



## **A Conference with the Taiwan Affairs Office of the State Council**

**By Robert S. Wang  
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### **Introduction**

The Forum on Asia-Pacific Security (FAPS) of the National Committee of American Foreign Policy (NCAFP) held its annual conference with the Taiwan Affairs Office (TAO) of the PRC State Council on June 4-5, 2018, in New York. This conference brought together Chinese and American experts on relations across the Taiwan Strait and took place during a period of heightened cross-Strait tensions as well as an increasingly confrontational U.S.-China relationship. Participants reviewed recent developments in cross-Strait relations and presented their perspectives on relevant Chinese and U.S. policies. They also discussed issues in the broader U.S.-China relationship, especially as these issues affect or are affected by cross-Strait relations.

### **Overview of Current Cross-Strait Relations**

All of the participants expressed concerns about further deteriorating cross-Strait relations over the past year. An American speaker started by observing that ties have remained static over the past two years, although previous economic agreements continue to be implemented. Neither side appears to have a sense of urgency in further improving relations with the other. On one hand, Tsai Ing-wen has been primarily working on domestic economic issues, such as pension and labor reforms. On the other hand, China has suspended official dialogue, demanding that Tsai and the Democratic Progressive Party (DDP) accept the “92 Consensus” as a precondition for talks. It seems that Beijing believes time is on its side given China’s enormous and growing economic and military power. In this context of a “cold peace,” it is difficult to find opportunities to move cross-Strait relations forward.

The American speaker also noted that while Beijing’s “soft power has become softer” and its “hard power has become harder,” the latter has recently become much more prominent. In particular, China’s more frequent military air and naval patrols in closer proximity to Taiwan and live fire exercises have clearly been intended to exert greater pressure on Taiwan. China has also engaged in cyber-attacks and directed interference in Taiwan’s social media. On the diplomatic front, five governments have switched recognition from Taiwan to Beijing over the past two years, with the Dominican Republic and Burkina Faso doing so as recently as in May 2018. Beijing has also not only blocked Taiwan’s delegation from participating in the recent meeting of the World Health Assembly (WHA) but even prevented Taiwan journalists from covering the event this year.

These Chinese actions have had an impact not only on Taiwan but, perhaps more importantly, on the United States as well, since they are viewed in the U.S. as “unreasonable” and “bullying.” The United States sees Tsai as pragmatic and committed to maintaining the status quo, even though Beijing may see her as a “committed separatist.” In response, the U.S. Congress has recently enacted legislation, e.g., the Taiwan Travel Act and other measures included in the National Defense Authorization Acts of 2017 and 2018, to express support for greater military cooperation with Taiwan and higher-level visits between the two sides. The American speaker also noted the recent appointment of John Bolton as National Security Advisor and the U.S. licensing of submarine technology to Taiwan. Although Beijing may characterize these actions as the U.S. “playing the Taiwan card,” they are seen in the United States as responses to what is generally perceived as PRC coercion against Taiwan.

### **Chinese Perspectives**

Chinese participants agreed that cross-Strait relations have become more complicated over the past year, which they warned may well lead to a crisis. They pointed out, however, that China and the United States view recent developments very differently. As several Chinese speakers reiterated, the fundamental cause of a rise in cross-Strait tensions is that Tsai and the DPP administration have “damaged the political basis” of the relationship that had existed under the previous Ma administration. They have continued to refuse to accept the “92 Consensus” and the “One China Principle.” China believes that the DPP is still determined to achieve independence, and warned that the independence forces in Taiwan have become even “more brazen” these days. The DPP seeks ultimately to move toward a “state-to-state” relationship with China.

As for Tsai, one Chinese speaker noted that although Tsai “is not Chen Shui-bian” (the former DPP leader), she is in fact promoting independence “by doing, and not by saying.” For example, she appointed Lai Ching-te (who has called himself a “pro-independence worker”) as premier last August. Tsai has also supported efforts to lower the threshold for holding referendums (which the Chinese fear could be used to promote pro-independence measures), and pursued a campaign of de-sinicization by supporting amendments to history textbooks. In this connection, another Chinese participant pointed to Tsai’s transitional justice initiative as intended to “liquidate” the opposition Kuomintang Party (KMT) by seizing its assets and removing vestiges of its long-term rule in Taiwan.

Chinese participants argued that the United States needs to understand the rationale for PRC actions against Taiwan. By proposing measures to strengthen military cooperation with Taiwan, especially arms sales and reciprocal port calls, and promoting high-level visits, the United States is sending the wrong signal to Taiwan and emboldening independence forces. Such U.S. actions would violate the “One China Principle” and harm U.S.-China relations. Taiwan is a core interest, and China will remain resolute in protecting its core interest. U.S. actions will eventually also result in harming the interests of Taiwan.

In order to maintain peace and stability in the region, Chinese participants urged the United States to oppose Taiwan independence forces. One quoted Xi Jinping's speech at the recent 13<sup>th</sup> National People's Congress saying that "the Chinese people have a firm will, full confidence, and sufficient ability to frustrate all attempts at splitting the country." Taiwan must accept the "One China Principle" which is embodied in the "92 Consensus." For now, Beijing's response has been restrained, and China wants to be able to offer benefits to the Taiwan people, such as those included in the "31 measures." Resolving the Taiwan question is key to U.S.-China relations, and the current U.S. administration has adopted a "risky" approach to this issue. He urged the United States to live up to its commitments under the three U.S.-China joint communiqués and to urge Tsai to take appropriate actions to deal with cross-Strait issues.

### **American Perspectives**

While Beijing's view of Tsai and the DPP may be logical from its own perspective, American participants did not expect Taiwan's current stance on cross-Strait relations to change anytime in the foreseeable future. At this time, the DPP appears quite likely to retain power in the 2020 election. Even if the KMT eventually returns to power, it would still not be in a position to advance political talks with Beijing. One participant pointed out that Ma Ying-jeou's cross-Strait policies had come under severe public attack in the last two years of his administration. It appears, moreover, that China's recent military and diplomatic actions have in fact strengthened the DPP position in Taiwan. While there was some discussion of the DPP possibly revising the independence clause in its charter last year, the time has now passed. Another noted that China may believe that time is on its side, given its increasing power, but its repressive policies on the Mainland and in Hong Kong are also further alienating the people of Taiwan, making China's goal of peaceful reunification even more difficult to achieve.

As for the U.S. role in cross-Strait relations, American participants noted that recent U.S. measures in response to Chinese actions are seen as consistent with the U.S. "One China Policy." One speaker stated that there has been no change to the U.S. "One China Policy," which is based on the three U.S.-China joint communiqués and the Taiwan Relations Act (TRA). The essence of this policy is the U.S. expectation that the Taiwan question be "resolved peacefully" between the two sides. The United States is concerned that recent PRC actions represent an "effort to determine the future of Taiwan by other than peaceful means" and an attempt to change the status quo, thus posing a threat to peace in the Indo-Pacific region. The TRA legally commits the United States to "provide Taiwan with arms of a defensive character," especially as Beijing has not renounced the use of force against Taiwan. Another commented that recent U.S. measures are actually relatively restrained and "not as significant as China sees them."

Beyond the security relationship, an American speaker underscored strong and long-term U.S.-Taiwan economic, cultural and people-to-people ties. For example, Taiwan is America's 11<sup>th</sup> largest trading partner and the seventh largest source of foreign students in the country. The U.S.-Taiwan Fulbright program is now in its 60<sup>th</sup> year. The United States has also recently included Taiwan in its "trusted traveler's program" (facilitating entry into the country) and expressed support for Taiwan's participation in international organizations such as the WHA. The recently established U.S.-Taiwan Global Cooperation and Training Framework is enabling Taiwan to

contribute its expertise to global health and environmental issues. The upcoming dedication ceremony for the new American Institute in Taiwan (AIT) office complex reflects the depth and breadth of this “unofficial” relationship.

Finally, American participants argued that Beijing’s recent military and diplomatic actions run counter to winning the hearts and minds of the Taiwan people. What is needed is more “soft power” and policies that treat Taiwan with dignity and respect. In a democratic society, leaders cannot simply dictate policy to the people; they need to consider and respect the wishes of the electorate. China needs to understand this and focus on persuading the people of Taiwan of its good intentions. Beijing should start by responding to Tsai’s recent call for progress in cross-Strait relations and find a way to reopen dialogue between the two sides.

### **Cross-Strait Economic Relations**

An American speaker observed that cross-Strait economic relations have generally been unaffected by the increased tensions on the military and diplomatic fronts, with two-way trade growing by nearly 18 percent in the first quarter of 2018. In fact, Taiwan exports to the mainland grew faster than the other way around. Although the number of mainland tourists to Taiwan did drop significantly (by 22 percent in 2017), those arriving from various Asian countries have increased sharply, thus making up for much of the gap. More generally, Taiwan has sought to diversify its trade and investment ties beyond the mainland by launching a “New Southbound Policy” (NSB policy) to expand its economic as well as cultural, scientific and educational ties with South and Southeast Asian countries. Taiwan is also working to maintain and expand free trade agreements (FTA) with its existing partners in Asia and Latin America.

The speaker noted concerns, however, that Beijing may seek to curb Taiwan’s efforts to diversify and expand its economic ties away from the mainland. After Panama switched diplomatic recognition to Beijing last June, for example, Panama announced that its existing FTA with Taiwan was no longer in force as it entered into FTA negotiations with China. China’s “Belt and Road Initiative” (BRI) extending into South and Southeast Asia could also present a challenge to Taiwan’s NSB policy. Meanwhile, Beijing recently announced its “31 measures” to advance cross-Strait economic integration by offering Taiwan businesses equal (to Chinese companies) access to the China market and expanding opportunities for young Taiwan professionals and students on the Mainland. The first of the “31 measures,” for example, invites Taiwan companies to participate in the “Made in China 2025” industrial plan on a co-equal status with Mainland businesses. In the long term, the concern in Taiwan is that this will detract from Taiwan’s own innovation efforts and exacerbate the trend of brain drain (with nearly 800,000 Taiwanese already working abroad). Many also see Beijing eventually using these measures as a tool to influence politics in Taiwan.

A Chinese speaker agreed that cross-Strait relations has continued to advance at the business and societal level, even as official dialogue has stalled and Taiwan investors have slowed investment on the mainland and now look toward lower-cost economies around the region. Nonetheless, the speaker expected Taiwan's NSB policy to face increased competition not only from China but also from Japan and Korea. China would welcome Taiwan companies to participate in China's BRI which is focused on building infrastructure around the region. Taiwan financial industry, in particular, has comparative advantages and would benefit more by working with Chinese companies in Asia.

As for China's offer of "31 measures" to Taiwan, the speaker said that many of the measures had already existed for some time and have generally been successful in attracting Taiwan companies, professionals and students to the mainland. Some see these measures as hollowing or "impoverishing Taiwan" (穷台), but it is China's intention to develop a shared community across the Strait. It is ultimately up to Taiwan to formulate policies to address its own social and economic issues. However, Taiwan's regional policies aimed at competing with China are seen as negative and not likely to succeed. The speaker noted Taiwan's expressed interest in playing a role in the U.S. Indo-Pacific strategy. As long as Taiwan does not accept the "92 Consensus," China would likely oppose its efforts to expand FTAs and other regional economic arrangements that are seen by China as political and targeted against China. Despite domestic concerns in Taiwan, cross-Strait economic integration ultimately contributes to the goal of peaceful reunification.

An American participant also brought up the issue of China's recent effort to compel international airlines to alter their travel websites to designate Taiwan as a "province of China." A U.S. White House spokesperson had described this action as "Orwellian" and as undue interference in the business activities of U.S. and foreign companies abroad. An American participant noted that this could confuse immigration officials from many countries (since Taiwan travelers would still be carrying Taiwan-issued passports) and complicate the international travel of people from Taiwan. Chinese participants attributed the government's action to pressure from mainland "netizens" who have recently focused on foreign websites, and saw references to Taiwan (separate from China) as violations of the "One China Principle." They indicated that this reflects the rise of nationalism among the public on the Mainland.

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

A Chinese speaker stated that this is a key and delicate moment in our bilateral relations filled with difficult challenges. In particular, the speaker noted the strong language in the latest U.S. National Security Strategy (issued in December 2017) and the 2018 National Defense Strategy that described China (along with Russia) as a “revisionist power” and as a “strategic competitor” as well as in Defense Secretary Mattis’ speech at the Shangri-La Dialogue the week before. At the same time, the United States has significantly raised defense spending and expanded forward deployment. It has increased freedom of navigation operations (FONOPs) and bomber flights in the western Pacific and disinvited China from the U.S.-hosted RIMPAC (naval) exercises. Meanwhile, the two countries appear to be on the brink of a trade war. With respect to cross-strait relations, as discussed earlier, the United States has also proposed measures, such as in the Taiwan Travel Act and NDAA, to increase military cooperation and promote high-level visits with Taiwan in violation of the “One China Principle.” It seems that “everyone wants to be tough toward China.”

At this point, the speaker projected three scenarios in terms of future bilateral relations: 1) cold war; 2) “Thucydides Trap” military confrontation; or 3) continuation of the current policy of managing issues while competing and cooperating at the same time. The speaker warned that the second scenario would be a dangerous “lose-lose” proposition, but did not think it likely. The goal should be to increase consultations and avoid challenging the core interests of each country, while expanding the areas of cooperation as much as possible.

An American speaker acknowledged that U.S. views and attitudes toward China have indeed become much tougher, as seen in the latest U.S. strategy statements and policies. These views, however, accurately reflect trends over the past decade. While some see the “Thucydides Trap” simply as a structural phenomenon (a rising power challenging a status quo power), it actually represents fundamental policy differences that have built up over the years. For example, China’s joining the WTO did not bring about the open economy and structural reforms that were expected. The U.S. and foreign business communities have become increasingly frustrated by the lack of a level playing field, limited market access and numerous investment restrictions. China committed to opening up the government procurement sector when it joined the WTO but appears to have even backtracked 18 years after its commitment. On the security front, China has militarized the South China Sea and developed anti-access/area denial (A2/AD) capabilities to assert increasing control over the area. Beijing’s strategy appears intended to diminish the U.S. role in the region, as publicly stated in Xi Jinping’s “Asia for Asians” speech in Shanghai in 2014. There is also a vigorous ideological competition between the U.S. and China political and economic models, especially since the recent 19th Party Congress and Xi’s consolidation of power.

So the recent U.S. strategy statements and Secretary Mattis' speech in Singapore were nothing new and should not be attributed only to the current U.S. administration. China's reaction to the Taiwan Travel Act also seemed exaggerated and overblown. If Beijing goes too far in reacting to these policies, it is likely to generate an even stronger U.S. response. The American speaker agreed that bilateral cooperation is necessary, which is why Mattis and Pompeo are still going to the Mainland for talks. But interaction and consultations must lead to real changes in policies. Long-running dialogues such as the S&ED or the JCCT have not been very productive in this regard.

Chinese participants responded by saying that China is not trying to expel the United States from the region. A lot of the rhetoric ("Asia for Asians") is primarily for domestic consumption. China's political and economic model is not being imposed on others, recognizing the individual characteristics of different countries. The region, including the South China Sea, remains generally peaceful and government negotiations toward an agreed "code of conduct" continues. One argued that rather, it is the United States that is using a combination of military, political and economic policies to change China. The U.S. "Open Indo-Pacific Strategy" clearly indicates that the United States is not withdrawing from the region. Another pointed out that China's development of A2/AD capabilities is reciprocal, responding to the U.S. military presence in the western Pacific, which Beijing sees as offensive in nature. Trump's new approach is much riskier than the policies of the Obama administration, and will not succeed with China. This reflects a lack of continuity in U.S. foreign policy-making.

Nonetheless, an American participant noted that the prevalent view here is that China is clearly seeking to erode U.S. alliances in the region, and argued that China should be upfront about its strategy. Its South China Sea strategy, in defiance of the UN Convention on Law of the Seas (UNCLOS), is essentially to apply coercion "below the radar" against other claimants like Vietnam and the Philippines and to exert increasing control over the area. Negotiations over a "code of conduct" in the area are only a distraction. Another argued that the broader Chinese strategy is to encircle the Indo-Pacific region, partly through the Belt and Road Initiative, by developing military, economic and political ties with certain countries in the region, such as Pakistan and Sri Lanka. China is also seeking to create divisions within ASEAN by strengthening ties with Cambodia, Laos and Myanmar, and using them to support China's goals in Southeast Asia.

A Chinese participant repeated that China has no plans to exclude the United States from the region. It has, for example, accepted the U.S. military alliance with Japan. The speaker agreed that U.S.-China relations is probably the worst in many decades, but that is because we are all focused on negative issues. We should turn our attention to cooperation on issues of common interest, such as China's efforts on anti-corruption, eliminating poverty and protecting the environment.

## Concluding Discussion

A Chinese speaker referenced a recent U.S. think tank article that suggested the “decoupling” of U.S.-China relations. On one hand, China has increasingly limited access and operation of foreign institutions, for example, through media censorship, funding cuts for foreign programs, the recently-adopted NGO law and visa restriction on U.S. experts. On the other hand, the Trump administration has undertaken protectionist trade policies and proposed foreign investment restrictions against China, while limiting the operation of Chinese Confucius Institutes and funding for American think tanks as well as considering restrictions on the studies of Chinese students in U.S. universities. This trend is likely to be disadvantageous to both side, despite short-term tactical advantages, and limit cooperation on global issues, as well as possibly having an impact on cross-Strait policies. We need to avoid disengagement and confrontation, as often espoused by hardliners in both countries, and work on common interests since both sides are stakeholders in the existing international order.

American presenters agreed that the two countries are in a dangerous stalemate, and that we need to continue to engage. Although the Thucydides Trap scenario is still not likely, the traditional “security dilemma” (of distrust) can lead to an arms race and a vicious cycle of worsening relations in the coming years. As discussed earlier, there is also genuine and longstanding disappointment in the United States with Chinese mercantilist trade policies, deteriorating human rights conditions in China, and the lack of reciprocity in general. It appears China has moved away further from the opening policies of the past. Meanwhile, many Americans are critical of Trump’s “America First” approach that is undermining our democracy and image around the world. One noted that a “silver lining” in this bleak picture is that both sides are at least now dealing with the critical issues upfront. While engagement and cooperation is important, they should not be used to avoid addressing and resolving difficult and critical differences. Others observed, more broadly, the rise of “tribalization” versus the “global good” and excessive nationalism fueled by the new and pervasive social media. Nonetheless, there continue to be shared interests between our two countries in regional peace and stability.

With respect to cross-Strait relations, American participants recommended that Beijing find a way to resume dialogue to prevent further deterioration in the situation. At this time, it is quite clear that Tsai is not going to accept the “92 Consensus” or the “One China Principle” so we need to explore new formulas or “off ramps” to reopen talks. Are there initiatives, whether in words or actions, that might be politically feasible for both sides? A Chinese participant noted such a negotiation would have to be conducted by unofficial but authoritative persons through secret channels, and no one knows if these exist. Taiwan’s acceptance of a “constitutional one China” formula (under the Republic of China constitution) is insufficient to Beijing. Tsai will need to start by at least indicating in some way that cross-Strait relations is “not state-to-state relations” and could also move further by suspending the independence clause in the DPP Charter. An American pointed out that this would be difficult because the DPP’s position is that Taiwan already acts as an autonomous state.

A Chinese participant concluded that Tsai seems unable and unwilling to reestablish cross-Strait dialogue. Another observed that the KMT still remains an important political force in Taiwan, maybe not in 2020 but possibly in 2024. But the Chinese do have a problem with the current KMT Chairman Wu Den-yih because he over-emphasizes the “different interpretations” part of the “92 Consensus” (which is intended to legitimize the existence of the Republic of China). The KMT will need to find a new leader among its younger generation who can appeal to the young voters in Taiwan. In any case, China will depend on itself, not the KMT nor anyone else, to achieve Taiwan reunification with mainland China.

**THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY'S  
FORUM ON ASIA-PACIFIC SECURITY (FAPS)  
PRESENTS**

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**A CONFERENCE WITH THE TAIWAN AFFAIRS OFFICE OF THE  
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