

Perspectives on Cross-Strait Relations

Challenges and Opportunities

Executive Summary

On September 15, 2000, the Center for National Policy (CNP) and the Taipei Economic and Cultural Representative Office (TECRO) held a meeting on the topic of cross-Strait relations. The participants at the meeting included current and former policy-makers, legislators, academics, and policy analysts from both the United States and Taiwan. The discussions were off the record, and all participants spoke on a personal basis.

The meeting was organized around panels that discussed military, economic, and political aspects of cross-Strait relations, as well as prospects for the future. Among the numerous observations that were made, a few key points can be summarized here.

- There was widespread consensus that any military confrontation between the Republic of China on Taiwan (ROC) and the People's Republic of China (PRC) would likely be damaging to Taiwan in some respects, whatever the outcome, and should be avoided. It is in the interests of both sides to settle their differences through dialogue and diplomacy.
- World Trade Organization (WTO) membership for the ROC and PRC may forge new links, processes, and opportunities for discussion between the two. There is hope that the WTO will contribute to economic development and democratization in China. At the same time, just as the WTO will affect China, China will have an effect on the further development of the WTO.
- Taiwan's democratization has had a great impact both within the ROC and internationally. An increasing sense of a distinct Taiwanese identity both poses new issues for US policy, and also has widened the base of American political support for Taiwan.
- Further dialogue between the ROC and PRC would help the two sides confront issues of democracy, equality, sovereignty and security. Talks will not necessarily bring quick results, but they can help both sides find common ground and address their differences constructively.

Introduction

What follows is a summary of the discussion at a meeting cosponsored by the Center for National Policy (CNP) and the Taipei Economic and Cultural Representative office (TECRO), held in Washington, DC, on September 15, 2000, on the topic of cross-Strait relations. The participants at the meeting included current and former policy-makers, legislators, academics, and policy analysts from both the United States and Taiwan. The discussions were off the record, and no individual remarks have been attributed to the speakers here.

The meeting sought to examine the full spectrum of cross-Strait relations as well as steps for future policy. To spur discussion, CNP commissioned papers that addressed the military, economic, and political aspects of cross-Strait relations. Paper abstracts were distributed to the group before the meeting, and at the event each author presented a summary of his ideas. The abstracts are posted on this website.

These presentations were followed by remarks from one or two previously designated discussants. After these remarks, the floor was open for discussion among the entire group. The presentations based on the papers were not off the record, but the response to the papers are treated confidentially, and only a summary of views are presented here.

The meeting began with a few brief introductory remarks. One participant noted at the outset that tensions in the cross-Strait relationship constitute one of the most pressing issues facing the world today. It was suggested that the off the record format would allow for the sort of candid talk needed to reach an innovative solution. This speaker also noted that it was important that the meeting would not only include policy-makers, scholars, and other analysts, but legislators as well, allowing the group to include the perspectives of those who understand the challenges of acting in the public domain.

The Military Balance

The first panel of the day began with a presentation of the cross-Strait military balance by Dennis Blasko, of International Technology and Trade Associates. Mr. Blasko surveyed various assessments of cross-Strait military relations, which display a range of views on two related issues: the state of the cross-Strait military balance and the level of need for US intervention should conflict erupt. Some analysts suggest that the PRC is building a force that will soon have the capacity to overtake the Taiwanese militarily. Other analysts disagree, arguing that that in the foreseeable future, there is little chance of the PRC being able to mount a successful invasion of Taiwan. From the perspective of US policy, the question of which of these two assessments are more correct poses implications for whether, how, and when the US might be called on to become involved in ensuring the security of the ROC. The presenter noted that the US Department of Defense findings fall in the middle of the range of views on this issue.

Blasko then considered the discrepancy between the sizes of the Chinese and Taiwanese military forces. He observed that, technically, there is a 6:1 personnel ratio in favor of the PRC, but he argued that quantitative considerations should be supplemented with an appreciation of equipment quality, geographic factors, and the different requirements for fighting an offensive or defensive battle. He also noted that a substantial portion of those the PRC counts as military personnel are in administrative support, and would not normally be included in a balance assessment.

Turning to the issue of weapons purchases, Blasko noted that Israel has been a major supplier of arms to Taiwan, sending a great deal of technology to the ROC in cases where the US hesitated to send similar equipment. Further, neither Chinese nor Taiwanese official statistics include all foreign arms purchases. Over the past ten years, the US has provided \$20 billion in weapons support and training to Taiwan, compared to \$10 billion in similar support from Russia to China. Blasko questioned whether the Taiwanese military could absorb more equipment, given a limited supply of pilots and junior naval officers.

Blasko said that that despite media speculation to the contrary, a US Department of Defense report recently found that China would be unlikely to choose to attempt an amphibious invasion of Taiwan. The People's Liberation Army (PLA) would more likely attempt a decapitating attack using special operations forces and information warfare in the hope that Taiwan would capitulate before the US could respond. The PLA has few weapons suited to such an attack, but Blasko reminded the participants that the PLA has the capability to develop innovative solutions to difficult problems.

Then Blasko reflected on the proposed Taiwan Security Enhancement Act (TSEA), which would call for closer coordination between the US and ROC militaries and more technology transfer from the US to the ROC. He argued that much of what the TSEA seeks could be accomplished without an act of Congress. He noted that Taiwanese cadets are currently training in US military academies, and that senior Taiwanese officers do come to the US to confer with their counterparts. In addition, he argued, it would be better for the Taiwanese to maintain and operate currently available equipment more effectively than to purchase new technology. Instead of seeking to pass TSEA, he said, the US Congress should reaffirm the provisions of the Taiwan Relations Act.

In closing, Blasko said that both the PRC and ROC know that US and Taiwanese forces together could repel a Chinese attack, but that it would be better for everyone to de-emphasize the military component of cross-Strait relations and to focus on a political resolution. Whether or at what point the PRC might overtake Taiwan militarily, and whatever appropriate US response should be to prevent the conflict from occurring, he argued, it is important to prospects for stability in the region for both the PRC and ROC to provide leadership and to work toward compromise in settling their differences.

Following this presentation, there was an exchange of views on the cross-Strait military balance and the best possible course for US and Taiwanese policies. There was broad agreement on the importance of the political and psychological dimensions of cross-Strait relations in addition to military considerations. No one argued that a Chinese invasion is likely to take place any time soon. Instead, the consensus view was that the PRC is most likely to engage in a battle of nerves with Taiwan, building up its military capability and maintaining the capacity to intimidate Taiwan with improvements to its missile force.

There also was consensus supporting Blasko's argument about the need for a political solution to cross-Strait tensions, as opposed to a military one. It was noted, however, that prospects for such a solution remain unclear, and there were no concrete suggestions for how Taiwan and the PRC would reach agreement on how to settle their differences.

Despite these areas of consensus, there was a good deal of debate among the participants. In particular, several meeting attendees argued that TSEA would help enhance Taiwan's security by reaffirming United States support for Taiwan, by ensuring better communication between the US and Taiwanese militaries, and by providing the means whereby Taiwan would be able to obtain additional military hardware and benefit from training from the United States.

Another significant group of meeting participants held a different view of TSEA, arguing that the Taiwan Relations Act provides adequately for Taiwan's security, and that further US legislation would only serve to provoke the PRC and lessen the security of Taiwan. According to this view, Taiwan has received and is receiving enough military assistance from the United States to deter a Chinese attack, and even in the unlikely event of a Chinese attack, the PRC would be unable to gain control of the island.

This disagreement unearthed different perceptions of US policy toward Taiwan. Some participants expressed concern about what they characterized as a US policy of calculated "strategic ambiguity" toward Taiwan, in which the US refuses to delineate the conditions under which it would defend Taiwan against Chinese attack so as to restrain the Taiwanese from acting provocatively while deterring the Chinese from acting aggressively. They argued that the US should abandon this approach in favor of a more explicit security guarantee to, or perhaps even an alliance with, Taiwan.

In opposition to this view, a number of participants argued that there is little that is ambiguous about US policy. They cited the decision to send two US aircraft carriers to the region in 1996 when the PRC launched missiles into the sea near Taiwan as clearly not ambiguous. In this view there are few serious analysts or policy-makers, including those in China, who doubt that the US would come to Taiwan's aid if it were subject to a Chinese attack. They cautioned against a more formal security guarantee on the grounds that such a move would provoke the Chinese, or could even encourage Taiwan to provoke China unnecessarily.

One policy-maker summed up implications of a potential US-China military conflict by citing the saying that "when the elephants fight, the grass gets trampled." It was suggested that the need to avoid such a situation is essential and obvious, but it is also the case that the differences that could potentially lead to such a conflict are unlikely to come to resolution any time soon. Instead of looking for a quick fix, this speaker offered the view that, over time, through dialogue and diplomacy, China and Taiwan can gradually work out their differences and find a mutually acceptable solution.

Economic Relations

The meeting's second panel featured a presentation by Tse-Kang Leng, of the Institute of International Relations at National Chengchi University, that considered the effect of globalization and the potential impact of World Trade Organization (WTO) membership on cross-Strait relations. In particular, Leng focused on the interaction between state and society, pointing to a divergence between Taiwan business firm behavior and state policy in relation to the PRC. He noted that the Taiwanese business community negotiates with both its home country and with the PRC. In general, he suggested that businesses try to stay out of politics, focusing on opportunities to produce revenue on both sides of the Strait. He cautioned against thinking of cross-Strait economic relations solely in terms of the bilateral Taiwan-China relationship. Instead, he suggested, it would be wise to consider global interaction involving the broader world economy.

Leng then considered the impact of cross-Strait economic relations on Taiwan's national security. In the past, he noted, the Taiwanese government employed tools such as capital controls, limits on technology transfers, limits on the transfer of personnel, and a predefined division of labor to maintain Taiwan's independence as an economic entity. The use of these means showed that Taiwan was attempting to resist some of the trends associated with globalization. Now, however, Leng said, the Taiwanese government appears to be embracing globalization. Instead of focusing on the control of international economic flows, the Taiwanese are trying to benefit from them. He offered as an example current ROC efforts to improve technological innovation and global management practices. He noted there is still discussion about how to regulate imports from the mainland, however, and how quickly to negotiate the "three links," which consist of postal, communication, and transportation ties.

Turning to the issue of WTO membership for Taiwan, Leng outlined the challenges and opportunities he sees as involved in joining the organization. Submitting to WTO practices will subject Taiwanese firms to increased competition from multinational corporations and businesses based in the PRC. Leng pointed out that most Taiwanese firms are either small or medium sized businesses, many of which fear the result of direct competition with larger foreign firms. Further, he suggested that WTO membership would force Taiwan to lift restrictions on international investment and other flows, making the island accommodate capital and personnel from the mainland and elsewhere.

Leng argued, despite these challenges for Taiwan, WTO membership for both the PRC and ROC should increase political stability across the Strait, providing a good channel for ROC-PRC interaction and making it possible to integrate Taiwanese business interests with domestic development in the PRC. The WTO can serve as a mechanism to "de-bilateralize" ROC-PRC negotiations. While Leng cautioned against excessive optimism, he suggested that the opening and widening of multiple channels across the Strait could result in a situation of complex interdependence that would benefit both Taiwan and China.

The discussion following this presentation focused on the issue of potential WTO membership for China and Taiwan. Several participants considered whether WTO membership would result in domestic change in China. Some argued that it would produce greater openness and freedom for the Chinese people. Others agreed with Leng that WTO participation could serve to stabilize the cross-Strait relationship. It was suggested that WTO membership could generate opportunities for both Taiwan and China by creating new constituencies for peace, empowering different actors in each country, and by changing the political dynamic.

Several participants discussed other potential benefits of WTO membership for both Taiwan and China. In the view of these participants, by joining the institution, Taiwan should gain economically through increased trade and investment, and politically by achieving increased international recognition. The ROC and PRC also should benefit from the opportunity to discuss their differences in a multinational forum. Economics is one of the few bright spots in cross-Strait relations, in this view, and to the extent that WTO membership benefits the region's economy, it could spur economic growth for all.

Other members of the group were more cautious, either questioning whether the WTO would have much of an effect on China, considering possible negative consequences of PRC WTO membership, or positing that China could have more of an effect on the WTO than the international organization is likely to have on it.

Some participants suggested that the WTO could actually contribute to cross-Strait friction by creating new arguments between Taiwan and China. For example, at present there is uncertainty about Taiwan's likely status within the WTO. Recent statements from the PRC indicate that they believe that Taiwan should not be permitted to join the organization on the same status as sovereign nation-states.

A few participants pointed to another potential problem resulting from China's reliance on foreign direct investment, noting that if the PRC continues to attract significant amounts of international capital, including capital from Taiwan, it could result in higher borrowing costs for Taiwanese businesses.

Systems in Transition

The third panel of the day began with a presentation by Taifa Yu, of the University of Northern Iowa, detailing political developments in Taiwan, and highlighting the role played by rising perceptions of Taiwanese national identity. Yu said that, along with the growth of the Taiwanese economy and the transition to democracy, a rising sense of Taiwanese identity has been one of the most significant changes in Taiwan in the past 50 years. He said that political leaders often encourage nationalist sentiment as a means of consolidating power or in order to mobilize resources for military action. But, in Taiwan's case, he argued, nationalist sentiments have risen more organically from the situation in which Taiwan finds itself. He traced the rise of the current sense of Taiwanese identity to a reaction to diplomatic setbacks the ROC suffered in the 1970's.

Yu emphasized that there is a close relationship between a sense of Taiwanese identity and the idea of an independent Taiwan. To illustrate the importance of the rise of Taiwanese identity he offered a number of developments he believes are related to it: Taiwan's transition to democracy, the legitimization of an independence movement, polarization between native Taiwanese and mainland-born politicians, and tensions in the cross-Strait relationship. He suggested that a growing sense of Taiwanese identity complicates resolution of the cross-Strait dispute, and makes the "one China" framework increasingly problematic. He closed by offering the view that a growing sense of a separate and distinct Taiwanese political identity will continue to play an important role in Taiwanese politics.

Following this presentation, one participant questioned whether he was talking about ethno-nationalism, suggesting instead that Taiwanese identity is more of a civic nationalism based on political contingency. Others offered differing views of the precise origin of the Taiwanese identity. One group of participants held that Taiwanese nationalism has been primarily a reaction to the behavior of the PRC, while others suggested both Chinese nationalism in the PRC and Taiwanese nationalism in the ROC were products of a reaction to the Kuomintang (KMT). Participants also suggested other reasons for Taiwanese nationalism, including a reaction to colonial rule, and domestic forces within the island. It was suggested that this debate has implications for how one might expect the Taiwanese people to react to threatening behavior from the PRC. If Taiwanese identity is at all related to pressure from the PRC, for example, additional pressure from the mainland would likely bolster Taiwanese nationalism.

It was further argued that the debate about Taiwanese identity has implications for ROC behavior. If Taiwanese nationalism were to contribute to the transition to democracy and to economic growth in Taiwan, then most observers would welcome its further development. However, if Taiwanese nationalism were to contribute instead to overtly chauvinistic Taiwanese behavior, then a rise of nationalistic fervor in Taiwan could provoke China, hinder the development of democracy in China, and potentially result in the loss of support from the US.

On the subject of US support for Taiwan, more than one participant noted that Taiwanese democratization has led to increased interest in the US Congress. Growing arguments for weapons sales to the ROC, for allowing senior Taiwanese leaders to travel to the US, and for increased contact with senior ROC officials can all be traced to an appreciation of Taiwan's transition to popular rule. Several participants suggested that further democratization in China would aid the effort to resolve cross-Strait tensions peacefully.

Questions of democratization, in turn, raised issues of legitimacy. Several members of the group referred to what they see as problems of legitimacy on both sides of the Strait, problems that are affecting the way political leaders are dealing with the cross-Strait relationship.

Directions for the Future

The meeting's last panel featured personal statements reflecting on the future of cross-Strait relations. Representative C.J. Chen, of the Taipei Economic and Cultural Representative Office, noted that China has been divided into two parts since 1949, and that for nearly 40 years, cross-Strait relations had a distinctly adversarial tone. However, he said that since 1987, political and economic changes in the ROC have led to a significant shift in its attitude and its channels of communication with the PRC have expanded. Besides some changes that have eased tensions in the cross-Strait relationship somewhat, however, he suggested fundamental differences remain between the two sides. As a key example, he pointed to the fact that, while refusing to renounce the use of force to achieve unification, Beijing still insists that Taiwan accept a subordinate status.

Chen said, on the question of cross-Strait relations, that Taiwan has essentially three basic options: unification with the PRC, declaration of independence, or continuation of the status quo. Polls over the last decade show that the majority of the people on Taiwan prefer to maintain Taiwan's status quo for the time being and they want a peaceful, secure, and stable future. He said that Taiwan's government trusts the people to make rational decisions in their own best interests. Any change has to take this into account.

Chen then discussed the current state of cross-Strait relations. He said President Chen Shui-bian's new government has actively sought to resume dialogue with Beijing through institutions that were used in the past, and it is convinced that wisdom, creativity and sincerity on both sides can eventually bring about breakthroughs and improvements in the normalization of cross-Strait relations. He laid out the basic principles that the ROC believes should govern the talks: that both sides should be able to deal with cross-Strait issues on the basis of democracy, equality, and peace. But, he said, Beijing authorities want Taipei first to accept, as a condition for talks, the position that Taiwan is part of "One China" –which they define as the "People's Republic of China"—and their "one country, two systems" formula, downgrading Taiwan to a status like that of Hong Kong and Macau. He said that approach doesn't respect the aforementioned three principles, nor does it make room for principles of human rights and free choice by a self-respecting people.

By contrast, Chen emphasized, President Chen Shui-bian has made it clear that his government has no preconditions for resuming talks, nor does he believe there should be any preconditions. If Beijing returns to that same spirit of "dialogue, exchange, and shelving of disputes," that both sides agreed to years ago, Chen indicated representatives from both sides could meet again and talk about anything.

Finally, Chen said that he appreciates that the US understands and respects Taiwan's determination to honor the people's freedom of choice in such matters. He noted that not only the US government, but also both major political parties in the US have stated that any final resolution to the cross-Strait situation must be made with the consent of the people on Taiwan. Chen emphasized that Taiwan is appreciative of the efforts that the US government has been making in encouraging and persuading Beijing to resume dialogue with Taipei. He said that Taiwan hopes the US will play more of an active and constructive role as a stabilizer and balancer across the Strait, providing the impetus for dialogue and practical incentives

for reconciliation. Chen also noted that a peaceful settlement of the issues and maintenance of regional stability and prosperity are broadly shared interests. He said the way the issues involved are managed, improved and resolved may well be the most challenging task we all have to face in the future.

Next, Richard Bush, managing director of the American Institute in Taiwan, presented his personal views regarding cross-Strait relations. He observed that the day's discussions had dealt with the particular factors that affect the context in which transactions between Taipei and Beijing take place. Such military, economic and political factors matter, he said, but sooner or later the two governments will have to create broader frameworks of action (or fail to act altogether) and live with the results. He focused on what he sees as two core substantive issues framing cross-Strait relations.

First, he discussed the issue of sovereignty. He suggested that the PRC is offering "one country – two systems", or "Hong Kong plus"; and that this is not acceptable to Taiwan because the island would only have home rule, but the PRC would remain the exclusive sovereign. Taiwan, he said, wants Beijing to acknowledge that the governing authorities in Taiwan would possess a measure of sovereignty within the context of any unified China. This includes an internal element, the exclusive right to rule the territory that is under its jurisdiction, and an external element, Taiwan's right to have a greater international role. Bush argued that conceptually unification is not necessarily inconsistent with Taiwan having sovereignty. He pointed out that both Taipei and Beijing face challenges in addressing the issue of unification for the future. Taipei must determine what conceptions of China the people of Taiwan would be comfortable with. Beijing must decide if there are conceptions of unification that it could accept where Taiwan could be a sovereign part of a unified China.

Another core framing issue Bush posed is security. He noted the PRC is modernizing its military capability, and Taiwan has a significant force as well. This raises a number of questions: How will these assets factor in to a new political equation? How will the parties deal with the sense of insecurity these military forces create? Are there confidence-building measures that could reduce Taiwan's sense of insecurity? US policy, Bush said, is that the two sides need to work out mutually acceptable answers to these questions. He said the US will not get involved in mediating between the two sides. US attention is focused on process, the need for a peaceful resolution, and an outcome that people can accept. In his view, the US "one China policy" can accommodate a variety of solutions. He said that it is important that dialogue be resumed because it can reduce risks while creating momentum to clarify misunderstandings, find common ground, and grapple constructively with differences.