



Navigating the Uncharted Strait: The Future of U.S.-China-Taiwan Relations

By Donald S. Zagoria*
February 2014

Introduction

The relationship among the United States, China and Taiwan is one of the most consequential triangles in global politics. A stable and cooperative triangle, and especially continued stability in cross-Strait relations, would help ensure peace and stability in the Asia-Pacific region, a region destined to become the most important part of the global system in the 21st century. Stable triangular relations would remove one of the major obstacles to a more cooperative relationship between China and the United States. Stable relations would also contribute to the institutionalization of the status-quo in the Taiwan Strait, an outcome favored by the great majority of the people in Taiwan.

Although the triangular relationship has shown remarkable improvement since 2008, its long range future still remains uncertain. As Richard Bush has written in his seminal work, *Uncharted Strait: The Future of China-Taiwan Relations*, (Brookings, 2013):

The future of the Taiwan Strait is more wide open than at any other time in recent decades. Tensions between China and Taiwan have eased since 2008. But the movement toward full rapprochement remains fragile. Whether the two sides of the Strait can sustain and expand a cooperative relationship after years of mutual distrust and fear is still uncertain.

The waters of the Strait are uncharted, and each side worries about shoals beneath the surface... China fears the island's permanent separation, by way of either an overt move to de jure independence or continued refusal to unify with the Mainland. Taiwan fears subordination to an authoritarian regime that does not have Taipei's interests at heart. And the United States worries about the stability of the East Asian region.

*Several U.S. participants contributed to this report.

The United States has a huge stake in the continued stabilization of cross-Strait relations because of its interests in maintaining peace and stability in the critically important East Asia region.

For more than a decade, since the Taiwan Strait crisis of 1995-96, which brought the United States and China close to open confrontation in the Strait, the NCAFP has been sponsoring a trilateral Track II U.S.-China-Taiwan strategic dialogue which aims to promote frank exchanges and to increase mutual understanding among all three sides, while helping to chart a path forward.

The most recent trilateral dialogue was held in New York on January 22-23, 2014. It brought together an influential group of analysts and officials from all three sides; the latter in their private capacity. The list of participants and the agenda is included in the appendix.

One of the key issues discussed at the trilateral was the potential obstacles to continued cross-Strait stabilization and the steps that the three sides might each take to overcome such obstacles. There were a variety of views on all three sides. The majority of participants on each side were cautiously optimistic about the potential for continued cross-Strait stability, but several participants pointed to potential dangers that need to be avoided.

The following report draws on the discussion at the trilateral but represents primarily the conclusion of the author.

Background

Since Ma Ying-jeou was elected President of Taiwan in 2008, he has reached out to the Mainland with a policy of reassurance and mutual accommodation that has now yielded 19 agreements, largely on economic and cultural exchanges, including an Economic Cooperation Framework, more than 700 direct weekly flights between Taiwan and the Mainland, increased trade and investment, tourism, and the establishment of student exchanges.

Early in their dialogue, Taiwan and the Mainland agreed to take the “easy” economic and cultural issues first and to defer the more sensitive political and security issues to “later.”

In the past year, they have been moving closer to political dialogue. In October 2013 there was a Track II dialogue in Shanghai attended by participants from both major political parties in Taiwan and representatives from the Mainland. That meeting explored all the major political and security issues dividing the two sides. The two sides are also now set to establish representative offices in capitals. Wang Yu-chi, chairman of Taiwan's Mainland Affairs Council (MAC) announced on January 28, 2014 that he would begin a four-day visit to China on February 11 and meet with his counterpart Zhang Zhijun, director of the Mainland's Taiwan Affairs Office (TAO) in Nanjing. Chinese sources said that the purpose of this visit is to help in the process of building a long-lasting institutional framework to deal with cross-Strait relations.

Also, there has been much speculation both in Taiwan and on the Mainland (as well as at our conference) about the possibility for a meeting this year between the two presidents, Ma and Xi Jinping. According to public opinion polls, more than 60 percent of the public in Taiwan supports such a summit. This is a reflection of the Taiwan public's keen desire to see the cross-Strait issue managed successfully, as well as a wish to see Taiwan's leader treated as an equal of his Mainland counterpart. Mainland scholars also seemed confident that such a meeting would occur, but doubted it would be at the annual Asia Pacific Economic Cooperation (APEC) Leaders Meeting, to be hosted by Beijing in 2014, due to concerns about internationalizing or institutionalizing such interactions with the Taiwan leadership.

Positive and Negative Elements in Cross-Strait Relations

The outlook for the long-range relationship between the two sides is a complex mix of positive and negative elements.

There are many positive elements in the equation:

First and foremost, since 2008 these relations have been the most stable, peaceful and cooperative since the Chinese Communist Party took power on the Mainland in 1949 and the opposition Kuomintang fled to Taiwan. As already mentioned, China and Taiwan have during the past five years signed 19 agreements, including an Economic Cooperation Framework Agreement, greatly increased trade and investment relations, resumed direct flights which now total more than 700 per week, encouraged tourism, and promoted student exchanges.

Economic interdependence is growing. Trade volume between the Mainland and Taiwan reached \$197.2 billion in 2013, an increase of 16.7 percent from the previous year. Cross-Strait trade has doubled since 2009 (*China Daily*, Jan. 16, 2014). The principal driver of this trade is the fact that Taiwan industrialists have moved their production facilities across the Strait, often creating wholly-owned subsidiaries of the Taiwan parent company. (See Bush, *op cit*, p. 46) This movement of production across the Strait occurred in several waves. The third wave surged in the late 1990s, when information technology (IT) firms, which had become Taiwan's dominant economic sector, moved to the Mainland to maintain the competitiveness of their low-end products. By the end of 2009, around 70,000 Taiwan companies had investments in the PRC. Investment drives trade.

This economic progress was made possible by an ambiguous political agreement between China and the KMT-led government called "the 1992 Consensus" in which the two sides agreed to recognition of "one China with different interpretations." While the Mainland emphasizes the "one China" element in the formula, the KMT and President Ma emphasize their "different interpretation," which is that the Republic of China, ROC, established in 1911, and now on Taiwan, is the "one China." The critical point is that both the KMT and the Mainland agree, according to this formula, that both Taiwan and the Mainland belong to "one China."

Second, the principal opposition party in Taiwan, the pro-independence Democratic Progressive Party (DPP), which does not recognize the “one China” formula, has become more open to dialogue with the Mainland and less confrontational in its policy stance towards China. It knows that in order to be viable in future elections it has to convince the public in Taiwan that it can successfully manage cross-Strait relations. The DPP government from 2000-08, led by Chen Hsui-bian, had a fractious and tense relationship both with the Mainland and with the U.S. And, as a result, the DPP has lost two successive Presidential elections to the KMT in 2008 and 2012.

Third, China continues to be patient and pragmatic in its dealings with Taiwan and it employs - at least for the time being - a “soft” gradual and incremental strategy of winning “hearts and minds” rather than using a more coercive approach (while still not ruling out the military option). The basic reason for this cautious and pragmatic approach is that Beijing seems to believe that time is on its side as the military balance of power changes in its favor and economic interdependence grows.

But another important reason for the likely continuation of the Mainland's gradualist approach is that its worst nightmare - *de jure* independence for Taiwan - now seems to be off the table. Few in the DPP now talk about *de jure* independence and the consensus position in the party, reiterated at our conference by DPP participants, is that its “1999 Resolution on Taiwan's Future” asserts that Taiwan is already independent and does not need to declare independence again.

Yet another important reason for Beijing to continue its “soft” approach to Taiwan is the fact that Xi Jinping's most important priority in the foreseeable future is to focus on economic reform at home and to fight corruption. Xi does not want a new crisis with Taiwan and the United States that would interfere with this priority. Mainland participants in our conference reiterated that Xi's major priorities in coming years would be on domestic reforms need to rebalance the Chinese economy.

For all of these reasons, it appears as if China's goal in the foreseeable future will be to make the stabilization of cross-Strait relations irreversible rather than to push for unification. China evidently hopes to utilize the remaining three years of the Ma Administration (a presidential election is set for 2016 and the DPP could well return to power) to establish a long-lasting institutional framework to deal with cross-Strait relations.

A fourth positive factor is that U.S.-Taiwan relations, although non-official, remain strong. As American participants pointed out at our meeting, the U.S. remains committed to Taiwan's security under the Taiwan Relations Act, continues to sell Taiwan defensive arms and technology, and maintains a robust economic relationship with the island. This continued U.S. commitment is important to provide Taiwan's leaders with a sense of confidence as they continue to negotiate with the much bigger and more powerful Mainland. The U.S. commitment is also important to remind Beijing that any use of force or coercion against Taiwan on their part would be risky and costly.

Fifth, U.S.-China relations, although a mixed bag of cooperative and competitive elements, are buttressed by growing economic interdependence, increased dialogues (of which there are now more than 90), and a common commitment by the two leaders to develop a “new type of major country relationship.” This means that both sides have a strong incentive to avoid another clash over the Taiwan Straits.

There are, however, several negative elements in the equation:

The principal obstacle to reconciliation between China and Taiwan is the fact that the two political and social systems are fundamentally incompatible, with the former an authoritarian, one-party state and the latter a lively democracy, and the two systems are showing no signs of changing. That is the basic reason for wariness in Taiwan about China. According to public opinion polls in Taiwan, cited by one Taiwanese participant, some 45 percent of the public in Taiwan perceive China as a “hostile” power. This anxiety about China's future intentions has remained constant in recent years despite the rapprochement between the two sides. It is undoubtedly fed by China's continuing military buildup opposite the island and its continuing insistence that its long-range goal is “unification” on the basis of its “one Country two Systems” formula, a formula that is not accepted in Taiwan.

Yet another strong indicator of Taiwan's wariness towards the Mainland is the rise in “Taiwan identity” - as opposed to “Chinese identity” - in Taiwan. As one Taiwan participant pointed out at our meeting, the “Taiwan identity” index has risen from 38 percent in 2007 to 50.7 percent in 2012. This is a historical high.

Second, despite the 19 agreements and increased economic and cultural exchanges, the stabilization process is fragile. The so-called “1992 Consensus” conceals fundamental differences between the two sides. As noted previously, while the PRC emphasizes “one China,” the Ma administration emphasizes their “different interpretation.” The opposition DPP does not accept any aspect of the so-called “1992 consensus.” Meanwhile, the great majority of the people on Taiwan overwhelmingly support a continuation of the existing status quo, even though many have different interpretations of this term.

Third, although President Ma has reached out to the Mainland for rapprochement, he remains cautious about any political dialogue that would include a discussion of sovereignty. Ma has repeatedly said that such a discussion is premature because of the absence of a political consensus in Taiwan on the future relationship with the Mainland. Ma's emphasis is on getting the PRC to recognize his formula of “mutual non-denial” and “mutual acceptance of the governing authority.” In short, Ma wants the Mainland to recognize the existence of the Republic of China, something that the Mainland has so far refused to do. In sum, Ma and the Mainland still remain far apart on a long-term solution to the sovereignty issue.

Fourth, the opposition DPP in Taiwan is staging a political comeback, according to polls, and it could well win the local elections in 2014 and the presidential election in 2016. The DPP's position on cross-Strait relations has been evolving. A majority of its members now favor dialogue with the Mainland and there have been a number of visits to the Mainland by DPP heavyweights, including Frank Hsieh, a former premier. But the DPP remains divided between “hardliners” and “moderates,” such as Hsieh, and its recent review

of the China policy did not appear to come up with any new policy direction towards the Mainland.

Some Taiwan participants at our meeting argued cogently that the distance between China and the DPP is growing. As China becomes more powerful, it places increasing emphasis on the “one China framework.” At the same time, as the DPP becomes more confident of its power position inside Taiwan (Ma's popularity rating is down to an all time low), it sees less need to make any fundamental changes in its position on cross-Strait relations. The issue then becomes whether, in the event that the DPP wins the Presidential elections in 2016, the period of stabilization will come to an end and there will be a new crisis in cross-Strait relations.

Finally, the Mainland needs to find a formula for “reunification” that is broadly acceptable in Taiwan and that accepts the existence of the Republic of China. As Richard Bush has written, “dual sovereignty arrangements exist in modern political systems and there are creative people on both sides of the Strait who might design a new arrangement with ‘Chinese characteristics’” (*Uncharted Strait*, p. 248). As Bush goes on to say, there are some PRC scholars who are addressing this issue in a positive fashion, including some who attended our conference. But their views do not represent official policy.

What Needs to be Done

1. In the remaining two or three years of the Ma Administration, Taiwan and the Mainland need to find a way, through official dialogue, to build a lasting institutional framework to deal with cross-Strait relations. Such a framework should be designed to last for ten to twenty years. During this period, the two sides should continue to talk both at Track II dialogues and in official dialogues about all the issues that continue to divide them and to seek some mutual understanding on the way out of the present impasse.

2. The two main political parties in Taiwan, the KMT and the DPP, need to find a forum for gradually building a consensus on cross-Strait issues that is broadly acceptable to the public in Taiwan. The two parties remain polarized on an issue with “life or death” significance for Taiwan. They should, at a minimum, agree that neither party will seek to reverse the substantial gains in cross-Strait momentum that have been achieved in the past five years

3. The DPP needs to overcome its internal divisions and to adopt a new platform for dealing with the Mainland. The DPP should at least consider Ma's formula of “no independence, no reunification, no use of force,” or a similar formulation.

4. The Mainland needs to find a more flexible formula for “unification” which recognizes the existence of the Republic of China. There have been many suggestions made over the years for such a formula. These include: “one China, two governments,” “one nation, two states,” confederation, a Chinese Commonwealth, etc.

5. The United States needs to pay much more attention to the cross-Strait issue that it has in recent years when it has been focused on the Middle East and other urgent issues. The United States, as a critical player in the triangle, must reassure both sides while continuing to deter the Mainland. It needs to reassure the Mainland that it continues to uphold a “one China” policy but that its “one China” policy is based not only on the “three communiques” but also on the Taiwan Relations Act. It also needs to reassure the Mainland that it will not oppose any arrangement for a fundamental solution to the cross-Strait issue that is peacefully arrived at and has the support of the public in Taiwan.

The United States also needs to reassure Taiwan that it remains a reliable and determined patron and that it will not allow the Mainland to use coercion or force to resolve the issue.

While reassuring both the Mainland and Taiwan of its benign intentions, the United States also needs to continue deterring the Mainland from any possible resort to force or coercion in the Taiwan Strait. We should make clear that such actions would be incompatible with the effort to develop a “new type of major country relations.”

The United States should also remind China that its future policy towards Taiwan - especially whether it remains a strategy of “peace and development” or moves towards a strategy of coercion - will be a critical factor in shaping the American view of China's rise and the potential for long-term cooperation.

THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY
PRESENTS

CROSS-STRAIT RELATIONS TRILATERAL CONFERENCE

JANUARY 22 AND JANUARY 23, 2014

PARTICIPANTS
(in alphabetical order)

Mr. Christopher BEEDE

Director, Office of Taiwan Coordination (EAP/TC)
U.S. Department of State

Mr. David BROWN

*Adjunct Professor of China Studies, Paul H. Nitze School of
Advanced International Studies*
Johns Hopkins University

Ambassador Raymond BURGHARDT

Chairman of the Board
American Institute in Taiwan

Mr. Paul CHANG

Director General
Taipei Economic and Cultural Office (TECO) in
New York

Dr. York CHEN

National Security Policy Advisor
DPP's China Affairs Committee
Assistant Professor
Tamkang University

Dr. CHU Shulong

*Deputy Director, Institute of International Strategic and
Development Studies*
Tsinghua University

Mr. Ralph COSSA

President
Pacific Forum CSIS

Mr. Michael FONTE

Director
DPP Headquarters, Washington, DC

Ms. Bonnie GLASER

Senior Advisor for Asia
Center for Strategic and International Studies

Ms. Louise GONG

Head of China Practice, United States
Chadbourne & Parke LLP

Mr. Whitney GERARD

Partner
Chadbourne & Parke LLP

Dr. HO Szu-Yin

*Professor, Graduate Institute of International Affairs &
Strategic Studies*
Tamkang University

Brig. Gen. Blaine HOLT

Director of Logistics, U.S. European Command
United States Air Force

Richard R. HOWE, Esq.

Executive Vice President & Treasurer
National Committee on American Foreign Policy

Ms. Bikhim HSIAO

Legislator
Taiwan Legislative Yuan

Mr. HU Lingwei

Deputy Director
Shanghai Institute of East Asia Studies

Prof. JIA Qingguo

Deputy Dean, School of International Studies
Peking University

Dr. David LEE

Chairman
Coordination Council for North American Affairs /
Headquarters for Taipei Economic and Cultural
Representative Office in the U.S. (TECRO)

Prof. LI Peng

Professor & Associate Director, Taiwan Studies Institute
Xiamen University
Fulbright Visiting Scholar
University of Maryland, College Park

Rear Admiral Michael McDEVITT (Ret.)

Senior Fellow
Center for Naval Analyses

Ms. Hatice U. MORRISSEY

Vice President
National Committee on American Foreign Policy

Mr. Donald RICE

Trustee
National Committee on American Foreign Policy

Mr. Alan ROMBERG

Director of East Asia Program & Distinguished Fellow
Stimson Center

Dr. George D. SCHWAB

President
National Committee on American Foreign Policy

Dr. SU Chi

Chairman & Chief Executive Officer
Taipei Forum Foundation
Senior Advisor
Office of The President of the Republic of China

Dr. SUN Zhe

Shanghai Shuguang Scholar & Professor, Center for U.S.
China-Relations
Tsinghua University

Dr. Chen-yuan TUNG

Distinguished Professor, Graduate Institute of Development
Studies,
National Chengchi University

Dr. WANG Dong

Associate Professor & Director, School of International
Studies
Peking University

Dr. Raymond R. K. WU

Associate Professor
Fu-jen University
President
e-telligence Research and Consulting Group (ETRC)

Mr. P.H. YU

Chairman, Center on U.S.-China Relations
Tsinghua University

Professor Donald S. ZAGORIA

Senior Vice President
National Committee on American Foreign Policy

Maj. Gen. ZHU Chenghu

Director, Institute of Strategic Studies
China National Defense University

Professor ZHUANG Jianzhong

Director, Institute of American Studies
Center for National Strategy Studies

OBSERVERS

Ms. Grace CHANG

Director

TECO in New York

Mr. DENG Zhenghui

Representative in New York

China Energy Fund Committee, Shanghai Branch

Ms. Elizabeth STEFFEY

Associate Project Director, Forum on Asia-Pacific Security

National Committee on American Foreign Policy

Ms. Rorry DANIELS

Assistant Project Director, Forum on Asia-Pacific Security

National Committee on American Foreign Policy

Mr. Philip HWANG

Intern, Forum on Asia-Pacific Security

National Committee on American Foreign Policy