



## **“A NEW ERA OF U.S.-CHINA AND CROSS-STRAIT RELATIONS”**

---

**A ROUNDTABLE WITH THE TAIWAN AFFAIRS OFFICE OF THE STATE COUNCIL (TAO),  
HOSTED BY THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY (NCAFP)**

**DECEMBER 16-17, 2008**

**CONFERENCE REPORT**

**BY A. GREER PRITCHETT**

### **INTRODUCTION**

The National Committee on American Foreign Policy (NCAFP) hosted a delegation from the PRC’s Taiwan Affairs Office of the State Council (TAO) led by Vice Minister Ye Kedong in New York on December 16-17, 2008. Several Chinese officials and scholars accompanied the Vice Minister including Dr. XuShiquan, Dr. Wang Jisi, Dr. Yang Jiemian and Dr. Wang Zhenmin. Participants from the U.S. included Raymond Burghardt, Chairman of the Board, American Institute in Taiwan, as well as several former U.S. government officials, including The Honorable Winston Lord, The Honorable Nicholas Platt, and former Deputy Assistant Secretary of State, Susan Shirk.

The discussions had two main themes. First, the participants discussed the future of cross-Strait relations. Now that the Kuomintang (KMT) is in control in Taiwan, and led by the more pragmatic Ma Ying-jeou, there was consensus that we were embarking on a new age of cross-Strait relations and that the relationship between the mainland and Taiwan was the best people had seen for a very long time. However, with the positive forward momentum, most tangibly manifest by the “three direct links”, there are still hurdles which need to be overcome which include security concerns, issues of international space and strengthening economic ties to weather the current financial crisis.

Second, there were more general discussions about the U.S. - China relationship, recognized by all participants as one of the most important but most complex bilateral relationships in the world. Dealing with the North Korea nuclear issue, the current financial crisis, and broadening the agenda for cooperation while working with the new Obama administration were all topics of intense conversation.

## **A WINDOW OF OPPORTUNITY IN CROSS-STRAIT RELATIONS**

After the March 2008 election of Ma Ying-jeou, tensions across the Taiwan Strait have been greatly reduced. With the KMT led by President Ma taking a more pragmatic approach to cross-Strait relations, people in all three capitals, Beijing, Taipei and Washington DC have witnessed the positive changes in this historically contentious relationship. In fact it was noted by a Chinese participant that the day before the conference started, daily direct flights between China and Taiwan began. Coupled with direct shipping and direct postal links, the “three direct links” were basically realized; something the mainland had been waiting for many years.

The same participant went on to say that many of these positive changes were due not only to the hard work of compatriots on both sides of the Strait, but were helped largely by the efforts of the United States, and that the mainland will not forget the hard work put in by its American friends.

However, there was a general sense that the two sides, Chinese and American, perceived differently the overall sense of urgency about cross-Strait developments. From the American perspective, this window of opportunity would not stay open indefinitely, and President Ma would need to show tangible evidence that his new cross-Strait policies were bearing fruit. This was particularly true from an economic perspective. It was also critical because of the domestic political situation in Taiwan. It is believed that there is a small but very vocal and deeply suspicious faction of the Democratic Progressive Party (DPP) which is attempting to highjack the party and derail President Ma’s policies. Therefore, if he can’t show marked improvements for the island, for example on international space, it might be very difficult for him and the KMT party to continue a forthcoming policy toward the PRC. This would be of great concern to the mainland.

From the Chinese perspective, a strong foundation for the relationship based on mutual trust still needed to be cultivated; and therefore, the two sides should proceed with caution. The road to improving cross-Strait relations will be bumpy and it will take time to repair, but the touted “window of opportunity” wouldn’t close as soon as many Americans might think.

## **INTERNATIONAL SPACE**

One of the most difficult yet critical issues to resolve in cross-Strait relations is the issue of international space. This issue gets to the core of two very important debates. In Taiwan, it speaks to the concept of “dignity”, as well practical concerns like health issues, and on the mainland this issue is at the heart of concerns over upholding the “one China principle.”

During the meeting, two primary issues were debated in the discussion of international space; the first dealt with the concept of a “diplomatic truce” and the second concerned Taiwan’s participation in international organizations and activities.

One Chinese participant commented that the mainland had been working very hard to uphold the tacit understanding of the “diplomatic truce;” an action that had been warmly welcomed by Taiwan. In fact, some of Taiwan’s 23 diplomatic allies have reached out to Beijing directly,

ostensibly in the hopes of changing allegiances, (Paraguay is the most well-known example). The mainland has not responded to these requests. However, this participant went on to say that this “truce” would only last as long as cross-Strait developments kept improving and that reciprocity by Taiwan was the key to continuing this process.

The trickier and more contentious issue seemed to be the question of participation in international activities. The major example discussed over the two days was Taiwan’s desire to participate in the 2009 World Health Assembly (WHA); the American and Chinese participants saw this situation differently.

Chinese participants observed that one of the fundamental reasons why this issue is so complicated is due to the varying types of international organizations. There are numerous non-governmental organizations (NGOs) like the International Olympic Committee; inter-governmental organizations which fall outside of the United Nations (UN), such as the Asian Development Bank (ADB); and those which fall under the UN umbrella, such as the World Health Organization (WHO). Because all of these organizations have different charters which specify different criteria for participation and membership, it is impossible to create an all encompassing solution that would address the Taiwan question.

One Chinese participant outlined the mainland perspective regarding Taiwan’s participation in the WHA as follows: according to the WHO charter, if Taiwan wants to participate in the deliberations of the WHA as an observer, it needs the mainland to sponsor it and Taiwan has to have an appropriate title. Therefore, the way to untie this knot is for Taiwan to accept the mainland’s sponsorship. Additionally, this matter would most likely need to be dealt with on a year-by-year basis. If that is done, the mainland should, on its part, seriously consider a way to maintain Taiwan’s “dignity.”

However, many American participants saw this issue as less black and white. An American participant said that there were two principal questions that Taiwan was asking. “Are we going to be an observer?” and “Will we have unimpeded access to deal with technical issues directly with the WHO Secretariat?” This participant acknowledged that the idea of PRC sponsorship was interesting, but that it could actually backfire since the DPP could use it to beat up on Ma. The opposition party could say that, with sponsorship, Taiwan was beholden to Beijing’s willingness to sponsor it each year, in essence subjugating Taiwan to Beijing and sacrificing its sovereignty. Therefore in the short term, sponsorship might be a solution, but in the long term it might generate ill will.

Another American participant came up with the following formulation which was echoed by several participants. Margaret Chan, as head of the WHO, could extend an invitation to Taiwan to participate in this specific meeting in 2009 and the PRC would not object. It’s a step towards achieving observer status, but kicks the can down the road a bit, while still allowing for meaningful participation this year.

This participant went on to put this issue of international space into a broader context. Under a new Obama administration, the participant believed that U.S. support for Taiwan’s participation in the international community may increase. Washington sees Ma as having fundamentally

moderated Taiwan's approach to participating in international organizations (e.g. in terms of nomenclature Taiwan is willing to accept). With his more pragmatic vision for Taiwan's participation, it might translate into more active lobbying on the United States' part.

Though questions still remain regarding specific issues of participation and there are still several reasons for concern, there has been some progress on this issue as of late. For example, both the American and Chinese participants commented on the recent Asia Pacific Economic Cooperation (APEC) meeting, which included in the official list of participating economies and leaders released by the organizer, a brief description stating that President Ma Ying-jeou is the leader of the member economy "Chinese Taipei" and that former Vice President of Chinese Taipei, Lien Chan, would be representing him. Lien Chan is the highest representative who has ever attended an APEC meeting on Taiwan's behalf. This is a good example of China's new thinking and increased flexibility on Taiwan's participation in international affairs, though of course, it can't be seen as precedent setting.

Finally, an American participant thought that it was important to remind the mainland side that we oppose Taiwan's participation in organizations that require "state status" as a prerequisite for membership. However, equally important to remember is that the United States is not supporting Taiwan's international space activities solely for the benefit of Ma and his ability to maintain domestic support for his cross-Strait policies. Rather, because of the interconnected nature of today's world, Taiwan needs to participate in international organizations for health and safety reasons. The American interest isn't just driven by cross-Strait relations. There's a larger picture to keep in mind.

## **SECURITY ISSUES IN THE CROSS-STRAIT EQUATION**

There were two main issues which were brought up when discussing the cross-Strait security issue; one dealt with U.S. arms sales to Taiwan, and the other concerned China's military deployments against Taiwan.

An American participant explained that the U.S. - Taiwan security relationship will remain robust during the next administration, and the U.S. will continue to firmly adhere to its commitments outlined under the Taiwan Relations Act (TRA). Further, it was noted that an insecure Taiwan will not negotiate with the mainland; therefore, China's military posture towards Taiwan will be a critical element or factor which will contribute to future arms sales packages. Since the mainland still feels it needs to maintain a strong deterrent against Taiwan; Taiwan, too, will need a defense capability.

This idea was seconded by another American participant who noted that Beijing needed to show signs of goodwill with regard to Taiwan's security. If there is no concrete reduction of the military threat against Taiwan, it will be harder for the new Obama administration to reduce arms sales and to deal with outstanding decisions on the F16 C/Ds and submarines. In a nutshell, if the threat isn't reduced, some people in Washington could want to make a move to approve the systems which were still on the table. This would not please Beijing.

One American participant thought there might be louder calls for China to reduce its military deployments against Taiwan in 2009. However, these wouldn't necessarily have to be militarily significant steps, but perhaps more political or symbolic gestures. Some examples put forward included having the mainland pull back missiles from the Taiwan Strait, promoting greater transparency in announcing military exercises and activities and offering more vocal support for military confidence building measures (CBMs) across the Strait.

The Chinese participants saw this security situation differently. First, a participant stated that Beijing was exceedingly dissatisfied with the latest arms sales package and thought that President Bush had moved too quickly to approve it in 2001; this action had been counterproductive and had affected the overall relationship between the U.S. and China.

However an American participant pointed out that though the road to international space runs through Beijing; the road to arms sales runs through Taipei. Taipei asks the U.S. for weapons; Washington doesn't actively "sell" or "push" weapons on Taiwan. There is a certain cause and effect.

A Chinese participant responded by saying that the arms sales issue was a double-edged sword. Though Taiwan *asks* us for weapons the U.S. *tells* Taipei what to buy.

An American participant had a point of clarification on that assertion. Back in the days of Lee Teng-hui and Chen Shui-bian, there was a tendency for Taiwan to acquire "show pieces." They would buy things that were flashy, or would buy things to show the mainland what the U.S. was willing to sell them. However, President Ma is a more pragmatic leader. He's not looking for "show pieces", but rather legitimate defense needs.

Another Chinese participant thought we were focusing too much on China's missile deployment and felt that drawing back missiles wasn't the only issue related to security across the Strait. He thought that the direct air links had a lot of military implications and were a sign of goodwill, and that some additional steps like increased military contacts, exchanges of retired military professionals or even current military officers could be discussed in the future.

Finally, a Chinese participant said that peace and stability in the Taiwan Strait is not only of interest to Taiwan and the mainland, but is also of interest to the Asia Pacific region and the world at large. Therefore it is necessary to maintain a deterrent with the mainland's limited military arrangements.

In response to this argument, an American participant noted that the United States recognizes that the mainland needs a deterrent, but saw the modernization of the People's Liberation Army (PLA) as a sort of deterrent because it is an illustration of the shifting balance of power in the Taiwan Strait. The mainland could continue this process without having a provocative deterrent as well.

## **CROSS-STRAIT RELATIONS FROM AN ECONOMIC PERSPECTIVE**

This topic is, on balance, the easiest issue to discuss between Beijing and Taipei. In fact, in Chinese there is a saying these days, “先易后难 , 先经后政” translated as *easy things come first, then difficult ones; economy comes first and then politics*. As the Chinese participants pointed out, the “three direct links” are becoming a reality and at a minimum will save a significant amount of money in transportation costs each year. However, all is not smooth sailing.

For instance, a deputy commerce minister from the mainland proposed that the two sides could arrange a systemized mechanism for economic cooperation similar to the Closer Economic Partnership Agreement (CEPA) reached between the mainland and Hong Kong and Macau. However, Taiwan was offended at being relegated to this same level.

Rather, the proposal discussed in Taiwan is to conclude a Comprehensive Economic Cooperation Agreement (CECA). Though there aren't too many major differences between a CEPA and CECA, the Chinese participant noted that the Taiwanese side saw this agreement as more than just a bilateral arrangement and aimed to use it as a platform upon which to conclude Free Trade Agreements (FTAs) with ASEAN countries. This would be a way to avoid being “sidetracked” in the international economic community. The participant was quick to point out though that if it comes to Taiwan signing FTAs with ASEAN countries, painstaking negotiations between the mainland and Taiwan would certainly be needed.

An American participant agreed with the earlier assessment regarding a CEPA. Any efforts to bring this about would be met with strong reactions in Taiwan. It had political ramifications that many on the island would not be willing to accept. However, the same participant thought that the current financial crisis might have an upside when it comes to cross-Strait developments. If the mainland could deal with the current crisis in such a way as to help Taiwan's economy and in so doing, help transform the cross-Strait relationship, this negative could become a positive.

Finally, one American participant stressed that the mainland shouldn't underestimate the importance of the U.S. - Taiwan economic relationship. The U.S. has a lot of foreign direct investment (FDI) in Taiwan and it is one of our top export markets and trading partners. The United States values the contribution Taiwan makes to the American economy.

## **THE U.S. - CHINA BILATERAL RELATIONSHIP**

Both the American and Chinese participants firmly acknowledged the importance of the U.S. - China relationship while recognizing its inherent complexity. This complexity is growing as the two countries work together, like never before, on an ever expanding and broadening global agenda.

Both sides also agreed that the current state of relations can be categorized as quite positive and quite stable, and that President Bush is leaving the Obama administration with a strong bilateral relationship.

On the topic of President-elect Obama, the American participants reassured, and the Chinese participants hoped, that the next administration would not suffer from the transition headaches which had plagued past presidents. It has been an interesting phenomenon in U.S.-China relations over the past several presidencies that the first couple of years of the relationship are often strained before the pendulum swings and relations take a more positive tack. China was not a major campaign issue, and Obama's positions have generally sounded notes of continuity though quite firm on trade. Couple this with the fact that President-elect Obama has (up to this point) surrounded himself with sound advisors who have very balanced views on China, cross-Strait relations, and the Asian region, generally, and this will hopefully mean a continuation of a positive and fruitful relationship in the future.

However, there are still areas of concern which need to be worked on, and larger problems in the world will require enhanced levels of cooperation and coordination. It will remain to be seen whether or not China will rise to this challenge. As one American participant put it, if we come to you asking you for assistance in dealing with a situation in Sudan, Iran or the DPRK, is China prepared to help? Are you prepared to deal with the U.S. that you have been wishing for, namely a strategic partner? Will you be a "responsible stakeholder" in the world system?

A Chinese participant in turn stressed the need for the U.S. to adjust to a major transformation in the global landscape.

## **FINANCIAL CRISIS**

The financial crisis will be the single most important issue on President-elect Obama's agenda. It is also of pre-eminent importance for the Chinese government as it tries to deal with the inevitable fallout from this economic downturn; a fallout which includes a slower growth rate, loss of jobs, closing of factories, and reduced export levels.

However this crisis, as is the tendency with so many issues in the U.S. - China relationship, can be seen as both an area of opportunity and of concern. For example, the U.S. and China, as two of the world's major economic powers, could increase cooperation in an attempt to ameliorate the hardships the downward economic turn is causing.

Yet on the other side of the coin, there is the danger of friction. For example, if China subsidizes exports and depreciates the Yuan, and the U.S. in turn resorts to protectionist countermeasures, there could be a ratcheting up of tensions. Also, if rising unemployment demonstrations in China are met by crackdowns by the government, this could inflame the issue of China's human rights' policies in the U.S.

Both American and Chinese participants also stressed how the current financial crisis might change some fundamental values of both countries. For example, the United States economy is driven by consumption. Yet some American participants noted that we are probably on the verge of major changes in American values when it comes to money, debt, savings, and consumption. China, on the other hand, may need to export less and spend more. A Chinese participant said that the Chinese government should be encouraging people to consume more, but this is not a

traditional Chinese value. Regardless, we should encourage people to adopt such an approach, even though it might be antithetical to traditional values.

The bottom line was that the need for joint cooperation between the two countries cannot be stressed enough. Unfortunately, this is a crisis that has many more losers than winners. Therefore, there needs to be much more direct engagement between the two countries. As an American participant observed, “China is a partner. You’re not our creditor; you’re our partner. It is incumbent upon you to engage with the U.S.”

## **NORTH KOREA NUCLEAR ISSUE**

Several American participants brought up the idea of China and the United States beginning to work on contingency plans for two different scenarios in the DPRK. The first is how to deal with a post-Kim Jong-il North Korea and the second is how to deal with a North Korea which refuses to give up its nuclear weapons. On the latter issue, many Americans were very pessimistic.

Another American participant asked if there were common redlines on the Chinese and American sides. And if so and if North Korea crossed one of those, would China be prepared to take a more hard-line approach?

A Chinese participant had the following assessment of this issue. First of all, he agreed that North Korea was not likely to give up its nuclear devices unless forced to, by international pressure. However, in terms of contingency planning he thought that even if there is a succession problem down the road, the end result could be continued stability in North Korea. Therefore, since we can’t exclude this possibility, we should respect North Korea’s sovereignty as a UN member and remain sober-minded and flexible about future possibilities. It would be dangerous to appear too intrusive into North Korea’s affairs.

It was suggested that the United States and China should be prepared for some kind of crisis on the peninsula, but both sides recognized the sensitivity of official talks on this subject. Even the suggestion that this issue could be discussed in Track II channels might be doubtful. It was mentioned that the people in China who are North Korea experts might not be able to participate in those dialogues, and those who could participate might not be knowledgeable enough to discuss these issues. Regardless, if any discussions were to occur, they must remain discreet.

An American participant added that though the U.S. and China did need to have a more in-depth dialogue on the North Korea, this dialogue should also include South Korea. Otherwise the actions the three countries might take could be at cross purposes.

## **ADDITIONAL THIRD PARTY PROBLEMS AND NON-TRADITIONAL SECURITY THREATS**

In addition to the North Korea issue, a Chinese participant voiced concerns over other areas of potential disturbance, some of which are congruent with American concerns, though some diverged somewhat. The participant said that the Taiwan issue is still on the top of China’s

security agenda. Another urgent issue is Tibet. Further, there could be some disturbances in neighboring countries like Pakistan and Afghanistan and a resurgence of terrorist attacks. Also domestic disturbances in Myanmar and Thailand concern China.

Several Chinese participants asked what the United States thought about Russia's resurgence in the international community. Americans pointed out that the Georgia issue rekindled sensitive issues like breakaway provinces and Russian troops crossing borders, but we need not, and should not, return to the Cold War.

The American participant went on to say that he would like to see some bigger, global issues on the Obama administration's agenda; for instance, climate change and energy efficiency measures. It was suggested that joint projects to address these issues would be beneficial.

However another Chinese participant saw the situation somewhat differently. He did acknowledge that climate change is an important issue, but in China's domestic context, climate change is viewed under the larger umbrella of environmental protection (as well as energy efficiency). If dialogues are created to discuss these larger items, China will feel more comfortable, and climate change could be reframed to reflect mutual concerns. After all, though carbon emissions are important, in China, issues like water pollution are even more critical and immediate problems.

An American participant acknowledged this point and noted that as we approach the advent of this new administration, there could be a new paradigm shift. This would allow the U.S. and China to work together on major initiatives to deal with global environmental challenges and climate change. Indeed both sides recognized that these and related energy issues represented the single biggest area for expansion of U.S.-Chinese cooperation.

## **CONCLUSIONS AND POLICY RECOMMENDATIONS**

The Obama administration might ask China to be more helpful and proactive on the world stage. It might not be enough to just be a responsible stakeholder; in fact, the U.S. may need China to act more like a responsible leader. This could be a plus for the U.S.-China relationship, but it could also be a minus if the United States becomes disappointed by China's reticence; in essence, if China does not live up to the United States' heightened expectations.

Both American and Chinese participants agreed that we need a broader agenda to address regional and global problems. Strategic dialogues should continue and be expanded and elevated. The American side stressed, and the Chinese side tended to agree, that these should be conducted on economics (currently at cabinet level); regional and global issues from North Korea to Iran to UN to energy to health (currently at deputy foreign minister level); and military issues such as strategic intentions (currently slowed down). This would not mean we were "strategic partners" in an allied sense (we differ on political values). But this expanding agenda would help address some of the world's most pressing issues and strengthen support in both countries for a sustained, positive relationship.

However, the U.S. must get its own house in order. It is hard to act like a moral leader and to try to influence other countries to follow in our footsteps when we are seen by many as acting hypocritically in issues related to human rights, climate change and environmental issues.

The U.S.-China relationship is in good shape, but we can't afford to be complacent. There are familiar problems which will still be with us in the new administration. Taiwan will continue to be a key issue and one of the biggest potential points of contention in the relationship. The economic arena has potential for positive developments between both sides, but there can also be some missteps, particularly when it comes to issues of currency valuation and trade imbalances. Human rights, Tibet and political reform will also continue to be causes for concern. It is in China's best interest to liberalize its political system, including promoting rule of law. Finally, several Americans stressed the need for Obama to give high priority to Asia, including an early trip to the region, despite the other challenges he must face.