

# Comparative Connections

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## China-Taiwan Relations: More Progress, Stronger Headwinds

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Beijing and Taipei continued to work cooperatively through various dialogue channels to improve cross-Strait relations. The focus this quarter was on the first ever visit by a “designated representative” of the Chinese government to Taiwan – the visit of ARATS Chairman Chen Yunlin in November, when four agreements were signed. This process is gradually establishing a degree of trust in this long-troubled relationship. However, a vocal opposition minority in Taiwan disrupted the Chen visit and forced President Ma Ying-jeou to make adjustments. Despite the progress, there is still no evidence that Beijing has taken any steps to reduce its military threat directed at Taiwan. President Hu’s new six-point statement and Taipei’s initial reaction to it highlight the continuing gap between their positions. The global economic crisis is confronting the relationship with new challenges, the scope of which is not yet clear. Internationally, Taiwan’s desire for participation in the WHO will be a test of this evolving relationship next spring.

### Dialogues and preparations

After a decade without dialogue between the governments in Beijing and Taipei, the channels of communication are now working quite well. The formal channel is between the two sides “designated representatives” – Beijing’s Association for Relations across the Taiwan Strait (ARATS) and Taipei’s Straits Exchange Foundation (SEF). Communication between the Nationalist Party (KMT) and the Chinese Communist Party (CCP) serves as a parallel channel. While these channels work in tandem, there is some competition between the two on the Taiwan side. The new ARATS-SEF agreements have now established frameworks for direct contacts between officials of the two sides on food safety, postal, and air traffic control matters.

In October, the focus was on preparations for the symbolic first visit of an ARATS chairman to Taiwan planned for late October or early November. SEF-ARATS contacts developed the agenda of agreements to be signed. The melamine-tainted milk scandal in China added a food safety agreement to the air and sea transportation agreements that were expected. A postal agreement was also in the works.

In late October an incident occurred that threatened these preparations. ARATS Vice Chairman Zhang Mingqing accepted an invitation to join the Chinese delegation to a minor cultural conference in Tainan. Although another ARATS vice chairman, Wang Zaixi, had made a 10-day visit to Taiwan in July without incident, Zhang’s visit sparked demonstrations. Out of

government and with only a weak minority in the Legislative Yuan, Democratic Progressive Party (DPP) activists were looking for ways to have their voice heard on cross-Strait relations. A DPP councilman in Tainan, Wang Ding-yu, called on the public to protest Zhang's visit. An unruly crowd mobbed Zhang's car, and Zhang was personally roughed up. Taipei was embarrassed, ARATS protested, and Zhang's visit was cut short. However, both sides moved quickly to contain the damage and announced that ARATS Chairman Chen Yunlin's visit would not be postponed.

Seeing that they could have an impact by taking to the streets, the DPP moved ahead with plans for a major demonstration in Taipei on Oct. 25. The demonstration, which attracted a couple of hundred thousand people, reflected criticism of President Ma, anger over the Chinese tainted milk scandal's impact on Taiwan, and opposition to the visit of Chen Yunlin. Although Taiwan's voters had given Ma a large majority in the March election, many Taiwanese, beyond just hard-core DPP supporters, were suspicious of Hong Kong-born Ma's handling of relations with the mainland and uncertain what was planned for the Chen visit. Reflecting these suspicions, former President Chen Shui-bian and the Southern Taiwan Society accused Ma of treason for planning to cede Taiwan to the People's Republic of China (PRC).

The Ma administration took a number of steps, both tough and conciliatory, to respond. In Tainan, prosecutors moved rapidly to detain Wang Ding-yu for fomenting violence. The police, caught off guard in Tainan, planned a massive presence to control demonstrations during Chen's visit. President Ma reassured the public more than once that Taiwan's "dignity," a code word for sovereignty, would be maintained during Chen's visit. At Taipei's request, ARATS sent SEF a letter apologizing for the tainted milk scandal. (Chinese have noted that Beijing had not made a similar apology to the Chinese people.)

Most importantly, President Ma announced that he would receive Chen Yunlin in his capacity as president of the Republic of China (ROC). When SEF Chairman Chiang Pin-kung had met Hu Jintao in June, Hu received him in his capacity as CCP general secretary to avoid any appearance that meeting Taipei's designated representative implied official recognition. Each had addressed the other by those organizational titles. As Ma holds no KMT party position, this pattern could not be followed in Taipei. Ma had earlier said that he would not object to Chen addressing him as "Mr. Ma." After the attack on Zhang in Tainan and on the eve of the Oct. 25 demonstration, Ma announced that he would receive Chen in his capacity as ROC president.

### **Chen Yunlin's visit**

Chen Yunlin's Nov. 3-7 visit was highly symbolic because it was the first visit to Taipei by Beijing's designated representative. Former ARATS Chairman Wang Daohan was to have made such a visit in 1999, but Beijing cancelled it after then President Lee Teng-hui characterized Taipei-Beijing relations as a "state to state" relationship. On his arrival, Chen tried to address opposition concerns by apologizing personally for the tainted milk exports and by reassuring critics that the visit would stick to economics and avoid political issues.

On Nov. 4, SEF and ARATS signed four agreements:

- a shipping agreement that authorized direct shipping between designated ports;

- an air agreement that authorized daily charter flights between an expanded list of cities, authorized limited cargo charter flights, and approved direct flight routes that no longer had to pass through Hong Kong airspace;
- a postal agreement authorizing mail to be shipped directly between postal authorities; and
- a food safety agreement providing for direct contacts between food safety and sanitary offices of the two governments.

As noted, three of these agreements authorized for the first time direct dealings between officials of the respective governments under the ARATS-SEF umbrella – food safety officials, postal officials and air traffic controllers. Both sides trumpeted these concrete agreements, which were welcomed publicly by the major business associations in Taiwan.

Meanwhile, problems were occurring in the streets between police and demonstrators. DPP Chairperson Tsai Ying-wen had tried to channel protest into a three-day peaceful sit-in. Rising tensions between the heavy police presence and demonstrators frustrated by restrictions on their activities forced Tsai to take a tougher approach. She called for a siege of the guest house where the meeting between Ma and Chen was to take place. On the night of Nov. 5, a large demonstration forced Chen Yunlin and his dinner host KMT Chairman Wu Poh-hsiung to remain holed up in the Regent Hotel until 2:00AM, when police finally cleared the streets for Chen to return to his hotel.

The capstone of Chen's visit was to have been a private meeting with President Ma in the late afternoon of Nov. 6. Fearing that the DPP siege would block the streets to prevent the meeting from occurring, Ma was forced to modify those plans. That morning, he held an impromptu press conference at which he reiterated that Taiwan's dignity would be maintained and that he would receive Chen as ROC president. The Ma-Chen meeting occurred immediately afterward, before the demonstrators assembled and was limited to an eight-minute entirely public exchange of gifts and remarks. No private meeting occurred to avoid feeding opposition suspicions that some secret deal was being concocted. The question of how the two would address each other was finessed at the last minute by having an official announce "President Ma" as he walked into the room. Chen did not address him as President Ma. The Chinese official media reported that "Ma Ying-jeou the leader of the Taiwan authorities" had met Chen. Ma's Presidential Office reported that "President Ma" had received Chairman Chen.

DPP activists were not satisfied that their actions had forced this change of plans. Rather, they were furious that the change had once again prevented them from venting their opposition to the visit the way they wished. Tsai Ying-wen was unable to control the fallout and violent clashes occurred that evening between demonstrators and police outside Chen's hotel. When Chen left the next day, Beijing officials emphasized the positive accomplishments of the visit and said nothing about the demonstrations.

In the weeks since the visit, both sides have cooperated in smoothly implementing the agreements. ARATS and SEF attention has shifted to planning for their next meetings in the

spring, which will focus on financial sector issues including an agreement on cross-Strait cooperation on financial sector regulation. Nevertheless, President Ma remains under pressure to justify his handling of cross-Strait relations from continuing DPP attacks asserting that he has sacrificed Taiwan's dignity, most recently with respect to the transfer of China's gift pandas to Taiwan. In late December, Ma had the Cabinet convene a conference on mainland policy at which he urged greater efforts to keep the public informed – an admission both of the seriousness of the opposition criticism and the weakness of his administration's public relations work.

### **President Hu's six-point statement**

On Dec. 31, the 30<sup>th</sup> Anniversary of the 1979 "Letter to Taiwan Compatriots." President Hu Jintao issued a significant statement on the peaceful development of cross-Strait relations. The statement emphasizes the one China principle and the historical necessity of unification, though this should be accomplished with wisdom and patience. While ARATS-SEF talks are taking place on the basis of the 1992 consensus (which allows each side to have its interpretation of the term), Hu's statement says that on the basis of a "common understanding about one China" all matters can be discussed. Taiwan's desire for greater international space can be addressed so long as they do not create a scenario of "two Chinas" or "one China, one Taiwan." Hu called for discussion of a comprehensive economic cooperation agreement with "cross-Strait characteristics," and the cross-Strait promotion of Chinese culture to strengthen a "national consciousness," in Taiwan and the mainland.

The Presidential Office in Taipei issued a brief response that struck a positive tone but emphasized the government's protection of Taiwan's sovereignty and dignity and reiterated that talks between the two sides should be conducted on the basis of the 1992 consensus and mutual non-denial by Beijing and Taipei. The DPP issued a statement reiterating that Taiwan's future must be decided by the people of Taiwan and urging the Ma administration to be careful in responding to the six points. Both President Hu's statement and the Presidential Office's response were crafted taking into account the differing domestic politics on each side.

### **Trade plunges in global recession**

In September, Taiwan's exports to China dropped 14.7 percent marking the first time in a decade they decreased compared to a year earlier, according to Taipei statistics. The slump only accelerated thereafter. In November, exports to China plummeting 38.5 percent and the Ministry of Economic Affairs announced in late December that future export orders to China had fallen 45.4 percent in November. This precipitous drop was part of the general collapse of international trade that also saw China's global exports decline in November by 2.2 percent. Uncertainty will continue to unsettle markets.

The fourth CCP-KMT Economic Forum, held in Shanghai Dec. 20-21, occasioned calls for cross-Strait economic cooperation to cope with the global economic slowdown. Taiwan Affairs Office (TAO) Minister Wang Yi announced a package of 10 measures the PRC would take to aid Taiwanese business. The main items were a promise of 130 billion yuan in loans for Taiwan invested enterprises (TIEs) and a PRC pledge to purchase of \$2 billion of flat panel displays from Taiwan manufacturers. These measures reflected Beijing's belief that the crisis represented

an opportunity to gain good will. Leaders in Taiwan responded positively but cautiously to the PRC offers, noting that past offers of loans to TIEs had resulted in less than first promised.

Late in December, China's National Off-shore Oil Company (CNOOC) and Taiwan's Chinese Petroleum Company (CPC) signed four agreements for cooperation on oil and natural gas exploration in the Taiwan Strait and Kenya.

### **International space**

This quarter has seen some positive developments with respect to Beijing's handling of Taiwan's demand for increased access to international organizations. After discreet consultations with Beijing, President Ma announced that Lien Chan would represent him at the annual APEC Leaders Meeting in Lima. This was interpreted in Taipei as a breakthrough because Lien Chan had previously served as vice president. In 2001, China had rejected Chen Shui-bian's designation of another former vice president, Li Yuan-zu, as Chen's APEC representative viewing the selection as inconsistent with Taiwan's restricted status in APEC. In Lima, Lien was granted a meeting with Hu Jintao – another first in the APEC context. An understanding on terminology was again important. Ma made clear his perspective that Lien was sent to Lima as the representative of the ROC president. Beijing reported that Lien, in his capacity as Honorary Chairman of the KMT, met with CCP General Secretary Hu, putting the meeting into the cross-Strait inter-party context.

Taipei and Beijing have also pointed to two other developments. In November, Taipei joined the Agency for International Trade Information and Cooperation (AITIC) an inter-governmental organization. Taipei joined as a “special customs territory” and again accepted the shorthand name “Chinese Taipei.” In December, Taipei adhered to the WTO's Government Procurement Agreement (GPA). The delay in Taipei's adherence was primarily because of domestic constraints, but when Taipei was ready Beijing did not object to its joining.

Despite these positive developments, Taipei and Beijing continued to see the World Health Assembly (WHA) meeting next May as the real test of Beijing's goodwill with respect to international space for Taiwan. The issue has two aspects. Whether and how Taiwan would become an observer at the WHA? And, to what extent Beijing would ease the restrictions imposed on Taiwan's participation in World Health Organization (WHO) activities by the Memorandum of Understanding (MOU) that Beijing negotiated with the WHO Secretariat in 2005? The answers to these questions remain unclear.

For the first time, Taipei will seek to address these issues through discreet consultations with Beijing. It is encouraging that State Councilor Dai Bingguo has publicly expressed confidence that the two sides have the wisdom to resolve these issues. However, it appears that Beijing is concerned about the future return of a DPP government and therefore wants Taiwan to become a WHA observer in a way that could be revoked in the future. Keeping such tight control of Taiwan's participation would likely be seen by the Taiwan public as evidence of Beijing's continuing hostility.

## **Security issues**

There continues to be no indication that Beijing has reduced its military deployments threatening Taiwan. In December, U.S. Pacific Command (PACOM) Commander Adm. Keating told the U.S. Congress that there had been no significant changes in Chinese deployments. President Ma and many others in his administration have repeatedly made clear that they are looking for a reduction in the missile threat to Taiwan. PRC officials continue to defend People's Liberation Army deployments as necessary to deter separatism in Taiwan.

Scholars in Beijing state that considerable research is being done about possible approaches to a future cross-Strait peace accord. What conclusions the government may be reaching about a peace accord is unclear and comments from scholars indicate that any agreement is likely to be long in coming. Taipei too appears to be only in the early stages of considering the issue. Both sides are also considering possible military confidence-building measures (CBMs). However, officials from Beijing have not been positive about the prospects for early action on CBMs saying that cross-Strait talks will focus on economics before turning to difficult political issues.

## **Looking ahead**

SEF and ARATS are working together productively following their shared approach of focusing on the easier economic issues first. In the process a degree of trust is being established between the two administrations. However, President Hu's new six point statement and Taipei's initial reaction to it highlight the continuing gap between their positions. In the coming months two issues will test the relationship.

The first is the precipitous decline in global trade. Since Taiwan's exports to China are falling more rapidly than Taiwan's worldwide exports, opponents of closer economic ties with China will likely argue that Taiwan will suffer from its heavy dependence on the China market. Recognizing the challenge, China has announced measures to benefit Taiwan, but how these will be implemented remains to be seen. With economic conditions changing with unprecedented speed, it is difficult to foresee how cross-Strait relations will be affected.

The second and more clearly understood issue is Taiwan's participation in the WHO. It seems possible that Beijing and the Ma administration may be able to strike a deal. However, if Beijing seeks to make it clear publicly that Taiwan is only able to participate because Beijing allows it to do so, the Taiwan public would resent this. Such an outcome would also feed opposition criticism of Ma's policies.

Barack Obama will become the U.S. president on Jan. 20. Both Beijing and Taipei expect continuity in the U.S. approach to cross-Strait issues. Nevertheless, in his first telephone call with President-elect Obama, President Hu urged careful handling of the Taiwan issue.

## **Chronology of China-Taiwan Relations October-December 2008**

- Oct. 3, 2008:** The Bush administration notifies Congress of a \$6.5 billion Taiwan arms package.
- Oct. 6, 2008:** U.S. Department of Defense reports that China has postponed various military-to-military activities to protest U.S. arms sales to Taiwan.
- Oct. 7, 2008:** Premier Liu Chao-shiuan states that if the Association for Relations across the Taiwan Strait (ARATS) chairman is to meet him, he must address him as “premier.”
- Oct. 10, 2008:** President Ma Ying-jeou reiterates that he will put Taiwan’s interests first in pursuing cross-Strait relations.
- Oct. 10, 2008:** Democratic Progressive Party (DPP) Chairperson Tsai Ing-wen says Taiwan’s dignity must be maintained during ARATS Chairman Chen Yunlin’s visit.
- Oct. 13, 2008:** Taiwan Tourism Bureau Director Lai Seh-jen visits mainland to promote tourism.
- Oct. 13, 2008:** National Security Council Secretary General Su Chi tells Legislative Yuan that President Ma will meet ARATS Chairman Chen with “equality and dignity.”
- Oct. 14, 2008:** Chinese Defense Minister Liang Guanglie urges U.S. to cancel arms sales to Taiwan.
- Oct. 17, 2008:** Premier Liu repeats call for a PRC apology over tainted milk.
- Oct. 19, 2008:** DPP Chairperson Tsai says people don’t trust President Ma.
- Oct. 19, 2008:** Mainland Affairs Council (MAC) Chairperson Lai Shin-yuan says there are no political issues on ARATS Chairman Chen’s Taiwan visit agenda.
- Oct. 20, 2008:** ARATS Vice Chairman Zhang Mingqing visits Tainan for conference.
- Oct. 21, 2008:** President Ma outlines “effective deterrence” strategy
- Oct. 21, 2008:** DPP-led mob harasses ARATS Vice Chairman Zhang in Tainan.
- Oct. 22, 2008:** China returns 13 criminals to Taiwan via Matsu Island.
- Oct. 23, 2008:** Kinmen and Xiamen authorities hold joint search and recovery exercise.
- Oct. 23, 2008:** Ma Ying-jeou says he will receive ARATS Chairman Chen in his capacity as president of the Republic of China.

**Oct. 27, 2008:** ARATS and Straits Exchange Foundation (SEF) hold preparatory talks in Shenzhen and announce dates for the visit to Taiwan by ARATS Chairman Chen.

**Oct. 27, 2008:** SEF reports ARATS letter apologizing for tainted milk.

**Oct. 27, 2008:** *Defense News* reports the U.S. is blocking the sale of items to Taiwan's Chung Shan Institute of Science & Technology (CSIST) to stop development of the *Hsiung Feng 2E* land attack cruise missile program.

**Oct. 28, 2008:** Seven Taiwan business groups issue statement welcoming Chen Yunlin visit.

**Oct. 29, 2008:** Taipei announces Lien Chan to be President Ma's APEC representative.

**Oct. 30, 2008:** DPP member Wang Ding-yu indicted for violence against Zhang.

**Oct. 30, 2008:** ARATS Chairman Chen Yunlin expresses apology over tainted milk products.

**Oct. 30, 2008:** Taiwan Affairs Office (TAO) Minister Wang Yi mentions the importance of World Health Organization issue in cross-Straits relations.

**Nov. 1, 2008:** *Taipei Times* editorial says President Ma's policies could provoke civil unrest.

**Nov. 1, 2008:** TAO issues simplified rules for Taiwan correspondents.

**Nov. 3, 2008:** ARATS Chairman Chen Yunlin arrives in Taiwan and states his visit will not touch on political issues.

**Nov. 3, 2008:** Chairperson Tsai calls on people to besiege guest house where Chen is staying.

**Nov. 4, 2008:** SEF uses official titles to introduce Taiwan participants to Chen Yunlin; Chen meets MAC Chair Lai, but does not use her title.

**Nov. 4, 2008:** Former President Chen Shui-bian accuses President Ma of treason.

**Nov. 4, 2008:** Southern Taiwan Society accuses Ma of ceding Taiwan to PRC.

**Nov. 5, 2008:** Demonstrators barricade Chen Yunlin in Regent Hotel.

**Nov. 6, 2008:** Brief public meeting between President Ma and ARATS Chairman Chen.

**Nov. 10, 2008:** Taiwan Education Minister Cheng Jei-cheng explains plans to accept Chinese students and academic degrees beginning in 2009.

**Nov. 10, 2008:** MAC says Chen visits shows China does not deny Taiwan's sovereignty.

**Nov. 10, 2008:** President Ma meets APEC delegation stressing that Lien Chan will represent both ROC and himself.

**Nov. 15, 2008:** Taiwan becomes “sponsoring member” of Agency for International Trade Information and Cooperation (AITIC)

**Nov. 16, 2008:** TAO Minister Wang Yi announces measures to help Taiwan in financial crisis.

**Nov. 17, 2008:** *United Democratic Nations (UDN)* reports PRC deployment of YJ-62A anti-ship missile on coast.

**Nov. 20, 2008:** SEF Secretary General Kao Koong-lian leads delegation to Guangdong and Beijing.

**Nov. 20, 2008:** Chinese Ministry of Foreign Affairs says APEC issues handled under one China principle and corrects reporter for saying “President Ma.”

**Nov. 21, 2008:** General Secretary Hu and Lien Chan meet in Lima.

**Dec. 3, 2008:** President Ma in an interview says time is not ripe for a visit by the Dalai Lama.

**Dec. 5, 2008:** Hong Kong Trade Development Council opens Taipei office.

**Dec. 7, 2008:** KMT Chairman Wu Poh-Hsiung begins first visit to Japan.

**Dec. 8, 2008:** Chinese Defense Minister Liang Quangle urges U.S. to end arms sales to Taiwan.

**Dec. 10, 2008:** Taiwan joins World Trade Organization Government Procurement Agreement.

**Dec. 14, 2008:** Direct cross-Strait postal service begins.

**Dec. 15, 2008:** Direct shipping service is implemented from Kaohsiung.

**Dec. 17, 2008:** TAO spokesman says WHO solution will be found through talks.

**Dec. 20-21, 2008:** Fourth KMT-CCP Forum is held in Shanghai where Beijing announces economic measures to benefit Taiwan.

**Dec. 22, 2008:** MAC Chairwoman Lai reiterates only SEF authorized to speak for government.

**Dec. 23, 2008:** China’s gift Pandas arrive in Taipei.

**Dec. 26, 2008:** China’s National Off-shore Oil Company (CNOOC) and Taiwan’s Chinese Petroleum Company (CPC) sign cooperation agreements.

**Dec. 28, 2008:** Taiwan Cabinet holds mainland affair conference.

**Dec. 31, 2008:** President Hu issues six-point statement on cross-Strait relations.