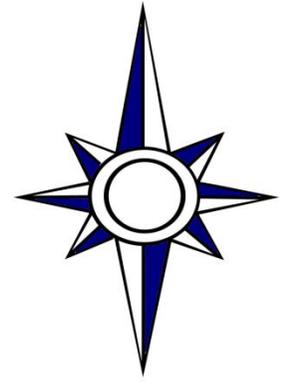


Comparative Connections

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China-Taiwan Relations: Cross-Strait Relations on Hold

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Campaigning for the local elections in Taiwan delayed any progress toward resolving the deadlock in the Legislative Yuan over cross-strait issues. While emphasizing continuity in its peaceful development policy, Beijing is concerned over the Democratic Progressive Party's (DPP) increasing prospects and consequently has laid down markers aimed at the party. Student protests in Hong Kong underlined the fundamental political differences between Taiwan and the mainland and occasioned some sharp exchanges between the Ma administration and the Chinese Communist Party (CCP) leadership. The Kuomintang's (KMT) unexpectedly large defeat in the local elections surprised everyone and creates new challenges for Beijing in the lead-up to Taiwan's presidential and legislative elections in early 2016.

Beijing policy continuity

The deadlock in the Legislative Yuan (LY) over the services trade agreement (STA), the Sunflower Student Movement, reverberations from the Hong Kong democracy demonstrations, the Kuomintang's stunning defeat in the November local elections and the strengthening sense of separate identity in Taiwan have created new challenges for Beijing. In response, Beijing has reaffirmed its patience and confidence in pursuing the peaceful development of cross-strait relations, but has also sent clear messages to the opposition DPP that there will be no change in the mainland's insistence on a "one China" framework for relations.

General Secretary Xi Jinping's meeting with James Soong in June made clear Beijing's determination to redouble efforts to promote the further development of cross-strait relations. Despite the challenges, Politburo Standing Committee member Yu Zhengsheng asserted in September that Beijing would be "confident, persistent and patient." Taiwan Affairs Office (TAO) Minister Zhang Zhijun attributed Beijing's confidence to the solid consensus Beijing sees in Taiwan in favor of the peaceful development of relations and international support for the further development of cross-strait ties. In early November, when Xi Jinping visited the Pingtan Comprehensive Experimental Zone in Fujian, he reemphasized Beijing's commitment to strengthening economic relations.

Even though the LY has made no progress toward adopting the Cross-Strait Agreements Oversight Bill or reviewing the STA, Beijing and Taipei have worked to sustain some semblance of forward movement. Talks were held on a merchandise trade agreement (MTA) in September and December. In September, Taipei sent separate working-level delegations to China on health and judicial issues. Association for Relations Across the Taiwan Strait (ARATS) Deputy Chairman Zheng Lihong made two week-long visits to Taiwan in September and October, and

ARATS Chairman Chen Deming made a similar visit in December. These visits were intended to assess ways to strengthen cross-strait exchanges with SMEs, lower-income households, residents in central and southern Taiwan, and the younger generation on Taiwan. In November, TAO Minister Zhang Zhijun and Mainland Affairs Council (MAC) Minister Wang Yu-chi met at APEC but agreed only to continue working on outstanding issues. In December, the Cross-Strait Entrepreneurs Summit was held in Taipei, which occasioned the signing of an agreement on pharmaceutical trials and an agreement between the Taipei and Shanghai stock exchanges to liberalize cross-strait stock transactions. Despite these efforts, no progress was announced on the two main outstanding substantive issues – the exchange of ARATS and SEF offices and the MTA. Similarly, the CCP-KMT Cross-Strait Economic and Cultural Forum was postponed until next year after President Ma resigned as KMT chairman.

With economic issues stalled, there was quite understandably no progress on political issues. Beijing's effort to encourage discussion of political issues, broached at the 18th Party Congress in the fall of 2012, has not been pursued in recent months. The second Cross-Strait Peace Forum, which was to have been held in Taiwan this year, has been postponed until 2015. In a yearend statement looking ahead to 2015, TAO Minister Zhang put priority on opposing Taiwan independence maneuvers and broadening the benefits of cross-strait economic ties, with only passing mention of the political goal of narrowing the psychological distance across the strait.

Beijing's focus on the DPP

In July, DPP Chairperson Tsai Ing-wen asserted that if the DPP won the local elections, Beijing would have to adjust its policy toward the party. Although the TAO spokesman promptly rebutted that possibility, Beijing's concern about the DPP's return to power in 2016 has continued and been heightened by the KMT's unexpectedly large defeat in the local elections. In September, the CCP's United Front Work Department invited a delegation of pro-unification groups led by New Party Chairman Yok Mu-ming to Beijing. General Secretary Xi chose to meet the delegation and used the occasion to lay down a tough reminder that the peaceful development policies are aimed at eventual reunification under Beijing's "one country, two systems" proposal. Xi warned that independence activities in Taiwan were the greatest threat to peace. The DPP was the main target of this message. However, the reiteration of "one country, two systems" in the midst of the Hong Kong democracy demonstrations was predictably rejected by political leaders across the spectrum from President Ma to former President Lee Teng-hui.

While Beijing had expected DPP gains in the Nov. 29 local elections, the extent of the KMT's defeat surprised Beijing as much as it surprised others. Many foreign commentators have incorrectly interpreted the election as a referendum on President Ma's cross-strait policies. Shortly after the election, DPP Secretary General Joseph Wu commented in Washington that this was not the case. While the KMT's domestic and cross-strait policies and President Ma's low approval ratings were part of the background, these elections were primarily about local candidates, local organization, and a host of local issues. Some academics in Beijing have tried to downplay the election implications by noting that local elections and the coming presidential and LY elections are quite different. Nevertheless, the results have buoyed DPP confidence as Taiwan moves toward the presidential and LY elections in early 2016.

Beijing is still in the process of assessing how to respond to the election. As would be expected, the TAO has stated and restated that the basis for developing relations continues to be adherence to the 1992 consensus on “One China” and opposition to Taiwan independence. When Joseph Wu said “One China” should not be a precondition for talks, the TAO spokesman reiterated Beijing’s unchangeable opposition to Taiwan independence and its position that the 1992 consensus was the necessary basis for improving cross-strait relations.

Just how this policy will be implemented under the post-election circumstances remains unclear. Independent, but DPP supported, Taipei mayoral candidate Ko Wen-je said he did not know what the 1992 consensus was. After his election, a media delegation that was to have visited Taipei under the Taipei-Shanghai sister city agreement cancelled its visit. In early December, it was announced that a sister city forum between Chongqing and Taoyuan, where a DPP candidate won, would be cancelled. When ARATS Chairman Chen Deming was in Taipei for the Entrepreneurs Summit, he publicly avoided meeting with Mayor-elect Ko. (Ko later said that the 1992 consensus was out-of-date.) These steps were taken even though prominent DPP mayors, including Chen Chu and Lai Ching-de, had visited the mainland in various capacities in the past. While it is uncertain how to interpret these moves, it is possible that Beijing will use its policy toward mayor Ko to underline to the DPP and the public that it is only prepared to deal with officials who accept the 1992 consensus.

KMT developments

The KMT has scheduled the election for its new party chairman for Jan. 17. Eric Chu Li-lun, who won re-election as New Taipei City mayor in November, is the only candidate. In registering for the election, Chu commented that cross-strait relations should “stick to the current peaceful, open and mutually beneficial path,” adding however that the benefits of those policies should be more equitably distributed. In a sign of change, the media has shifted to asking whether Chu might meet Xi Jinping. And, MAC Minister Wang has told the LY that it is not making plans for President Ma to meet Xi.

Regional economic integration

Taiwan continues to be effectively excluded from regional trade regimes, such as the Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), the Free Trade Area of the Asia-Pacific (which China is now promoting), and bilateral trade liberalization agreements. (Taiwan has expressed little interest in joining the new Beijing-promoted Asian Infrastructure Investment Bank, AIIB.) In early October, then-Minister of Economic Affairs Woody Duh said that several other countries were willing to hold substantive trade negotiations with Taiwan, but that talks had not begun due to interference from China. The hesitant countries are believed to be India, Indonesia, the Philippines, and Malaysia, and perhaps Australia. President Ma said in late December that “politics” would preclude other countries from signing FTAs with Taiwan until the STA and MTA agreements with China were completed.

The government’s inability to push the STA through the LY or sign high-profile FTAs has seemed like a slow-motion crisis for Taiwan, but the risk of marginalization became more urgent on Nov. 10 when China and South Korea announced the conclusion of substantive negotiations

on their bilateral FTA. The Ma administration loudly expressed serious concern, with the Ministry of Economic Affairs (MOEA) estimating that Taiwan's exports are likely to fall by 1.34 percent once the FTA takes effect, and that GDP will drop by 0.5 percent. MOEA estimated a 77 percent overlap between Taiwan's and Korea's exports, and pointed out that Korea has now concluded FTAs with three of Taiwan's four largest trade partners – China, the United States, and the European Union – and is conducting negotiations with the fourth, Japan. DPP officers downplayed the potential impact, and some anti-free trade activists and the CEO of the European Chamber of Commerce Taiwan all disputed MOEA's analysis of the threat.

Pushing for passage of the STA, Chinese officials did not hesitate to stoke Taiwan's fears of isolation. Taiwan's *Central News Agency* quoted Zhang Zhijun saying after his meeting with Wang Yu-chi at APEC that China would prefer to sequence its cross-strait agreements before the Korea FTA, but that Taiwan risks falling behind in regional integration. Later that month, a TAO spokesman said, "The signing of the China-South Korea FTA has indeed produced a challenge to the deepening of cross-strait economic cooperation, and it is now more urgent for the two sides of the Taiwan Strait to complete the follow-up ECFA talks as soon as possible."

In his meeting with Xi Jinping at APEC on Nov. 9, former Vice President Vincent Siew, representing President Ma, proposed that "the two sides should establish a new mechanism for joint participation in regional integration," and should "support each other and jointly participate in the Trans-Pacific Partnership Agreement, Regional Comprehensive Economic Partnership Agreement, and other regional economic cooperation mechanisms to enhance the Taiwanese people's confidence in cross-strait trade liberalization." Siew has raised Taiwan's desire for participation in regional economic integration in several previous meetings with Xi, but he has not publicly suggested "joint participation." Statements by the MAC and TAO after the Wang-Zhang meeting at APEC also referenced "joint participation in regional economic integration."

Hong Kong developments

The pro-democracy protests in Hong Kong, which began on Sept 26, led to a series of rhetorical exchanges between Taiwan and China, and was a factor in Xi Jinping's mention of "one country, two systems" as a model for cross-strait relations in his meeting with the unification delegation. Contrary to the analysis of many foreign journalists, the protests did not turn public opinion in Taiwan against "one country, two systems" – it was never attractive to Taiwan – and did not play a major role in the Nov. 29 elections. Instead, events in Hong Kong confirmed existing attitudes in Taiwan and highlighted the divide between authoritarian China and democratic Taiwan.

There was widespread sympathy in Taiwan for the Hong Kong students, and rhetoric quickly evolved to include Taipei-Beijing relations. On Sept. 29, President Ma said that true universal suffrage would be "a win-win scenario for both Hong Kong and mainland China" and the following day he said it would help narrow "the psychological gap between people in Taiwan and their counterparts in mainland China, which is beneficial to the positive development of cross-strait relations in the long run."

A MAC [statement](#) issued after Xi's remark said that a free and democratic system is "the core value" of Taiwan. Tsai Ing-wen said on Oct. 1, "We will not allow exterior forces to damage the

development of Taiwan's democracy." President Ma's Oct. 10 Republic of China (ROC) National Day [speech](#) was titled "Proud of Our Democracy, Proud of Taiwan." He spoke not only about Taiwan's democracy, but also urged Beijing "to take note that now is the most appropriate time for mainland China to move toward constitutional democracy." Citing common ancestry on the two sides of the Strait, Ma pledged that Taiwan "would of course be happy to work hand-in-hand with people in the mainland, Hong Kong, and Macau, share our experiences, and jointly seek out the best way forward to political and economic reform in the mainland."

The speech angered Beijing. A TAO spokeswoman implied that Ma's remarks were "irresponsible" and hinted that they could damage cross-strait relations. President Ma reiterated his support for the Hong Kong protesters and their goals in an interview published in the *New York Times* on Oct. 31, to which China's nationalistic *Global Times* responded with an insulting editorial calling Ma a self-important and disrespected "local head" with poor analysis of the situation in Hong Kong. When Xi Jinping and Vincent Siew met on Nov. 9, the Hong Kong protests were not discussed, but Xi reportedly told Siew that the two sides should respect each other's development and social systems, remarks that reflected his irritation at what he saw as Ma's interference in China's affairs.

South China Sea

On Sept. 1, in remarks opening an exhibit on "Historical Archives on the Southern Territories of the Republic of China," President Ma spoke about ROC claims in the disputed South China Sea. US experts have pressed Taiwan to clarify the documentary basis of the ROC claim, in part as a way of clarifying the history on which mainland China bases its claim. In his remarks, Ma focused consistently on ROC sovereignty over islands and their associated territorial seas, not on open maritime or seabed areas. Though some observers saw a clear statement that the U-shaped line on the ROC map released in 1947 does not represent a national boundary, Ma was carefully vague on this issue. But he noted the principle in the United Nations Convention on the Law of the Sea (UNCLOS) of, in his words, "sovereignty over land determines ownership of the surrounding waters," implying that the ROC's claim is limited to islands and their territorial seas only, and not to the entire area within the U-shaped line.

Taiwan's actions in the South China Sea are also based on upholding sovereignty over land features while proposing cooperation on maritime features. Taiwan has been upgrading its infrastructure and military presence on Taiping Island (Itu Aba) for years, including during the Chen Shui-bian administration. But Ma has said several times that the tenets of his East China Sea Peace Initiative – "safeguarding sovereignty, shelving disputes, pursuing peace and reciprocity, and promoting joint exploration and development" – should be applied to the South China Sea. On Dec. 20, an anonymous official was quoted as saying that the construction of a lighthouse on Taiping Island would mark the beginning of a "South China Sea Peace Initiative." Ma's statements and Taiwan's actions differentiate the ROC's claims in the South China Sea from those of the People's Republic of China (PRC).

Arms sales issues

On Sept. 8, in response to a question from a reporter about Taiwan's top arms acquisition priority of building diesel-electric submarines, US Chief of Naval Operations Adm. Jonathan Greenert

said he has “had conversations with [his] Taiwan counterpart” but that he couldn’t discuss them. A cross-party delegation of Taiwan legislators was in Washington at the time, meeting members of Congress to ask for US assistance for a domestic submarine program. In December, there were signs that Taipei had formally begun a long-term program to design and build submarines, as part of a 20-year plan for indigenous naval modernization and construction.

Despite Taiwan’s new emphasis on indigenous building, designed in part to lessen its reliance on acquisitions from the United States, US arms remain important to Taiwan’s ability to defend itself. On Dec. 4, the US Senate passed a bill authorizing the sale of four excess *Perry*-class frigates to Taiwan. (Taipei has domestically built *Perry*-class frigates in its naval inventory.) China’s Foreign Ministry protested this and also expressed the hope that the new Congress would prevent the sale from going forward, but on Dec. 18 President Obama signed the bill, authorizing the first new arms sale to Taiwan since 2011. Beijing lodged a protest with the United States, and reserved the right to take further action – a formal response but not a strong one. Taiwan has budgeted funds to purchase two of the frigates.

Looking ahead

While committed to its peaceful development policy, Beijing will have important tactical decisions to make about what can be accomplished in the remaining months of Ma’s presidency and on how it can position itself most effectively to influence the outcome of the 2016 election. What can be accomplished while Ma is a lame-duck president and during the election campaign, which is already underway, is unclear. Beijing’s priorities are to maintain momentum and to minimize the DPP’s prospects.

With the local elections behind her, DPP Chairperson Tsai must now decide upon her party’s future cross-strait policy, a major challenge. The DPP must also decide what posture it will take in the LY on the oversight bill, the STA, and other cross-strait issues.

Chronology of China-Taiwan Relations September – December 2014

Sept. 1, 2014: President Ma Ying-jeou opens exhibit in Taipei on “Southern Territories of the Republic of China.”

Sept. 2, 2014: Taiwan Affairs Office (TAO) Minister Zhang Zhijun visits Washington.

Sept. 2, 2014: President Ma expresses support for universal suffrage in Hong Kong.

Sept. 3, 2014: Finance officials discuss long-stalled tax agreement in Shanghai.

Sept. 6, 2014: TAO Minister Zhang Zhijun addresses overseas Chinese in San Francisco.

Sept. 12, 2014: Cross-Strait Merchandise Trade Agreement (MTA) talks conclude in Yilan.

Sept. 22, 2014: Hong Kong students launch class boycott for democracy.

Sept. 24, 2014: New Party Chairman Yok Mu-ming leads unification delegation to Beijing.

Sept. 24, 2014: Association for Relations Across the Taiwan Strait (ARATS) Deputy Zheng Lizhong begins week-long visit to Taiwan.

Sept. 25, 2014: President Ma receives American Institute in Taiwan (AIT) Chairman Raymund Burghardt in Taipei.

Sept. 26, 2014: Taiwan High Court upholds district court ruling that Kuomintang (KMT) acted illegally in revoking Speaker Wang Jin-pyng's membership.

Sept. 26, 2014: General Secretary Xi Jinping receives Yok Mu-ming's unification delegation; reiterates "one country, two systems" policy.

Sept. 27, 2014: President Ma says Taiwan does not accept "one country, two systems."

Sept 29, 2014: President Ma says Beijing's handling of Hong Kong developments could harm cross-strait relations.

Sept. 30, 2014: Legislative Yuan (LY) unanimously adopts resolution calling on Hong Kong to stop violent crackdown.

Oct. 10, 2014: In address "Proud of our Democracy," President Ma supports Hong Kong's desire for democratic elections.

Oct. 15, 2014: US-Taiwan Defense Review Talks held in Washington.

Oct. 16, 2014: Reversing previous reluctance, MAC says in a press conference that Dalai Lama would be welcome to visit Taiwan when conditions are right.

Oct. 25, 2014: ARATS Deputy Zheng Lizhong starts one-week Taiwan visit.

Oct. 27, 2014: *Global Times* accuses Taiwan of recruiting Chinese students as spies.

Oct. 30, 2014: People's Bank of China (PBOC) Deputy Governor Pan Gongsheng attends financial seminar in Taipei.

Nov. 1, 2014: President Xi Jinping visits Pingtan Comprehensive Experimental Zone.

Nov. 5, 2014: Taiwan's Minister of National Defense Yen Ming and other officials tour Taiping Island (Itu Aba).

Nov. 6, 2014: Taipei opens marine research center on Pratas Reef.

Nov. 8, 2014: Taiwan Economics Affairs Minister Duh Tyzz-jiun meets Chinese Commerce Minister Gao Hucheng at APEC.

Nov. 9, 2014: General Secretary Xi meets Taipei envoy Vincent Siew in Beijing.

Nov. 9, 2014: Beijing and Seoul announce completion of negotiation of Free Trade Agreement.

Nov. 12, 2014: TAO Minister Zhang and MAC Minister Wang meet in Beijing.

Nov. 26, 2014: Taipei mayor candidate Ko Wen-je denies 1992 consensus.

Nov. 29, 2014: KMT suffers unexpectedly large defeat in local elections.

Nov. 29, 2014: General Secretary Xi addresses Central Foreign Policy Work Conference.

Dec. 1, 2014: Premier Jiang Yi-huah and Cabinet resign.

Dec. 2, 2014: TAO spokesman expresses hopes for continued peaceful development of cross-strait relations on the basis of the 1992 consensus.

Dec. 3, 2014: State Department comments on Taiwan elections and encourages continued constructive cross-strait relations.

Dec. 3, 2014: Ma Ying-jeou resigns as KMT chairman.

Dec. 7, 2014: *Global Times* reports retired PLA general saying mainland will not abandon possibility of using force to resolve Taiwan issue.

Dec. 9, 2014: ARATS Chairman Chen Deming starts eight-day visit to Taiwan.

Dec. 10, 2014: Taoyuan-Chongqing municipal forum planned for February is cancelled.

Dec. 15, 2014: Cross-strait Entrepreneurs (CEO) Summit meets in Taipei.

Dec. 16, 2014: Board of Foreign Trade (BOFT) Director-General Yang Jen-ni visits Beijing for merchandise trade agreement (MTA) technical talks.

Dec. 18, 2014: President Obama signs bill offering four *Perry*-class frigates to Taiwan.

Dec. 21, 2014: New Taipei Mayor Chu Li-lun files candidacy in KMT chairman election.

Dec. 22, 2014: Wang Yu-chi tells Legislative Yuan (LY) that government must better communicate its cross-strait policies to Taiwan's people.

Dec. 23, 2014: Taipei Mayor Ko Wen-je says 1992 consensus is out-of-date.