

Taiwan-China Cross-Straits relations: Outlook for regional security in East Asia

The European Institute for Asian Studies, Brussels (EIAS), the Asia-Europe Centre, Paris (AEC) and the Centre for East Asia Studies, Madrid (CEAO) organised a two-day, two-country conference, in collaboration with the members of the European Alliance for Asian Studies (see www.asia-alliance.org). The conference reviewed the current state of China-Taiwan relations following the Presidential election in Taiwan, in March 2004, with an emphasis on implications for regional security. Speakers from Taiwan, mainland China and Europe included academics, representatives from think tanks and journalists. The conclusion of many speakers and participants suggested that the outlook for cross-strait relations is bleak with the possibility that mixed, confusing or mis-interpreted messages might open the way for military conflict.

This (interim) report by John Quigley of the European Institute for Asian Studies, Brussels, presents an analysis of the highlights of the conferences that took place in:

Paris (Tuesday 23rd November, Centre d'Etudes et de Recherches Internationales)
&
Madrid (Thursday 25th November, Universidad Autonoma de Madrid).

**Paris Conference at the Asia-Europe Centre, Paris (AEC),
Centre d'Etudes et de Recherches Internationales, Paris**

Cross-strait relations in post-elections Taiwan; Part One

Dr David Huang, Vice-Chairman, Mainland Affairs Council, the Executive Yuan, said that there were four dimensions to cross-strait relations. Firstly, the economic exchange between Taiwan and China will be of the order of US\$46bn in 2004, with a trade surplus of US\$25bn in favour of Taiwan. China represents Taiwan's largest export market making up 17% of total trade. Since 1991, Taiwan has invested US\$70bn in China creating an estimated 10m jobs. The second dimension was the military threat faced by Taiwan. Military intelligence suggests that China had 600 missiles targeting Taiwan, with an increase annually of between 60-70 missiles. Taiwan needs to take the military threat posed by China seriously, both at a military level and by increasing public awareness. The third dimension reflects the diplomatic confrontation that arises from China's insistence in foreign relations of maintaining a principle of one-China. This is an effort to deny Taiwan any international status or presence. The fourth dimension reflects the nature of democracy in Taiwan. Inside the liberal democracy there are both independence and pro-unification parties. In his inauguration speech, President Chen outlined the four no's and promised that if China pledged not to use military force against Taiwan, then there would be no need to declare independence. Equally, it is hard to be optimistic about cross-strait relations when China refuses to engage in direct dialogue.

Professor Wei-Wei Zhang, Senior Research Fellow, Modern Asia Research Centre, Geneva, suggested that three trends have marked cross-strait relations in the 21st Century. First, in the view of Beijing, Taiwan is drifting away from China towards independence, particularly since the Democratic Progressive Party of President Chen came to power in 2000. The drift has disturbed relations across the strait and also with Washington, which fears being dragged into a direct military confrontation. The second trend is the shift by China from advocating eventual peaceful reunification under a one-country two-systems formula towards preventing Taiwan's independence. This could include the possible use of force. Beijing's rhetoric is increasingly backed by intensified military preparation with a target date of 2006-2008 when President Chen plans to amend the constitution. The third trend shows growing informal ties across the strait, especially in the economic sphere. The drive for informal integration in the last decade has been driven by globalisation and the share culture and pragmatism across the strait. Both sides could draw on the experience of European integration and re-shape their bilateral relations into co-operation, reconciliation and common prosperity.

Linda Jakobson, Senior Researcher, Finnish Institute of International Relations, Helsinki, presented an outline of what an ultimate political solution to the cross-strait problem might look like. Her analysis was based upon a report she compiled for the International Crisis Group on possible models for dispute settlement. The model examines a 'greater China union' as a basis for a lasting solution. The starting point must be that *de jure* independence for Taiwan is unrealistic, as Beijing will not accept it and China's insistence on one-country two-systems is equally unrealistic as the Taiwanese people would not accept any reduction in their rights. Referring to the Åland Islands, which belong to Finland, as a potential model, Ms Jakobson suggested that a federal model might be useful. The Åland Islands have the right to represent themselves in all areas except foreign affairs, which is controlled by Finland. Islanders have a regional citizenship card and the Finnish passport is stamped with Åland. Any viable political solution will have to contain an elastic notion of what it means to be Chinese.

Cross-strait relations: the role of non-governmental actors

Dr Mario Esteban Rodriguez, Research Fellow, CEAO, Madrid, noted a contradiction in cross-strait relations since the 1990's. While private exchanges have never been more intense, official contact has never been so antagonistic. The chances of reaching a negotiated solution to the cross-strait conflict seem very low. When the Kuomintang party was in power, the one-China principle was sufficient to keep the peace. The onset of democracy in Taiwan has altered the nature of diplomatic exchanges between China and Taiwan. Between 1997 and 2004, the number of Taiwanese identifying themselves as not Chinese more than doubled to just under half of those surveyed. In both Beijing and Taipei, the political implications of being seen to make concessions, could be disastrous. Meanwhile, China is trying to wring concessions from Taiwan by suppressing Taiwan internationally but at the same time allowing economic links to grow. At the same time, China is preparing its military to have the option to take the island by force, if necessary. This diplomatic deadlock forces both sides to wait, hoping that external political or economic changes will force concessions by the other side.

Professor Robert Ash, School of Oriental and Eastern Studies (SOAS), London, looking at trade and investment trends, suggested that following the dual accession to the World Trade Organisation, trade growth across the strait has accelerated. China's trade with Taiwan exceeds that of Japan or the United States. Year-on-year, in the first seven months of 2004, cross-strait trade increased by 14%. In contrast to previous years, in 2003, exports from the mainland to Taiwan increased by 56%. Flows of foreign direct investment is overwhelmingly one-way, from Taiwan to the mainland and reached US\$17bn in 2003. The intense process of economic integration across the strait is reflected in the very high proportion of China's FDI flow arising from Taiwan, at least one-third but probably much higher once the round-tripping of FDI from Hong Kong, the Caribbean and the Pacific is appropriately accounted for. It is strange that given the depth of economic links, the political links do not reflect its importance. Or, to put it another way, despite the political differences, the economic ties make it imperative that cross-strait tension is not allowed to get out of control. It seems that the threat of losing Taiwan motivates China much more than the desire to re-unify or change the status quo.

International interest in cross-strait relations

Willem van Kemenade, China Analyst and Consultant, Beijing, said that since the 1950's, the concept of security has been absent from the European Union's pre-occupation with East Asia. Colonial powers relinquished their interests and the United States took over. In 1981, the Netherlands was the first EU country to conclude an arms sale with Taiwan, although this had major implications for Holland's relationship with mainland China. A decade later, France joined the fray and were more successful, in part because of the payment of an estimated US\$0.5bn in kickbacks and because the deal had little strategic value. When the United States began selling weapons in earnest, China responded by selling arms to 'states of concern' and generally not co-operating with non-proliferation initiatives. At EU level, the European Parliament seems ill-informed, suggesting that Taiwan join the Asia-Europe Meeting (ASEM) even though its meant to be an organisation of sovereign governments. Although keen to foster relations with Taiwan, many countries realise that they can not afford to downgrade or damage their relationship with mainland China.

Professor Yinhong Shi, International Relations, Renmin University of China, said that following President Chen's election victory China sees two strategic choices. Firstly, China seeks to prevent

Taiwan's declaration of independence. This is a priority that even supersedes drives to re-unify. To stop or crush independence in Taiwan, China would use force only when absolutely necessary. The second strategic choice shows that the military and diplomatic options for dealing with Taiwan have taken centre stage. Following the election of President Chen in 2000, China abandoned its previous strategy of insisting on one-China because Beijing did not believe it could deal with the Democratic Progress Party. Instead, Beijing hoped that the 2004 elections would return the Nationalist party to power. China had been able to distinguish between preventing independence and promoting re-unification and was encouraged by statements from the Bush administration opposing Taiwanese independence. The re-election of Chen suggests to China that Beijing must clearly demonstrate to the United States that it is prepared to use force to prevent independence under provocation. This might buy time to be able to resolve the Taiwan issue peacefully, at bilateral level.

Professor Wong Ming-Hsien, Institute for Strategic Studies, Tamkang University Taipei, addressing the arms embargo question said the ban on weapons sales has implications for wider EU-China trade but also for regional security in the Asia-Pacific. Since 2003, France and Germany have led the debate about lifting the EU embargo, imposed after the Tainanmen Square events of 1989. This debate is taking place outside of discussions about whether China's human rights practices have improved since then. While the embargo has no legal weight, in 1998 the EU adopted a Code of Conduct on Arms exports, which included the criterion that the country of final destination must respect human rights. At the same time, the EU has chosen China as a strategic partner although this primarily reflects trade considerations. In 1998, both sides began an annual summit mechanism and in October 2003, China called on the EU to lift the embargo in its EU Policy paper. China hopes to end its reliance on Russia as a supplier of military technology but the United States is worried about unrestricted EU sales. Lifting the embargo would allow China to diversify its military sources, would promote China's strategic status, improve the rate of military modernisation and affect the triangle of EU-USA-China relations. Taiwan must impart to the EU the true significance for cross-strait and regional relations of China having the ability to acquire advanced weapons.

Dr Phil Deans, Director, Contemporary China Institute, SOAS, London, examining the role of Japan in cross-strait relations noted that there was a significant change in Japan-Taiwan relations since the mid-1990's. While Japan has important political and economic ties with Taiwan, the role of security issues re-emerged to take a new prominence. The commercial ties are rooted in the colonial period and since the 1950's Japan has had a significant trade surplus with Taiwan. Only after 1995, was the volume of Taiwan-Japan trade exceeded by that of Taiwan-China. It is estimated that 70% of Taiwanese investment into mainland China is connected to Japanese capital. The Taiwan lobby in Japan is very strong with only two members of Prime Minister Koizumi's cabinet not connected to the Interchange Association. In contrast, with the resignation of Tanaka Makiko, there are no obviously pro-Chinese cabinet members. In general, US policy in Asia determines Japan's policy towards Taiwan. One of the consequences of Taiwan's democratisation was a strengthening of links with Japan. Equally, if in political or economic terms, China can pressurise Japan, that could severely affect Taiwan.

Conclusions and Recommendations from Paris

It was suggested that although China and Taiwan are a *de facto* couple, there is no prospect of a marriage on the horizon. Their relationship is affected by four characteristics. In terms of political issues, diplomacy and military factors have major implications but are generally limiting on the relationship. Trade and foreign direct investment comprise central elements in the economic relationship and help temper the political issues. The people factor is another characteristic. The

role of people-to-people exchanges and civil society is growing but the growth of nationalist sentiment could hinder this. A final characteristic reflects the importance of the international dimension to the relationship. Membership of the WTO should help improve cross-strait relations and the EU has been suggested as a potential model for future institutional links.

Recalling the observation that while private exchanges across the strait have increased at the same time that official exchanges are decreasing, it should be noted that the process of democratisation on the island probably has not helped. The role of nationalist sentiment in China should be more carefully analysed to gauge its effect on official Chinese views that favour a negative perspective on Taiwan. It may be the view of some in Taiwan that it is more constructive to try and engage with China than isolate it but the gains made in economic links have not been translated into improving political ties. China may be at a turning point both domestically and in its relationship with the world. It remains to be seen how the Communist Party will respond to the challenges China faces in the 21st Century, including globalisation and calls for political reform at home.

Currently, the EU role in East Asia is limited in terms of security considerations but substantial in terms of trade. With the development of its common foreign and security policy, the EU may be more interested in developing a role in the region as a peacekeeper, challenging the dominance of the United States. China can see the difference in approach of the EU versus the US and increasingly uses indirect pressure on Taiwan as a policy instrument through the EU, the US or Japan. It is not clear but this could be consistent with the notion of China's peaceful rise.

Madrid Conference at the Centre for East Asian Studies, Universidad Autonoma Madrid

Cross-strait relations in post-elections Taiwan; Part Two

Linda Jakobson, Senior Researcher, Finnish Institute of International Relations, Helsinki, said the slim margin of President Chen's election victory has made China even more suspicious of his motives. Beijing watches Chen even more closely now in case he devises a scheme that can clearly identify Taiwan's separateness from the mainland. Part of Beijing's plan is still to lobby Washington to help rein Chen in. Chen's plan to amend the constitution will require three-quarters of the vote in the Yuan, a majority that Chen can not hope to attain in legislative elections in December 2004. In the short term it is unlikely that either side will have the necessary visionary leadership to reach any form of political accommodation. Under President Hu Jintao, the implementation of genuine political reforms seems unlikely but this would be a necessary condition for the Taiwanese people. In the short term, it is very likely that the economic integration underway will continue. Over time, if China continues to develop and evolve, then Taiwan may well see a role for itself in a greater China but in a China where political reforms have been underway for some time. One positive signal that China could send would be to offer some events from the Olympics to Taiwan, as a gesture to generate goodwill. There could be a role for EU and US leaders in encouraging China to make the offer. Equally, China could invite a Taiwanese astronaut onto a Chinese mission. In return, Taiwan could postpone plans to re-name the island and allow President Hu time to consolidate his position.

Willy Wo Lap Lam, Asia Journalist, Hong Kong, believed it was very important that President Hu Jintao has the three positions necessary to have a free hand to take initiatives in foreign, military and re-unification policies. The real reasons why former President Zhang Zemin relinquished control of the Central Military Commission are not yet known, but it was not his personal intention to do so. With over two years in office, it is clear that, to date, President Hu is not a risk-taker and that he does not have any grand vision. Together with Prime Minister Wen Jiabao they share values such as maintaining stability and improving the lot of the people. In general, even if they are conservative, there are some signs that they have the necessary resources to pursue a more assertive foreign policy. Whatever policy they choose will be tempered with the desire not to be seen as the administration that lost Taiwan. Following Chen's election, President Hu issued three instructions to improve the preparations for war, to promote dialogue and make proposals for re-unification. President Hu has also been to Latin America to engage in petroleum diplomacy not least with the prospect of pressurising those countries that currently recognise Taiwan to switch allegiance to Beijing.

Willem van Kemenade, China Analyst and Consultant, Beijing, raised questions about the impact on Asia-Pacific stability of developments in cross-strait relations. The visit of Singapore's Prime Minister Lee Hsien-Loong to Taiwan prompted a swift reaction from China who suspended negotiations on a free trade agreement. Taiwan should recognise that, under Chinese pressure, it can not have more than trade relations with other States - efforts to expand the trade link into diplomacy does not work. The visit of Colin Powell to China also shocked the Taiwanese. Powell suggested there would be no US support for Taiwan if Taipei declared independence and that cross-strait problems should be resolved peacefully. In fact, the US has said that Taiwan does not have sovereignty. In South-East Asia, most governments see Taiwan as the trouble-maker. Apart from the Japanese ultra-right nationalists and the US neo-conservatives who want the US to launch a pre-emptive war against China to prevent its rise, most governments in the region believe that, sooner or

later, Taiwan will have to return to China, just as Hong Kong did. If war across the strait does break out then this will probably be the result of an incorrect interpretation or a mis-statement of events.

Good governance and transparency in China and Taiwan

Liao Ran, Programme Officer, Transparency International, Berlin, said that, in terms of investment and money laundering, corruption could become so widespread that without action now China could suffer security problems. In 2003, China was the biggest recipient of foreign direct investment (FDI) worldwide, outpacing the United States. The structure of this FDI shows that in volume terms Hong Kong is the largest source followed by the Virgin Islands, Korea, Japan, the United States and then Taiwan, the Cayman Islands, Singapore and Samoa. The Virgin Islands accounts for 1% of China's total FDI. In reality most of the money is coming from China and Taiwan, moving in a circle to accrue tax benefits. The procedure is complicated as there is no formal cross-strait financial mechanism. The legal and illegal transfers of money which can take place through drugs, smuggling or the black market poses threats to China's social and economic progress. The illegal money could threaten the legitimacy of the Chinese State and the concept of Party control, undermine the privatisation process and distort economic policy. Reports suggest that mafia gangs in China are subsidising their own candidates for election in order to subvert the legal and judicial system.

Professor Thomas Hart, School of Asian Studies, Stockholm School of Economics, addressed Taiwan's bid for membership or observer status in the World Health Organisation (WHO) and the United Nations. After being excluded from organisations that it helped to establish in the post-war period, by the 1990's when the process of democratisation was underway on the island, Taiwan began to assert its claim for representation. This year witnessed Taiwan's twelfth successive failure to be admitted to the UN and the eighth failure at the WHO. Recognising that most countries accept mainland China's status, Taiwan prefers to couch its application not in terms of a sovereign government but more in terms of the right of "peoples" to be represented in the UN. In contrast, Beijing insists that it alone has the right to represent both the mainland and the island. Taiwan seems to satisfy all applicable international legal requirements as to what constitutes a State. However, in terms of international recognition, Taiwan does not pass the test, not least because China does everything in its power to prevent it. Essentially, there is nothing wrong in having a major national policy objective of seeking eventual re-unification. However, it is unreasonable that China demands foreign governments to respect its one-China principle as a foreign policy goal. China is manipulating its current power balance to pursue objectives against Taiwan and threatens war if those objectives are not met. This is a dangerous policy to pursue not least because the power balance may shift over time.

China, Taiwan in the international community

Professor Wong Ming-Hsien, Institute for Strategic Studies, Tamkang University Taipei, said that following the collapse of the Soviet Union, China identified three changes in the international security environment. This included the move from possible world wars towards regional or local wars, secondly, that a US-dominated uni-polar world can contain multipolarities and, thirdly, that the military gap between the West and China has not diminished. To react to this environment, China has two strategies. The defensive strategy sees China trying to prevent military conflict or non-traditional security crises. The offensive strategy sees China trying to benefit from crises that arise in response to post-Cold War threats. China's reliance on missile technology to protect its security environment has implications for cross-strait relations. In the event of war, China would probably attack important political, military, economic and infrastructure targets while air and naval

forces try to obtain supremacy to allow troops to invade. Apart from implications for Taiwan, China's missile development also threatens the Asia-Pacific region. Existing bilateral or regional security dialogues, such as the ASEAN Regional Forum (ARF), do not cover cross-strait issues. A collective security mechanism in the Asia-Pacific region should be launched without delay. The six-party talks on North Korea could be a model for China-Taiwan. This could help regionalise and internationalise the straits question.

Professor Yinhong Shi, International Relations, Renmin University of China, said that after 1996, the US started to believe in the prospect of a China developing into a great power in East Asia and even a future world power. However, by 1996, opinion inside China was divided on whether economic development would ever be sufficient for this to happen. Now, China is more confident that it can deploy economic, diplomatic and military means to develop into a great power with generally peaceful intent. In its external relations, China considers the sustained level of economic growth as a major strategic instrument that can be combined with a foreign policy that uses political influence to obtain and maintain the supply of resources necessary to develop the economy. The result of the March Presidential election has created a sense of urgency in Beijing that the Taiwan problem has deteriorated to an unprecedented degree. The significance of US support to Taiwan creates a feeling in China that at some stage in the future there may be a military conflict or limited war between China and the US. China's foreign policy now faces a new dimension that has to include rising popular nationalism and a new generation of 'opinion makers' from unofficial and semi-official media. China promotes the concept of 'peaceful rising' but this is not an unchangeable national orientation and, regrettably, reference to it has disappeared in the last few months.

Conclusions and Recommendations from Madrid

It was suggested that political accommodation across the Taiwan strait is unlikely in the short term. Some of the prerequisites for promoting accommodation, such as political, military, economic and regional factors are missing or underdeveloped. With political confidence missing, the impact of economic integration will be limited. Outside the region, the role of the United States remains vital. At the moment, Washington would like to preserve the *status quo* rather than promote the eventual unification of the two countries.

A link between money and health in cross-strait relations was proposed. With Taiwan's unresolved international status and the dearth of official links between the mainland and the island, the role of unofficial or illegal links takes precedence. Primarily, these links relate to money but owe their nature to the absence of a legal framework for Taiwan's participation in international organisations, including, for example, the World Health Organisation. Until the political issues are resolved, the question of Taiwan's status and the effect in the region and with the United States will remain open.

In conclusion, it was noted that, in order to continue to develop economically at the current rate, China will need further legal and political reforms. This will include integrating further with the countries of the region, including Taiwan, from which it needs investment and high-technology. Sooner, rather than later, China will have to address questions relating to intellectual property rights and exploiting its membership of the WTO. In political terms, China seeks democracy but with Chinese characteristics and probably not on Taiwanese-style terms. China's missile development programme will do nothing to help promote contact or integration. Unless Beijing re-adopts the concept of 'peaceful rise' the consequences for both China and the region would be catastrophic.

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