

“Future Cross-Strait Relations and a Possible *Modus Vivendi*”

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## Abstract

Cross-Strait economic relations are robust, but there is stalemate on most political issues. Each side pretends to make acceptable offers, but both know that their proposals will be rejected. This is not merely frustrating, it is harmful to any effort to overcome existing mutual mistrust.

Beijing has concluded that President Chen Shui-bian cannot move to de jure independence through constitutional change before he leaves office, but it worries that he will find a way to manipulate the situation so as to foster continuing separatist trends after he steps down. It sees the DPP referendum on joining the UN “in the name of ‘Taiwan’” in this light, and is considering how to respond to its passage, especially if Frank Hsieh wins the presidency. Even if Ma wins, the Mainland is concerned about trends in domestic political opinion in Taiwan.

The two candidates have differing approaches to various aspects of cross-Strait relations, and Beijing will need to assess those approaches as it considers how to respond to the election results. Still, the PRC wants to avoid another four or eight years of confrontation and would like to find ways to generate smoother cross-Strait relations, whoever wins in March.

Although the United States will not want to become directly involved in the course of cross-Strait developments, its national interests will continue to guide U.S. policy to ensure that neither side upsets peace and stability or unilaterally seeks to change the status quo. Neither side should assume that the United States is not serious about its views.

It is unlikely that either side of the Strait would purposely precipitate a crisis, but the risks of miscalculation remain, so this is a moment of uncertainty. But there is also opportunity. Both sides have responsibility to exercise the leadership and vision to achieve positive outcomes.

## **Introduction**

This paper looks primarily at the opportunities and challenges in cross-Strait relations over the next four years, roughly the term of the next Taiwan president and legislative yuan. It will consider differences that certain outcomes in the upcoming Taiwan elections could make, but it will also focus on the common factors in play, no matter who is elected. It will of necessity think a bit about the longer term, because one cannot meaningfully assess the prospects for the next four years without some sense of what is likely, or at least possible, later on. Neither Beijing nor Taipei is considering only the short term; rather, each will be weighing its policies in the immediate future in the context of longer-term assumptions and aspirations.

In addition, although other papers will be looking more closely at the issue of the future U.S.-Taiwan relationship, this paper will consider that factor as well as U.S. policy toward the PRC, if only to the extent that they might play a role in shaping both the overall environment of cross-Strait relations, especially in certain key specific areas such as security.

Japan’s role is not considered on its own; for the sake of this paper we accept the conclusions of experts in Japan and Taiwan that, however important cross-Strait relations are to Japan, Tokyo’s policies will fall within the broad parameters of its “one China” policy and of the U.S.-Japan alliance. The latter is especially critical to the United States, but so is the state of Japan-PRC

relations. If there were a crisis in Tokyo-Beijing ties, it could exert a major influence on the questions examined here. But to keep the topic manageable and because such a crisis, while not impossible, is not likely, we set such possibilities aside.

Finally by way of introduction, the views expressed here are admittedly hopeful. All of the relevant players have it within their power to precipitate a crisis, even a war. But none would gain from that and all seem dedicated to avoiding such a tragedy. Instead, it is a working assumption of this essay that all concerned, from whichever place and of whatever political bent, favor generally constructive cross-Strait relations characterized not by tension and sniping, but rather by what are generically labeled “mutually beneficial relations.” Defining that is critical, of course, and to American ears such terms have a certain ritualistic and empty quality. But the fact is that, if comprised of meaningful steps rather than maneuvers in word games, this character of relations is exactly what is needed both to heal the breaches of the past several years and to set relations on a less risky and more productive course.

### **Where are we now?**

A quick survey of cross-Strait relations reveals their paradoxical quality. With regard to economic ties, for example, despite all difficulties of carrying out trade and all the restrictions imposed by Taipei on Taiwan companies’ investment in the Mainland—and the heated debate about whether, and how, to ease them, the numbers are impressive.

- According to Taiwan’s own statistics, Taiwan exports to the PRC during the first seven months of 2007 were over \$39.7 billion, a gain of almost 14 percent from same period in 2006. Imports from the Mainland were over \$15 billion, an increase of almost 16 percent. (PRC data rate trade volume for all of 2006 at over \$100 billion.)
- According to official Taiwan numbers, approved Taiwan investments in the Mainland were over \$6.23 billion in the first eight months of 2007 alone, as against \$7.6 billion for all of 2006, bringing the total to over \$60 billion since investment regulations were first eased in 1991. (Many would say the real total exceeds \$100 billion and could be even higher.)
- Although holiday charter flights are up considerably, what is really impressive is that in the first five months of 2007 almost 1.9 million tourists traveled to the Mainland from Taiwan, a substantial increase from 2006 that brings the cumulative total to over 44 million visitors since 1987. (Of course, the reverse flow of tourism is much more modest and the subject of sporadic negotiations that are now unlikely to be concluded until after next May.)
- The number of Taiwan citizens living in the PRC is often estimated at over a million, some would even say close to two million, though the PRC recently released an official figure of some 400,000. Whatever the number, it is substantial in absolute terms and even as a percent of Taiwan’s overall population.

- Finally, over 260 million phone calls were placed between Taiwan and the Mainland during the first five months of this year, consuming close to a billion minutes of air time.

So, mutual isolation is hardly the hallmark of the relationship.

Still, as we all know, despite occasional commonsense agreements on such things as expanded charter flights—including the agreement in June 2006 to expand not just the numbers but the categories of such flights and the approved destinations—on most political issues, and at an official level, there is stalemate or worse. Both sides make offers they pretend should be satisfactory to the other side, but each knows that those offers are on terms that are totally unacceptable. For the Mainland, to premise everything on acceptance of “one China” means that there will not be progress, at least under current conditions. For Taiwan, to premise everything on Mainland acceptance of the island’s sovereignty is similarly a poison-pill approach. The pretense of each side that it is going the extra mile to promote cross-Strait relations is not merely frustrating; it is actually harmful to any effort to build mutual trust.

Where it serves the interests of each side, progress has been possible. But politics has intruded on everything from tourism to the route of the Olympic torch, issues where one might have thought that strong public support and economic interest would have led to the kinds of pragmatic workarounds that produced progress on some other issues such as the charter flights.

What has led to all of this, of course, is a complete mutual lack of trust. Beijing is convinced that President Chen Shui-bian is determined to lay a legal and political foundation for formal, de jure independence before he leaves office. The Mainland did believe that he would actually try to amend the constitution to change the national title or in some other way formalize Taiwan’s separate status before May 2008. But, while they have come to the conclusion that he cannot pull off formal constitutional amendment, they still worry that Chen will precipitate a crisis that will allow him to manipulate the situation further. They certainly will see his recent statements about possibly invalidating the LY elections in that light, just as they see his all-out backing of a referendum on applying to the UN “in the name of ‘Taiwan’” as pursuit of “independence on the cheap.” That is, passing a constitutional amendment would have required a three-quarters favorable vote in the LY plus support of over half of Taiwan’s eligible voters. Passing the UN referendum only requires that half of all eligible voters cast valid ballots, but, of them, only half—or one quarter of all eligible voters—need to vote in favor for the referendum to pass.

Beijing sees passage of that referendum as a potential tool for realizing its greatest nightmare. That is, it fears that passage will create not only a political mandate but a legal basis for moving ahead to press both for actual constitutional change and to insist on international recognition of Taiwan as a sovereign, independent state. It seems unlikely that the PRC really believes the international community will play along, but it is certainly not confident about the shifting domestic political mood in Taiwan and the possibility that any future administration of whatever party would be forced to use “Taiwan” increasingly in the international community. More than that, the Mainland worries that the change in the political climate could go so far that the door will be shut on eventual unification. If Taiwan crossed any of Beijing’s “red lines,” including that one, the likelihood is the PRC leadership would feel compelled to react with some sort of

military response. Beijing desperately wants to avoid that, so it is trying to convey a sharp warning message now, before the situation reaches that point.

At the same time, a virtual mirror-image argument is advanced in Taiwan. Many, certainly the DPP and President Chen, feel that, while they can forgo changing the constitutional provisions on sovereignty that would trigger an all-out PRC response, they need to take steps now to deepen the sense of Taiwan identity before the Mainland gains such leverage that unification is all but inevitable.

It is hardly likely that large numbers of people in Taiwan really think they can gain UN admission. Certainly the informed public cannot believe that. But they have been frustrated in their attempt to gain observer status in the World Health Organization and have been distressed to learn that the PRC has maneuvered the organization's secretariat into giving Beijing virtual veto over any Taiwan participation in WHO activities. Moreover, people in Taiwan have seen their delegations even to non-governmental conferences constantly pressured to identify themselves under such names as "Taiwan China," and in other ways sense that they are being given no space in the international community. Thus, since the large majority of people in Taiwan consider that they live in a sovereign, independent country—whether it is the ROC or Taiwan—many of them are, in the words of the movie *Network*, "as mad as hell and [they're] not going to take it anymore."

Whether that last point—that they "aren't going to take it any more"—characterizes the view of a majority is, of course, very questionable. But clearly the referendum's sponsors are seeking to take advantage of these feelings for election purposes, even if they perhaps also have a larger (if not necessarily more constructive) purpose than that. At a minimum, the DPP's proposal has forced the KMT to sponsor its own referendum, though, as some backers have been honest enough to acknowledge of late, that is really an effort to counter the DPP referendum, not something they think will produce any success at the UN.

In any event, some officials in Beijing have argued that, regardless of the winner in Taiwan's presidential election, passage of the DPP referendum would require a response. Some have even argued that it was necessary to stop the referendum before it was voted on, because the result would be foreordained once it appeared on the ballot. More recently, however, those more extreme arguments have dropped away, and PRC thinking currently seems to center around what to do if the DPP referendum passes *and* the DPP wins the presidency.

It isn't that Beijing doesn't understand that Frank Hsieh is not Chen Shui-bian. But Mainland observers see he is backing this referendum and they believe that, if he is elected, he could well be obliged by his own party not only to pursue its specific mandate (to apply to the UN "in the name of 'Taiwan'"), but to follow a more assertive "Taiwan independence" course in other ways than he would be prone to do if left to his own preferences. Again, for the PRC it gets back to the issue of trying to convey a strong signal now of the tragedy that could lie down the road if the push toward formal, separate status moves ahead.

Most American observers do not share the PRC assessment of the inherent importance of the referendum as a legal basis for further separatist steps, and they urge Beijing not to overreact.

Nonetheless, it is hard to deny that the referendum, and the actual push for membership at the UN, is an important measure an effort to get the international community to accept Taipei's definition of the *status quo*, i.e., that "Taiwan" is a sovereign, independent state separate from "China." That is the avowed purpose cited by President Chen on a number of occasions. He and others seem to feel that as long as the constitutional name "Republic of China" is maintained, he is neither breaking his "four noes, one will not" (*si bu yi meiyou*) promise nor is he crossing PRC "red lines," however unreasonable those "red lines" may be. As I have described it elsewhere, this reflects the view that tweaking the dragon's tail is OK as long as you don't poke him in the eye. In my judgment, at the very least that is tempting fate, and perhaps courting tragedy.

Beijing also fears that the debate over this and related issues in Taiwan has already changed the political parameters on the island. The KMT is stressing more and more its local roots, not dropping but no longer placing emphasis on its preferred outcome of ultimate unification with a democratic and prosperous Mainland. The recent less-than-sure handling of the issue regarding inclusion of the "1992 Consensus" in the KMT's 2008 "mission statement" certainly sent tremors through some quarters in Beijing.

Of course, the other side of that equation holds, as well. That is, the DPP (for the most part, anyway) plays down its preferred outcome of formal independence. Both sides have for some time now stressed that the decision on Taiwan's ultimate relationship with the Mainland is up to the people of Taiwan, but that in the meantime the island and its citizenry are in no way subordinate to authorities in the Mainland. Some independence fundamentalists make it hard for the DPP to stick to this position, but we saw in the battle over the "Normal Country Resolution" that at least in important respects the preponderance of power within the party does not currently rest with them.

At the same time, as an outside observer, I have to say that if one did not know the intensity of the battle over certain phrases that were eventually left out of that resolution, in a plain-language reading it comes across as a very assertive Taiwan independence document.

Be that as it may, what Beijing needs to assess with regard to the DPP is where the future balance of forces will rest and what impact they might have on the party's future role and orientation, whatever the outcome of the elections. More broadly, the PRC also needs to assess carefully the trend of opinion in Taiwan, and what drives people to embrace one position or another on cross-strait relations.

## The elections

The rest of the world needs to keep in mind something that everyone in Taiwan is keenly aware of, and that is that there are *two* major elections coming up, the legislative election and the presidential election. It is hard to find anyone who does not believe that the pan-Blue, and under the new LY set-up that essentially means the KMT, will control an outright majority in the legislature. Whether that proves to be the case, how big such a majority will be, and what shade of “blue” it will be, are all yet to be seen.

Assuming for the sake of argument that the KMT does win LY control, one issue Taiwan voters will then need to confront is whether they want to entrust the entire government to the KMT and its allies, and whether they would be comfortable with the resultant policy orientation, or whether they prefer some sort of balance by electing a DPP president, even if that risks the continuation of some level, and perhaps even a substantial level, of the political paralysis that we have seen over the past seven and a half years.

I’m sure the DPP thinks, or at least hopes, that if Hsieh wins he will be able to forge working coalitions in the LY to avoid continuation of the stalemate. And I’m sure the KMT thinks if Ma wins he can be more responsive to people’s needs, especially their economic and social needs, with a unified government. In large part, the presidential election may boil down to judgments about these matters.

For the purposes of this paper, of course, the most interesting issue is what difference the two alternative outcomes of the presidential race would make in cross-Strait relations.

Both candidates argue for more active and mutually beneficial cross-Strait relations. Both would support some variant of the “three links.” They take substantially different positions on what that means, however, as well as on such issues as creating a common market or even, despite some noteworthy recent developments on the DPP side, on the issue of the cap on Taiwan investment in the Mainland.

They both also say that they would promote more durable cross-Strait peace. Ma Ying-jeou, however, would adopt a “one China, respective interpretations” approach that he says, while yielding nothing on sovereignty to Beijing, would enable the question of sovereignty to be set aside for consideration in the relatively distant future, and in the meantime would facilitate a cross-Strait peace accord.

Frank Hsieh would not adopt a “one China” policy, although he continues to argue that Taiwan must adhere to its existing “one China” constitution until and unless it is changed. But in the meantime, his stress is on developing pragmatic cross-Strait relations, and he has described the question of the framework for cross-Strait peace—whether under “one China” or touting the name “Taiwan”—as a “technical” issue, as long as Taiwan’s individual character and dignity are maintained.

Both would seek to expand Taiwan’s “international space,” though the degree of PRC flexibility on such questions will depend importantly on how they perceive the winner’s basic approach to

cross-Strait relations; in any event Beijing will not go along with an approach that challenges “one China.”

A fundamental factor here is that the PRC leadership is not happy with the corner into which cross-Strait ties have been painted over the past several years. They do not want to replicate over the next four or eight years the sour and contentious relationship they have had with Taipei under the Chen Shui-bian administration and even the latter part of the Lee Teng-hui administration.

So the PRC’s bias—if they can successfully navigate what they see as potentially dangerous waters between now and May—is to find ways to work with the next Taiwan leader. Informed observers in Beijing acknowledge that it will be easier from their perspective to deal with the KMT because, as I have noted, Ma would accept a version (even if not the PRC’s version) of “one China.” But in either case, they would hope they could shape a more productive and less confrontational cross-Strait relationship.

In addition to whatever progress can be achieved on the “three links,” it would seem logical that finalizing the negotiations on tourism, meaning primarily on PRC tourists coming to Taiwan, would proceed in parallel with agreement on transportation arrangements. And assuming that the issues of sovereignty can be kept out of the negotiation, there is good reason to believe negotiations could be completed relatively early in the next administration.

### **The “U.S. Factor”**

None of these developments, of course, would take place in a vacuum. As we are all well aware, the United States believes it has major interests at stake in aspects of cross-Strait relations. For the most part those involve the manner in which developments take place, especially whether they are peaceful and voluntary or whether they are “non-peaceful” and coerced. The United States is also concerned, as is more than evident from the UN referendum issue, with whether either side is provoking the other, risking a crisis—even military confrontation.

But there is another aspect of U.S. interests as well that at least needs to be considered. That is, some Americans would be concerned about a cross-Strait relationship that was too close, one that seemed to yield strategic advantage to Beijing. Others would be at least equally concerned about heightened tensions that could drive the situation over the edge of the precipice into war—perhaps pulling the United States along with it. Some would go so far as to have the U.S. press the two sides to enter a dialogue, offering to mediate or at least facilitate it.

Frankly, I don’t see the United States moving substantially away from its current course. As concerned as Washington is today about possible provocations from here, it will not walk away from Taiwan. And I don’t think Beijing believes that will happen, either. But, I am worried that not everyone in Taipei understands that the U.S. objections to provocation are not merely a matter of rhetoric. American officials will obviously shy away from publicly drawing lines in the sand or spelling out potential consequences. So will I. But as a friend of Taiwan who is not an official, I will tell you frankly that, in my judgment, the United States will not merely “accept” actions from Taipei, however democratically based they may be, that push things in a direction contrary to American interests and that the United States has clearly identified as “unacceptable.”

Does the United States government have a “right” to take such a position? Yes, I believe it does. It doesn’t have the right to tell people in Taiwan what to do, or what or whom to vote for—or against. But it has not only the right but the responsibility to tell them when their actions could have consequences of which they need to be aware. And it has that right not only because the United States continues to be deeply involved in Taiwan’s security and overall well-being, but also because the United States, too, is a democracy and the government has a responsibility to the American people to protect and promote American interests, including national security, and not to allow itself to be dragged needlessly into confrontation or war.

At this moment in history, that point should be clear in everyone’s mind.

There was a discussion at a think tank in Washington a few weeks ago, in which one panelist asserted that the United States has “no national interest” in avoiding war in East Asia, only in promoting “core” American interests defined as maintaining strategic dominance and promoting a region governed by rule of law and democracy. I could not disagree more.

Maintaining peace and stability is not our *only* national interest; there are certainly things worth fighting for. And maintaining strategic capabilities so we could fight for them is a necessary aspect of preserving peace and stability. But preserving peace and stability allows us to promote those other interests such as rule of law and democracy and economic prosperity, and for that and other reasons it is thus a vital American interest.

It is my deep belief that cross-Strait relations should not and need not move the direction of confrontation, and, frankly, I believe they probably will not do so. Rather, I think there can and will be some kind of mutually acceptable understanding—tacit or explicit—pending an ultimate decision on Taiwan’s relationship to the Mainland, probably many decades down the road.

But I cannot be sure that in all circumstances this will be the case. It could be that one day the leaders in the Mainland will decide it is time to “resolve” the “Taiwan question” once and for all. I don’t think they will do that because I cannot come up with a rational reason that would make such a decision accord with PRC national interest. And if there is anything we have learned, it is that Beijing acts in accord with its national interest—maybe not all the time, but more than some of the rest of us.

I also do not believe that leaders in Taiwan will purposely press their agenda to the point that it triggers a PRC military response; again, it is inconceivable that this would be in Taiwan’s interest. And despite some speculation to the contrary, I do not believe it would be in the political interest of anyone seen to be acting in that way.

But I worry about miscalculation, including by Beijing about what Taiwan is really up to, on the one hand, and by Taipei about the level of PRC tolerance, on the other. Especially here in Taiwan, my sense is that sometimes political leaders promote what they think is “fair” and politically appealing rather than what is prudent. And that concerns me.

As I have already said, Beijing can affect the calculus of people here about what seems fair and appropriate, and I think it has not done as well in appealing to hearts and minds here as it might

have, even within the context of refusing to accept Taiwan's international status as a sovereign, independent state. But whether wise or not, whether justified or not, just as Taipei has been acting in part in response to PRC political constraints on Taiwan, Beijing has been reacting to what it has seen as political provocation from Taipei.

At this point, for anyone to try to point the finger of blame one place or the other and say "That is where it started" is foolish; it can't be done. And, in an important sense, it doesn't matter. Both sides have work to do.

What I hope is that, with the change in the political situation here next year, there will also be a new beginning in cross-Strait relations. It is simply too late to overcome the many years of mutual animosity and mistrust that currently exists between individual leaders. But it is not too late for either candidate to approach cross-Strait relations with a fresh eye, and for Beijing to set aside its past policies in favor of more productive ones.

Today I am speaking more as an observer and analyst than as an American. But just as the people of Taiwan—and of the Mainland—deserve better than what they have received over the past many years, so do the people of the United States. Why should our security and well-being be threatened by inappropriate, ineffectual, and incendiary policies on this side of the Pacific?

Come May, the PRC needs to do better than "watch the actions, and listen to the words" of the new leader. It needs to take initiatives that will reinforce a sense here that Beijing is willing to treat the people of Taiwan with respect and fairness. I would argue that it needs to go beyond simply minimal steps in the international community such as getting out of the way of Taiwan's observer status in the WHO—though it certainly needs to do that, too. It would do well even to think about ways to allow Taiwan to associate itself with the activities of such crucial international institutions as the World Bank and International Monetary Fund, not for reasons of status, but because of Taiwan's important role in the international economy.

At the same time, Taiwan needs to back off efforts to gain "membership" in organizations made up of states. Whatever the feelings here, the international community is simply not going to support Taiwan's endeavors in that direction. More than that, other countries will oppose such efforts, and eventually even their support for Taiwan's "meaningful voice" in such organizations could be affected.

In this connection, how many people here are aware that the United States actually issued a statement in New York against Taiwan's application for UN membership in September? I would guess that very few are. For that I partly hold the U.S. government responsible for its excessively low-key approach. However, I also blame those here who purposely glossed over the statement, which was posted on the website of the US Mission to the United Nations, preferring to emphasize the more congenial fact that the United States did not speak in the General Assembly. But that statement was an indicator and, to be very blunt, I would not count on that level of passivity next time.

My son often chides me for casting my articles and speeches in terms of leadership and vision. "There he goes again!" But the fact is that I attach enormous importance to those qualities, and I

call on the leaders of Beijing and Taipei to move beyond posturing, beyond claims that they are acting responsibly while the other side is not, to find pragmatic, workable, creative ways to guide cross-Strait relations in peaceful and productive directions.

Recently a fascinating and important article appeared in the Mainland that examined Hu Jintao's mid-October political report to the 17<sup>th</sup> Chinese Communist Party National Congress and argued there is a growing tendency at top levels in the Mainland to think about the "one China principle" in new ways. That is, Hu seems increasingly to be approaching that principle in "people-oriented" terms, rather than in terms of the relationship between "one China" and government or between "one China" and territory. In that way, the author argues, one can introduce far greater flexibility into considering how to manage this most difficult relationship and how to positively engage people on both sides of this "community with a common destiny" (命运共同体—*ming yun gong tong ti*), in jointly making "common decisions" (共同决定—*gong tong jue ding*) about the future of their "common homeland" (共同家园—*gong tong jia yuan*).

Whether or not this is how Beijing ultimately approaches the relationship—and the article makes a very interesting case to demonstrate Hu's movement in this direction—the point I am trying to make is that you do need leadership, and you do need vision, to fashion a future that is not only in the interests of, but acceptable to, all concerned.

Is this hard? Absolutely. Is it impossible? I don't think so. Indeed, I would argue it is necessary in order to meet the very diverse and seemingly contradictory goals of various parties. And I believe that demonstrating such flexible thinking now about matters that may not be decided until sometime into the dim future, is necessary to generate the confidence required on both sides to move away from the rigid, clashing approaches of the moment.

That is the challenge that I believe faces the leadership in Beijing and Taipei as they think about the possibilities for the next four years. While this is a moment of some uncertainty, it is also a moment of considerable opportunity to set a new course. One should not expect—or demand—the impossible; we still live in real world with real constraints and real interests. But among those interests is not simply limiting the level of tension across the Strait. Rather they include reducing tensions and promoting exchanges in ways that are mutually beneficial and suit the needs of both sides.

Not only is this achievable, I think it is unacceptable to aspire to anything less.