

## China-Taiwan Relations: Unproductive Military Posturing

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This quarter much attention was focused on unproductive military posturing. While some saw an increase in military tension, it is more accurate to say that both sides were using military exercises to signal the political resolve behind their declared policies. One real issue – whether Taiwan will invest more in its own defense – was hotly debated in Taipei, but the Legislative Yuan (LY) took no action on the proposal. The months leading up to Beijing’s Central Committee Plenum in September saw considerable speculation about policy differences between Jiang Zemin and Hu Jintao, including over Taiwan. Although Jiang completed his retirement at the Plenum, it remains to be seen whether Hu will make significant adjustments in Taiwan policy next year. In Taipei, the LY passed proposed constitutional amendments including provisions to use referendums to ratify future amendments. Despite its past allergy to Taiwan referendums, Beijing reacted calmly. With the December LY elections in the offing, the standard dichotomy between rapidly expanding cross-Strait economic ties and deadlocked political dialogue continued to hold true this quarter.

### **Military signals**

This summer saw an unusual degree of attention to military exercises related to the Taiwan Strait. The PRC conducted its annual multi-service joint exercises on Dongshan Island in the southern approaches to the Taiwan Strait in July. Public comments by U.S. military analysts indicate that the exercises represented only incremental changes from past exercises. What was different this year was that the official PRC media reported on aspects of the exercises. Roughly simultaneously, Taiwan was conducting some portions of its annual “Hanguang” military exercise. For the first time in two decades, this year’s training included a highly publicized exercise of the use of a section of Taiwan’s main north-south freeway as an alternate runway for refueling and rearming Mirage fighters. Press reports indicated that a large U.S. military contingent was in Taiwan to observe and participate in phases of the “Hanguang” exercise. In August, Premier Yu Shyi-kun told the media that the PRC was simulating “decapitation” attacks designed to eliminate Taiwan’s leadership in the early phases of a military conflict.

Media reporting linked these two concurrent exercises to a major exercise being conducted by the U.S. Navy code-named “Summer Pulse 04.” This was a global exercise designed to demonstrate the U.S. ability to surge decisive military power even in a period when U.S. forces are already heavily committed in Iraq and Afghanistan. As part of the exercise was conducted in the Pacific, though not near Taiwan, some observers speculated that it was intended to show the U.S. ability to respond to contingencies in Korea or the Taiwan Strait, speculation that the U.S. government did not explicitly deny. In July, news leaked in Washington, later confirmed, that the National Defense University had conducted a crisis simulation exercise (code named “Dragon Thunder”) to examine responses to Taiwan Strait contingencies.

The media and some observers linked these military activities to Beijing’s threatening rhetoric about President Chen Shui-bian’s plans for constitutional reform to portray a picture of increasing military tension in the Strait. In retrospect, it appears that both sides were only using the exercises to underline their political resolve. No military incidents occurred in the Strait. Beijing has been concerned that many in the pan-green camp in Taipei believe China will not use force despite its firm warnings about that possibility and hence Beijing has been trying to persuade them that its capabilities and resolve are real. For its part, with widespread perceptions that the military balance in the Strait is shifting in China’s favor, Taipei is intent to demonstrate its defense preparedness. With Beijing’s rhetoric rising, Washington appears happy to let observers conclude that it has the capability to respond if Taiwan is attacked.

In late September, Premier Yu asserted that Taipei needs a “balance of terror” to deter the PRC from attacking Taiwan. Yu said, “You fire 100 missiles and I’ll fire 50 missiles back. If you attack Taipei and Kaohsiung, I’ll attack Shanghai. As long as we have the ability to counter-attack, Taiwan will be safe.” The official Chinese media accused Yu of clamoring for war. Other Chinese commentators brushed off his remarks as empty bravado, saying Taipei does not have such capabilities. Washington said that raising tensions was not welcome. Unfortunately, Yu’s remarks, made in the debate over the supplemental defense budget, represent an ambition held by many in the pan-green camp.

### **What took place on Dongshan?**

On Aug. 30, Taipei’s Ministry of Defense (MND) stated that the PRC had apparently withdrawn 3,000 troops from Dongshan Island. This was subsequently confirmed privately by PLA sources. Within hours of the MND announcement and while it was still uncertain just what had taken place on Dongshan or why, President Chen personally decided to call off a live fire drill that was part of Taipei’s Hanguang exercise, portraying his decision as a reciprocal goodwill gesture toward the PRC. The fact that Chen announced his decision on the way to his transit stop in Hawaii left the impression that the U.S. was a principal intended audience for his remark. Democratic Progressive Party (DPP) sources have mentioned privately that Chen was looking for a gesture that would be welcomed in the U.S. The U.S. State Department did comment subsequently that it welcomed such steps toward reducing tensions.

What is not yet clear publicly is why the PLA withdrew some troops that apparently had been sent to Dongshan for an exercise. There has been no mention or explanation in the official media, which one would expect if it were a goodwill gesture. It is possible that the PLA move was necessitated by weather considerations. But the absence of official comment did spawn speculation about whether this move was related to policy differences in Beijing or a tactical move designed to influence the debate in the LY over the supplemental defense budget.

### **Taiwan issues at the Fourth Plenum**

The past several months saw considerable speculation about policy differences between Party Secretary General Hu Jintao and Central Military Commission (CMC) Chairman Jiang Zemin. While Taiwan was said to be an issue on which differences existed, commentators were not able to describe what those differences were, except to assert a stronger inclination to emphasize military factors on Jiang's part. Throughout this period official spokesman adhered closely to the line laid out in Beijing's May 17 statement, and it appeared that no new policy directions would be set until after both the Fourth Plenum in September and the LY election in December. Whether or how purported differences affected Beijing's handling of specific Taiwan-related issues such as military exercises on Dongshan Island, pressure on pro-Chen businessmen, consideration of a Unification Law, the concert appearance by Taiwan pop singer A-Mei, or propaganda criticism of Chen "splittist" activities was difficult to see.

At the plenum, Jiang announced his retirement from the CMC, and Hu was appointed to take his place as chairman. Little can be gleaned from the brief references related to Taiwan in the official report on the plenum. The report contained standard language about the PRC basic policy of peaceful unification under the "one country, two systems" formula and referred to Jiang's eight-point proposal for promoting reunification "in the present stage." While Hu consolidated his position at the plenum, it will be some time before his personal imprint on Taiwan policy will become apparent.

Taiwan issues were prominently featured in official reporting on Jiang and Hu's attendance at an expanded CMC meeting on the last day of the plenum. Jiang stated that China should persevere in efforts for peaceful reunification but that it was a major political principle that China should never make a commitment to give up the use of force. "The better we prepare for the military struggle, the more likely we are to gain peaceful reunification in the future," Jiang said.

### **Constitutional amendments**

After months of haggling, the Legislative Yuan, with support from both the DPP and opposition parties, adopted a package of amendments to the ROC Constitution in August. While most deal with domestic matters, two provisions concerning procedures for future constitutional amendments and for changing the definition of the territory of the Republic of China touched on issues of concern to Beijing and Washington. In both these provisions, the amendments establish new procedures under which changes initiated by

the LY will be confirmed by popular referendum. Despite the PRC past allergic reactions to anything related to referendums on Taiwan, the official PRC media has been silent on the matter. Privately, Chinese analysts have noted that the three-quarters majority required in the legislature under the new procedures sets a high standard that the DPP and its allies are not able to achieve now, and probably will not be able to achieve in the future, without cooperation with the opposition. They see a domestic constraint on Chen's freedom of action.

The re-write of Article 4 – the territorial provision – is noteworthy as an indication that President Chen is abiding by his inaugural undertaking to keep sovereignty issues out of his push for constitutional reform. The re-write of Article 4 is accomplished now as an amendment to the 1947 constitution rather than as a part of a totally new constitution as Chen envisaged during the electoral campaign last fall. Hence the article is linked to the territory the ROC had in 1947. Second, the language in the re-write continues the concept that there is a “free area” of the ROC and by extension a “mainland area” as is mentioned in Article 11 of the current constitution. As such, fears that the territorial article would be amended in a way that stated or implied that the ROC was only the territory currently administered by Taipei were not borne out.

### **Defense budget debate**

The Ministry of Defense and the Chen administration have continued to press the LY to pass the NT\$610 billion supplemental defense budget. President Chen took a dive on one of Taiwan's submarines in August to underline his support for passage of the appropriation. The LY held a special session in July, at which it adopted important constitutional amendments and passed a NT\$350 billion supplemental budget for 10 major development projects, but took no action on the defense supplemental.

Despite intense consultations between LY President Wang Jin-pyng and senior MND officials, the prospect for passage of the defense supplemental in its present form is minimal. Opposition to the bill is widespread. It continues to be perceived as a form of insurance payment to the U.S. rather than as a needed self-defense investment. The supplemental has become a political issue in the run-up to the LY elections. Kuomintang (KMT) Chairman Lien Chan argued against the supplemental saying that domestic social and economic needs were higher priorities. The submarine component, which accounts for two-thirds of the supplemental, has occasioned the most controversy and opposition. The possibility of dealing with the submarines separately from the rest of the supplemental has been discussed but is not supported by either the Chen or Bush administrations. The intense lobbying for the bill by the Chen administration and the arguments against the bill from many public groups have created the first significant public debate on defense policies in Taiwan.

## **Cross-Strait transportation issue**

There has been no progress toward setting up talks on cross-Strait transportation issues. In July, Taiwan Affairs Office Deputy Wang Zaixi stated that such talks could only take place if Taiwan agreed to treat the transportation routes as “domestic.” This appeared to be a step backward from former Vice Premier Qian Qichen’s position that talks should take place on the basis of calling the routes “cross-Strait.” In August, President Chen stated that Taipei was now ready to have talks take place on the basis of the routes being considered “cross-Strait.” There has been no PRC response to this authoritative and welcome statement from Taipei.

The Mainland Affairs Council (MAC) reports that several Taiwan business groups have visited Beijing to explore modalities for getting talks started. The business groups have reported that PRC contacts have said that talks can only occur if Taipei agrees to treat the routes as “domestic,” comments that are consistent with Wang’s public comments. The MAC’s interpretation is that the PRC is delaying talks either because it does not wish to do anything that will benefit the DPP in the LY elections or because of internal policy differences in Beijing.

## **What’s in a name?**

During his visit to Honduras in August, Premier Yu repeatedly used the term “Taiwan, ROC.” This unleashed another public debate within the DPP about what Taiwan should be called internationally. President Chen eventually ended this debate by expressing his belief that the best synonym for the Republic of China was just “Taiwan.” The Foreign Ministry then rewrote its terminology guidance to say that in dealings with countries that recognize Taipei diplomatically the official name “the Republic of China” would be used but otherwise Taipei would prefer to call itself just “Taiwan.” In September, Premier Yu suggested that in parallel with this Taipei would no longer use the term “the Mainland” but refer to Beijing henceforth as China or the PRC. This would seem to imply a name change for the Mainland Affairs Council, but that has not happened, though the Cabinet has proposed to downgrade the MAC to an “office” under a new government reorganization plan. As would be expected, the Taiwan Affairs Office (TAO) has denounced these terminology changes as more evidence of President Chen’s “splittist” activities.

## **Diplomatic lessons for Taipei**

In September, the UN General Committee once again rejected the request of Taipei’s diplomatic allies that the question of Taiwan’s participation in the UN be put on the UN General Assembly agenda. That was predictable. Some other diplomatic setbacks were not well anticipated in Taipei. In August, Australian Foreign Minister Alexander Downer visited Beijing and reiterated his country’s adherence to the “one China” policy. Downer said that Taiwan’s pursuit of independence was a mistake and, when asked, added that Australia might not support a U.S. effort to defend Taiwan if it were attacked.

Earlier in July, Lee Hsien Loong of Singapore made a four-day unofficial visit to Taipei in part to size up the DPP leadership. Beijing criticized the visit and at one point threatened that negotiations on a free trade agreement with Singapore would be adversely affected. In August, Lee delivered his inaugural address as prime minister. He reiterated Singapore's "one China" policy, expressed concern that Taipei's policies threatened peace in the Strait and stated that Singapore would not support Taiwan in a conflict with China. Beijing welcomed and Taipei criticized his remarks. Taiwan officials are not unaware of the diplomatic costs of the DPP's campaign for a Taiwan identity. Yan Jiann-fa, the vice chair of the Foreign Ministry's Research and Planning Committee, acknowledged that attitudes toward Taiwan in ASEAN have changed. He noted that because of cross-Strait tensions, Southeast Asian countries no longer welcome visits by Taiwanese leaders.

### **Economics**

As is usual, despite the political strains, cross-Strait trade has continued to grow rapidly. Taipei's Board of Foreign Trade reported that Taiwan's exports to China during January-June 2004 reached \$21.45 billion, up 34.1 percent from a year ago and that China's exports to Taiwan totaled \$7.62 billion in the period, up 56.1 percent. In June, for the first time, China's exports accounted for more than 10 percent of Taiwan's total imports. Although the torrid pace of both China and Taiwan's export growth declined somewhat in this quarter, it appears that trade is continuing to expand this quarter at a double-digit rate.

### **Policy implications**

The heavy attention to military issues this quarter is a reflection of the current cross-Strait political tensions. Regrettably, this military posturing does little to advance the interests of any of the parties. Attention needs to be refocused on resuming cross-Strait dialogue. This cannot happen until after the December LY election clarifies the future political landscape in Taiwan and until Beijing, under Hu Jintao's leadership, has reviewed its approach to dealing with Taipei during the remainder of Chen's second term. Early next year could be a time of particular danger or opportunity. The area where cross-Strait progress may be possible is not on broad political issues but on cross-Strait economic and transportation issues. For its part, the U.S. should consider what further steps it can take to facilitate talks early next year and begin modulating its military ties with Taiwan in a way that supports its policy of discouraging unilateral steps to change the cross-Strait status quo.

## **Chronology of China-Taiwan Relations July-September, 2004**

- July 1, 2004:** Prodemocracy demonstration in Hong Kong.
- July 1, 2004:** Executive Yuan (EY) spokesman says Hong Kong developments show that Beijing reneges on its “one country, two system” promises.
- July 4, 2004:** China’s Association for Relations Across the Taiwan Strait (ARATS) sends the Taiwan-based Strait Exchange Foundation (SEF) written message of sympathy for hurricane losses.
- July 8, 2004:** U.S. National Security Advisor Rice in Beijing is told forcefully that arms sales send wrong message to Taipei.
- July 10, 2004:** Singapore’s Deputy PM Lee Hsien Loong arrives in Taipei for unofficial visit.
- July 13, 2004:** Mainland Affairs Council (MAC) Chair Joseph Wu in Washington for consultations.
- July 15, 2004:** Unconfirmed press reports indicate Jiang Zemin has said force may need to be used within 20 years to achieve unification.
- July 15, 2004:** *Xinhua* news agency states that military exercises on Dongshan Island have begun.
- July 17, 2004:** Pentagon spokesman acknowledges that recent “Dragon Thunder” exercise simulated PRC military action against Taiwan.
- July 21, 2004:** In “Hanguang” exercise, Taiwan military practices Mirage aircraft landings on highways.
- July 22, 2004:** Commander of U.S. Pacific Forces Adm. Thomas Fargo in Beijing hears message of opposition to arms sales.
- July 23, 2004:** *China Youth Daily* reports exercises on Dongshan Island have concluded.
- July 28, 2004:** Taiwan Affairs Office’s Wang Zaixi says three links only possible if routes are “domestic.”
- July 30, 2004:** In phone call to President Bush, President Hu urges end to arms sales.
- July 31, 2004:** For Armed Forces Day, Minister of Defense Cao Gangchuan says PRC will never tolerate Taiwan’s independence.

**Aug. 3, 2004:** President Hu reiterates opposition to arms sales to Sen. Ted Stevens' delegation.

**Aug. 3, 2004:** *China Daily* criticizes Lee Hsien Loong's visit to Taipei.

**Aug. 4, 2004:** NSC director Chiou I-jen in Washington to discuss President Chen's transits.

**Aug. 9, 2004:** Australian FM Downer in Beijing; reiterates "one China" policy and says Australia might not support U.S. in Taiwan's defense.

**Aug. 12, 2004:** Annual resolution on Taiwan participation presented to UN General Assembly.

**Aug. 12, 2004:** Taipei star A-Mei, at Beijing concert, makes propaganda statement.

**Aug. 14, 2004:** Large military air show in Taiwan.

**Aug. 15, 2004:** Premier Yu says Beijing practicing "decapitation" attack against Taipei.

**Aug. 17, 2004:** President Chen says transport routes should be called "cross-Strait."

**Aug. 18, 2004:** In Honduras, Premier Yu uses name "Taiwan, ROC."

**Aug. 21, 2004:** Premier Yu transits New York, makes anti-China statements.

**Aug. 22, 2004:** Foreign Minister Tan Sun Chen says he favors name "Taiwan (ROC)."

**Aug. 22, 2004:** Lee Hsien Loong reiterates Singapore's "one China" policy; says Singapore does not support Taipei's desire for independence.

**Aug. 24, 2004:** Legislative Yuan (LY) adopts series of constitutional amendments.

**Aug. 24, 2004:** Premier Yu's plane makes emergency stop in Okinawa.

**Aug. 26, 2004:** President Chen announces decision to shorten transit stops in U.S.

**Aug. 29, 2004:** President Chen stops in Honolulu, Hawaii enroute to Latin America.

**Aug. 30, 2004:** Taipei's Ministry of Defense (MND) states Beijing has withdrawn troops from Dongshan Island.

**Aug. 30, 2004:** President Chen announces cancellation of a live fire exercise.

**Aug. 30, 2004:** MND releases report on PLA military capabilities.

**Aug. 31, 2004:** Red Cross resumes cross-Strait repatriation of illegals and criminals.

**Sept. 1, 2004:** Vice Foreign Minister Zhou Wenzhong blasts U.S. arms sales to Taiwan.

**Sept. 1, 2004:** Taiwan and Korea sign agreement to resume air service.

**Sept. 3, 2004:** President Chen says “Taiwan” is best synonym for the Republic of China; stops in Seattle enroute to Taipei.

**Sept. 7, 2004:** President Chen honors Olympic medalists as “heroes of Taiwan.”

**Sept. 7, 2004:** TAO official says Beijing seriously considering a Unification Law.

**Sept. 8, 2004:** Executive Yuan proposes downgrading MAC to “Mainland Affairs Office.”

**Sept. 12, 2004:** Madame Chen arrives in Greece as head of Paralympics team.

**Sept. 14, 2004:** President Chen holds telepress conference with UN correspondents.

**Sept. 15, 2004:** Taiwan’s UN bid again rejected.

**Sept. 15, 2004:** Former U.S. DAS Don Keyser indicted for unauthorized trip to Taiwan.

**Sept. 19, 2004:** Jiang Zemin retires; Hu Jintao becomes chair of Central Military Commission (CMC).

**Sept. 19, 2004:** Jiang tells CMC to never give up right to use force for reunification.

**Sept. 19, 2004:** President Chen says Hu’s appointment should not lead to wishful thinking about China’s policy toward Taiwan.

**Sept. 20, 2004:** *Janes* reports China has tested a cruise missile with range of 1,500 km.

**Sept. 23, 2004:** PRC repatriates two most wanted criminals to Taiwan.

**Sept. 24, 2004:** Premier Yu proposes term “mainland” should be replaced by “China.”

**Sept. 25, 2004:** Premier Yu says Taiwan needs a “balance of terror” to deter PRC.

**Sept. 27, 2004:** PRC Foreign Minister Li Zhaoxing urges UN to recognize serious threat posed by Taipei’s “splittist” activities.

**Sept. 30, 2004:** Foreign Ministers Powell and Li meet at UN; Li says U.S. arms sales encourage separatism.