant said that the Obama Administration had tried to engage the PRC as a major partner in resolving global and regional issues but had been disappointed with the results. Chinese performance on American priorities – economic issues, North Korea, Iran, climate change – had ranged from disappointing to downright obstructive. Moreover, in the past year or two, China had become more assertive on the South China Sea and many other issues, including U.S. arms sales to Taiwan. Moreover the human rights situation had worsened in China. The effect of China's increased assertiveness was to alarm Asian nations, strengthen U.S. alliances and undercut China's "peaceful rise" diplomacy.

The American said that he hoped the relationship was getting back on track after the extraordinary high level reception given in Beijing to the U.S. Deputy National Security Advisor, Joseph Donilon, and the economic advisor, Larry Summers. This visit was followed by the resumption of the military to military dialogue and the announcement of a Hu Jintao visit to the U.S. early next year.

The U.S., he continued, remains committed to improving U.S.-China relations and the best way to do this is to jointly tackle regional and global issues. He was pessimistic on North Korea where China was now part of the problem, not the solution. The two most pressing and sensitive issues where he hoped for progress were economic relations and Iran. It is also important to remain realistic. The United States and China will not be enemies because China is not the Soviet Union. But the two great powers will not be genuine partners because they do not share values. There will be a mix of cooperation and competition. In the near future at least, the mix will be more challenging.

The American also underscored the responsibilities of the U.S. itself. The current toxic American political climate is "giving democracy a bad name." The U.S. must move ahead on issues like deficit and free trade, energy, climate change, and education etc.

Another American participant agreed that there had been an improvement in U.S.-China relations after the Donilon-Summers visit to Beijing. But, he warned, the improvement was not deep. For the relationship to be on solid ground, there needed to be "active cooperation" on a variety of global and regional issues such as North Korea, Iran, climate change, etc. China needs to assist the international community in facing common problems as a responsible participant.

Why was China becoming more assertive? Both American participants commented. One important factor was the global economic and financial crisis of 2008-10 and the fact that China weathered this crisis better than the U.S. and many Western powers. This led to a perception in China that China's power was on the rise. But, said the Americans, this increase in China's power had been exaggerated if one took into account the major domestic challenges it has. Another important factor was that China was becoming more reactive to perceived pressure from outside, especially from the U.S., and fearful of appearing weak in its response, especially during a period of leadership transition. It was important to understand that there was no new Chinese "grand strategy" involving

increased assertiveness; rather China remained in a reactive mode. Other considerations included the rising power of the PLA and nationalistic bloggers and think tankers.

A Chinese participant agreed with the two American speakers to some extent that the past year had not been “the best time” in Chinese foreign policy and “things could have been done better.”

In assessing the current state of the relationship, the Chinese participant said there were two views in China. Proponents of the first view argued that the past year was not extraordinary but merely a bad phase in a relationship that goes through cycles. Things will improve. The fundamentals of the relationship remain strong. The two countries are increasingly interdependent and they “need each other.” Neither side could afford to let the relationship unravel. So, according to this optimistic view, the relationship remains stable despite the many challenges.

But proponents of a second and increasingly popular view are more pessimistic. They argue that a major earthquake may be brewing because of several changes. First, in the security realm, the U.S. “grand strategy” is allegedly shifting from terrorism to containing China and strengthening U.S. military alliances. Second, domestic political support for the relationship is going down both in the U.S. and China. Economic ties had previously been a cushion for the relationship but are now becoming a source of friction. Finally, public opinion on each side is becoming less friendly to the other side.

The Chinese analyst attributed the downturn in relations to a combination of structural problems and what he called an expectations gap. The structural problems are, first, in the economic area. Trade imbalances have led to China becoming a scapegoat for U.S. economic difficulties. Second, there is also a political structural problem. Conspiracy theories in China about American “encirclement” are growing. Neither the U.S. nor the PRC governments have been effective in countering these views.

There is also an expectations gap. In the U.S. there are rising expectations about what China should do to help the U.S. and the world manage global and regional issues. The U.S. expects China to act as a real “stakeholder.” But there is little discussion in the U.S. as to what the U.S. should do to adapt to the rise of China and to accommodate China’s “core interests”, especially with regard to Taiwan. On the Chinese side, there are rising expectations of what the U.S. should do. It should “show China more respect”, especially on Taiwan.

What needs to be done? It is important not to let the “radicals” on either side guide the relationship. It is also essential to expand current dialogues. China should, he said, get ready to play a larger role on global issues. And U.S.-China cooperation on global issues would add an element of strategic trust to the relationship.

Several American participants responded to this Chinese presentation by arguing that it is essential for each side to have a balanced and objective understanding of the other sides’ intentions and strategy. In this respect, they said, the frequently heard charge in China that the U.S. is switching from a policy of fighting terrorism to one of containing China is simply incorrect. The Americans insisted that what has changed in the past year or so is Chinese expectations, not U.S. policy. In fact, said one American, there had been no U.S.

military buildup in the Asia-Pacific in recent years. Rather the U.S. has reduced its navy from 600 to 300 ships or less and downsized its land bases while China is building a huge submarine fleet.

The Chinese participant responded to these points by arguing that U.S. reconnaissance in the South China Sea has increased in the past few years and many in the Chinese military have concluded that the U.S. has a “grand strategy” to contain China. The Chinese military, he went on, sees this increased reconnaissance as hostile.

The American side suggested, and the Chinese agreed, that during the upcoming sensitive period it would be useful to have a steady stream of high level visits as well as military dialogue between the two countries. Hu Jintao’s Washington trip early next year could be followed up, for example, by Vice Presidential trips in both directions, as well as continuing cabinet visits.

Discussion About Cross-Strait Relations

An American participant said that the most complete recent review of U.S. policy on the cross-strait issue was presented by DAS David Shear in a speech at the Carnegie Endowment for International Peace on July 7. In that speech, Shear said that reduced cross-strait tension through dialogue and people-to-people interaction had been a goal of the United States for decades and he thought the U.S. could take some of the credit for helping to lay the positive foundations that have made possible the “recent dramatic breakthroughs in cross-Strait ties.” U.S. policy, he said, is based on a few simple principles.

- The U.S. does not support Taiwan independence.
- The U.S. insists that cross-Strait differences be resolved peacefully and “according to the wishes of the people on both sides of the Strait.”
- The U.S. welcomes active efforts on both sides to engage in a dialogue that reduces tensions and increases contacts of all kinds across the Strait.
- The U.S. is opposed to unilateral attempts by either side to change the status quo.
- The U.S. is “fully committed” to “meeting our obligations in the Taiwan Relations Act, including making available to Taiwan articles and services necessary to enable Taiwan to maintain a sufficient self defense.”

DAS Shear went on observe that President Ma has emphasized that he hopes Taiwan will be able to enter into new trading arrangements with other trading partners now that the ECFA has been signed. And, he continued, “we hope to see Taiwan become more fully engaged on a broad range of international issues, ranging from trade to health to the environment.. Taiwan has shown again and again that it can play an important role in the international community.”

Finally, Shear observed that the relationship between Taiwan and the PRC is “still evolving” but “by any account,” the progress we have seen over the past two years is “unprecedented” and we are “truly in a new era.” The U.S. hopes both Taiwan and the PRC will continue their efforts to expand and develop their peaceful ties.

The same American participant said that Taiwan under the Ma Ying-jeou administration was now in a post ECFA period of consolidation. It had followed a policy of resolving the easy economic and cultural issues first and deferring the more difficult political and security issues to later. But he reminded the Chinese participants that the goals of the two sides remain very different. In a speech Ma gave just a few days ago on the “double ten” anniversary of October 10, he spelled out his view that the Republic of China is a sovereign state and that it is essential to safeguard ROC sovereignty. Ma also said that it is important for Taiwan to strengthen cooperation with the U.S. This includes arms sales. The American asked the Chinese participants how the PRC would deal in the future with these fundamental issues of sovereignty and U.S.-Taiwan cooperation.

A Chinese participant asked what the Americans meant when they said that the cross-strait issue must be dealt with in accordance with a “thriving Taiwan democracy.” Another American participant responded by saying that this policy had been introduced by the Clinton Administration. The position is that the future status of Taiwan must be decided “in accordance with the wishes of the people of Taiwan.” The basic meaning of this policy, said the American, is that there must be no “coerced outcome” of the cross-strait dispute. Moreover, said the American, this position simply reflects the political reality. For example, to amend the ROC Constitution would require three-quarters of the Legislative Yuan.

The U.S. side emphasized the political and economic importance of post-ECFA follow on FTAs for Taiwan with Asian countries, starting with Singapore. The Chinese side recognized this but stressed that the Singapore case must be carefully considered first. It could set a precedent. Any trade agreements between Taiwan and the other Asian nations would have to be non-governmental and preserve the one-China principle. The Americans responded by saying such nomenclature problems were easily managed and underscored China’s obligations under the WTO.

Progress in Cross-Strait Relations and Potential for a Peace Accord

A PRC participant reviewed cross-strait relations since Ma Ying-jeou took power in Taiwan in 2008. He said there had been much progress in economic and cultural relations. The two sides signed an economic cooperation framework agreement (ECFA). Some 1.2 million Chinese tourists will visit Taiwan this year with 6 million going both ways. Educational exchanges are expanding and Chinese students are now studying in Taiwan. There are many platforms for discussion between the two sides, including one between the KMT and the CCP and another between the Straits Exchange Foundation (SEF) and the Association for Relations Across the Taiwan Strait (ARATS).

There is also a consensus between the two sides on the 16 character formula put forward several years ago: Confront Reality; Put Aside Disputes; Accumulate Mutual Trust; and Pursue a Win-Win Solution.

There are, however, several major problems. First, the dialogue between the two sides is largely between the KMT and the CCP. It does not include the opposition DPP party in Taiwan. Second, the cross-Straits dialogue is still within the confines of the '92 Consensus. Third, Ma now hesitates in calling for a peace agreement between the two sides even though he supported the idea in his inaugural address.

The Chinese participant then turned to the debate in Chinese think tanks on a possible peace agreement between the two sides. There were, he said, many flexible and pragmatic positions being advanced by some Chinese scholars. For example, some Chinese are calling for “divided sovereignty”; others are calling for a peace accord that includes relations “between two equal governments.” Examples like the European Union and the Commonwealth were being looked at. The precondition for reaching such an accord, he said, is establishing mutual trust. He thought it would be necessary for Taiwan to reach an internal consensus on these matters.

The Chinese participant said too that for such a peace agreement to be worked out, it would require a lot of time for the two sides to sit and work together. So the process of negotiation would be critical in order to work out a basic understanding. The final document should be a legal document that the DPP would need to follow.

There would, he concluded, be two major challenges to working out such a peace agreement. First, there would be the “strategic” issue – the one China principle and the status of the “two governments.” Second, there would be a variety of technical issues. Who signs such a document? What are the prerequisites? Etc.

The Chinese participant also said that his country should advance political reform, thereby increasing the attractiveness of the mainland to Taiwan.

An American participant said he agreed with at least two of the major points in the Chinese presentation. First, the process of negotiating a peace agreement would be critical. Second, he also agreed that Taiwan cannot avoid discussing political issues. He noted a very recent article by Taiwan’s former National Security Council head, Su Chi, which also called for preparing for talks on political issues.

The American said that there had been a very big change in recent years. The two sides now have an interest in cooperation as a result of the economic agreements. And the economic agreements also increased domestic political support in Taiwan for a moderate position towards the mainland. The two sides also seem to be working out an agreement on international space for Taiwan. As for the positive impact of ECFA this would be significant for Taiwan, less so for the PRC.

The American concluded by saying that significant differences between the two sides remain. The Chinese side sees unification as the final goal. Most people in Taiwan want

to retain the status quo. So the question is how to deal with the existence of the Republic of China (ROC)? What will be Taiwan's legal identity?

As for the role of the U.S. in this matter, the U.S. is likely to view political dialogue between the two sides as positive. It would, however, be important to build trust between the two sides and not to get too far ahead of public opinion on Taiwan. No Haste and Be Patient, former President Lee Teng-hui's formula, is still good advice.

Several US participants underlined the consistent US support for reconciliation between the two sides so long as it is peaceful and mutually agreed. Any Chinese suspicion that the US was opposed to continuing progress is misplaced. In response to continuing firm objection to Taiwan arms sales by the Chinese participants, the American participants pointed out that there had been great progress in cross-Strait relations while US arms were being sold. Any arms being sold were defensive and for deterrence only; there was no longer any possibility of a military balance across the Straits. Moreover, if the US ceased or sharply cut back on arms sales, President Ma would surely be voted out of office. Clearly the Chinese would not want this.

Conclusions: Policy Recommendations

At a concluding session, the participants were asked to offer policy recommendations for improving and stabilizing relations between China and the U.S. These recommendations follow:

1. An American participant said it was important to ensure that each side makes accurate assessments of the other side's intentions. He said that it was also important for the two presidents to forge a closer understanding of the security relationship between the two countries and to act on what really are common interests, especially in the medium term. For example, perhaps the U.S. and PRC could agree on some messages that could shape the thinking of the new leadership in Pyongyang.
2. The same American participant said that both the U.S. and PRC leaders need to do a better job of making the case to their respective publics as to why positive and cooperative relations are good for each country. President Obama is a skilled orator, he continued, and misperceptions in China of U.S. intentions would go down if the U.S. makes a sustained effort in this regard.
3. Another U.S. participant said that it was essential for the U.S. to emerge from the jobless recovery. So long as economic sluggishness continues in the U.S., the country will be looking for scapegoats and there will be a continuing danger of an increase in protectionism in the U.S. Congress. The US needs to act on its deficits and trade policies. For more substantial cooperation to take place, there would also need to be Chinese actions. China must move from its emphasis on exports to a greater reliance on its domestic market.
4. Another American participant said the U.S. and China should both look to multilateral groups such as the G-20 to work out their differences. This was so because China could not be seen as bowing to U.S. pressure. The two countries also need to work on a broader agenda of cooperation on North Korea, Iran, climate change and economic issues. Finally, he urged lots of high level meetings which would concentrate the minds of the bureaucracies in each country to make progress. Presidential visits should be followed by Vice Presidential visits and Cabinet level exchanges and these should be spaced regularly.
5. A Chinese participant agreed that both sides need more objective assessments of the other side's intentions. He said too that both sides should encourage positive interaction. So when the other side moves in a positive direction, such a move should be applauded publicly. On the currency issue, the Chinese participant said that the renminbi would appreciate gradually and become less of a problem because it was in China's interest to do this. On Taiwan, said the Chinese participant, there needs to be a "tacit understanding" between China and the U.S. that the U.S. will limit future arms sales and also help Ma get reelected in 2012. On North Korea, he said, there needs to be more consultation and contingency planning on the succession issue in North Korea. Finally, he said, the two leaders need to commit themselves to resume

military to military dialogue and to pledge not to suspend those dialogues in the future.

6. Another Chinese participant said the U.S. needs to improve ties with the PLA. Also the two sides should go back to the Joint Statement issued after President Obama's visit to China in 2008 which specified a number of areas for cooperation. Just one example is a Joint Research Center in Beijing on clean energy. Finally, he said, the U.S. needs to engage in "smart diplomacy" by encouraging more people to people contact, especially that which targets Chinese youth. There should also be an education summit. And the U.S. initiative to send 100,000 U.S. students to China in the next four years should be encouraged.